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

Puerto Rico Convention Center District Authority

(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2015

AND

INDEPENDENT AUDITORS' REPORT

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

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Convention Center District Authority

Report on the Basic Financial Statements

We have audited the accompanying statement of net position of the Puerto Rico Convention Center District Authority (the Authority) (a Component Unit of the Commonwealth of Puerto Rico) as of June 30, 2015, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and notes to the basic 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 basic 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 basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2015, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 12 to the financial statements, there is uncertainty regarding the availability of Commonwealth's appropriations to repay the Authority's debt to the Government Development Bank and approximately $12 million of the Authority's own revenues for the second semester of fiscal year 2016 will be withheld by the Commonwealth pursuant Executive Order No. OE-2015-46 and will not be available to pay principal and interest on the Authority's Hotel Occupancy Tax Revenue Bonds. These liquidity challenges faced by the Authority and the uncertainty as to its ability to satisfy its obligations when due, raise substantial doubt about its ability to continue as a going concern. A Commonwealth's restructuring proposal is currently under discussion between the Commonwealth and its Components Units (including the Authority) and its creditors, as described in Note 12. The final 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 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

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

April 1, 2016
San Juan, Puerto Rico

License No. 90
Expiration date: December 1st, 2016

Stamp No. E191212 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, 2015

As management of Puerto Rico Convention Center District Authority (the Authority), we offer readers of the Authority's basic financial statements our discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2015. Our discussion and analysis provide an assessment of how the Authority's financial position and results of operations have improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the Authority's basic financial statements, which follow this section.

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

Financial Highlights

- The Authority's total assets decreased by $ 7.7 million in 2015 or .97%
- The Authority's total liabilities increased by $ 2.6 million in 2015 or .43%
- The Authority's net position decreased by $ 10.3 million in 2015 or 5.31%
- Operating revenues increased by $ 163 thousands in 2015 or .62%
- Direct operating costs and expenses decreased by $ 1.2 million in 2015 or 15.94%
- Other operating expenses decreased by $ 71 thousands in 2015 or .18%
- Nonoperating revenues— net decreased by $ 7.6 million in 2015 or 37.04%

Overview of the Financial Statements

This annual financial report consists of three parts: the management's discussion and analysis; the basic financial statements of the Authority, including notes that explain in more detail some of the information in the basic financial statements; and other supplemental schedules.

- 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.

- The statement of net position presents information regarding all of the Authority's assets and liabilities. The difference between the mentioned components is reported as net position. Increase and decrease in net position provide an indication of whether the Authority's financial health is improving or deteriorating.

- 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.

- The statement of cash flows explains the sources and uses of cash during the fiscal year classified in operating, noncapital financing, capital and related financing, and investing activities.

Financial Analysis of the Authority

The following summarizes the Authority's financial position as of June 30, 2015 and 2014 (in thousands):

STATEMENTS OF NET ASSETS (in 000's)

	2015	2014	Variance
Assets:			
Current assets	$ 57,008	$ 51,015	$ 5,993
Capital assets — net	684,967	695,333	(10,366)
Other noncurrent assets	47,155	50,472	(3,317)
Total assets	$ 789,130	$ 796,820	$ (7,690)
Liabilities:			
Current liabilities	$ 52,642	$ 39,749	$ 12,893
Noncurrent liabilities	552,758	563,032	(10,274)
Total liabilities	605,400	602,781	2,619
Net position:			
Invested in capital assets	106,962	111,358	(4,396)
Restricted for debts service and construction	55,068	58,184	(3,116)
Unrestricted	21,700	24,497	(2,797)
Total net position	183,730	194,039	(10,309)
Total liabilities and net position	$ 789,130	$ 796,820	$ (7,690)

Assets

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

For the 2015 fiscal year, total assets decreased by $7.7 million or .97% when compared to the previous year. The decrease in this category can be attributed to the following:

- Increase in cash by $7.1 million directly related to the collections of ticket sold in advance for successful events presented in the Coliseum during the subsequent fiscal year.

- Decrease in investments by $2.7 million related to a requisition to the repayment of construction costs from the proceeds fund created under the Trust Agreement dated March 26, 2006 (see Note 3 to the financial statements).

- Increase in prepaid expenses by $1 million related to an increase in insurance.

- Decrease in notes receivables by $3.3 million related to the effect of the recoginiton of an allowance for doubtful account of $3.3 million due to the uncertainty of collection (see Note 6 to the financial statements).

- Net decrease in capital assets by $10.4 million related to depreciation expense during the year for $10.8 million, acqusitions of $477 thousands, and dispositions of $137 thousands.

Liabilities

For the 2015 fiscal year, total liabilities increased by $2.6 million or .43% when compared to the previous year. The decrease in this category can be attributed to the following:

- Net increase in accounts payable and accrued expenses by $4.2 million mainly related to the unavailability of appropriation from the Commonwealth for the full satisfaction of current year interest payments on the Authority's lines of credit (see Note 8 to the financial statements), thus interest payable increased; and a decrease in the Convention Center payables to the Puerto Rico Electric Power Authority.

- Increase in customers deposits payable by $8.4 million directly related to the increase in cash explained above.

- Increase in unearned revenues by $1.5 million related to the increase in deferred billing and non-monetary agreements.

- Decrease in bonds payable by $11.6 million related to the principal payment of bonds and lines of credit, plus discount amortization on bonds payable (see Notes 8 and 9 to the financial statements).

Net Position

For the 2015 fiscal year, net position decreased by $10.3 million or 5.31% when compared to the previous year. The decrease in this category can be attributed to the following:

- Decrease in net investment in capital assets by $4.4 directly related to the net decrease in capital assets of $10.4 and the net effect of the decrease of related debts and the increase in interest payable.

- Decrease in restricted net position for construction by $3.2 mainly related to the decrease in investments explained above.

- Decrease in unrestricted net position by $2.8 mainly related to decrease in contributions from the Commonthwealth – General Fund.

Statements of Revenues, Expenses and Change in Net Position

Following is a summary of the statements of revenues, expenses and change in net position for the years ended on June 30, 2015 and 2014 (in thousands):

	2015	2014	Variance
Operating revenues	$ 26,357	$ 26,194	$ 163
Direct operating costs and expenses	(8,955)	(8,338)	617
Administrative expenses	(40,634)	(39,949)	685
Nonoperating revenues — net	12,923	20,525	(7,602)
Change in net position	(10,309)	(1,568)	(6,137)
Net position — beginning of year	194,039	195,607	(1,568)
Net position — end of year	$ 183,730	$ 194,039	$ (10,309)

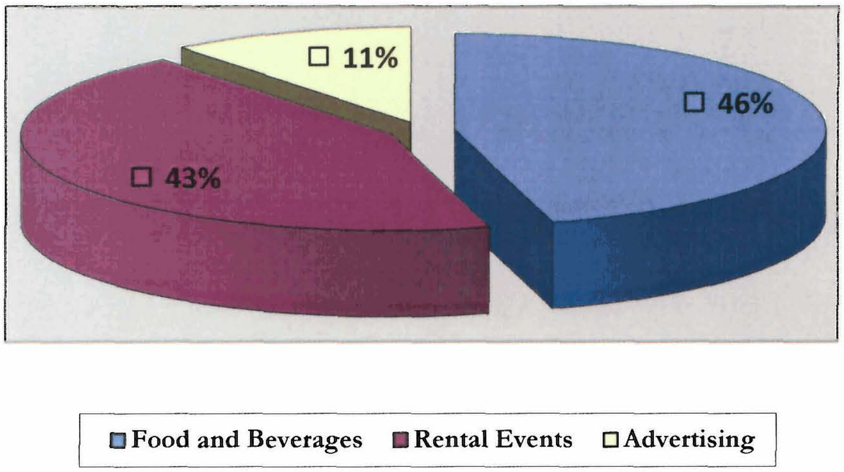
Operating Revenues

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.

Operating revenues did not experience a significant fluctuation from the previous fiscal year. Operating revenues increased by $163 thousands or .62%, a small monetary impact to the overall total.

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

2015 Revenues



Direct Operating Costs and Expenses

Direct operating costs and expenses did not experience a significant net fluctuation from the previous fiscal year. For the 2015 fiscal year, direct operating costs and expenses increased by $617 thousands or 7.40% when compared to the previous year.

Administrative Expenses

Administrative expenses did not experience a significant net fluctuation from the previous fiscal year. For the 2015 fiscal year, other operating or administrative expenses increased by $685 thousands or 1.71% when compared to the previous year.

Non-Operating Revenues, net

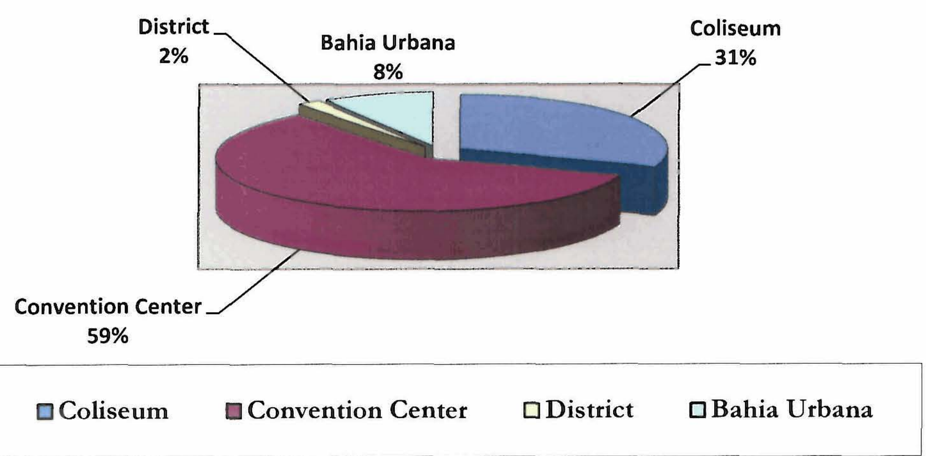
The Authority's nonoperating revenues are substantially comprised of funds allocated from the room tax law enacted by the Commonwealth of Puerto Rico and levied by the Puerto Rico Tourism Company and appropriations of the Legislature. The room tax revenues provided, among other things, for the debt service payment of the bonds issued for the financing of the Convention Center and to cover the Convention Center's administrative funds. The appropriations of the Legislature provided for the debt service payment of the line of credit used to finance the Coliseum.

For the 2015 fiscal year, non-operating revenues, net decreased by $7.6 million or 37.04% when compared to the previous year. The decrease in this category can be attributed to the decrease in contributions from Commonwealth – General Fund by $9.3 million, among others, for the payment of interest payable on lines of credit during the current year.

Capital Assets

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

2015 Capital Assets



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

Long-Term Debt

The Authority's long-term debt consists of two lines of credit with GDB and bonds payable, which amounted to approximately $145.2 million and $403.4 million, respectively, as of June 30, 2015. The lines of credit were obtained for the construction of the Coliseum and the bonds were issued to finance the development of the Convention Center.

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

Contacting the Authority's Financial Management

This financial report is designed to provide to the general 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 P.O. Box19269, San Juan, Puerto Rico, 00910-1269.

* * * * *

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2015

ASSETS	
CURRENT ASSETS:	
Cash	$ 20,783,301
Accounts receivable — net	6,010,652
Due from Puerto Rico Tourism Company	5,880,059
Prepaid expenses	2,350,789
Other assets	280,477
Restricted assets:	
Cash	227,173
Investments	21,475,247
Total current assets	57,007,698
NON-CURRENT ASSETS:	
Restricted assets — investments	33,365,591
Prepaid insurance	9,081,653
Long-term accounts receivable	2,883,057
Notes receivable	1,824,663
Capital assets:	
Non-depreciable	290,037,717
Depreciable — net	394,929,628
Total noncurrent assets	732,122,309
TOTAL	$ 789,130,007

(Continued)

STATEMENT OF NET POSITION

June 30, 2015

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Current liabilities payable from unrestricted assets:	
Accounts payable and accrued expenses	$ 17,317,983
Customer deposits payable	10,568,293
Unearned revenues	4,191,312
Total current liabilities payable from unrestricted assets	32,077,588
Current liabilities payable from restricted assets:	
Current portion of bonds payable	10,790,000
Interest payable on bonds	9,774,406
Total current liabilities payable form restricted assets	20,564,406
Total current liabilities	52,641,994
NON-CURRENT LIABILITIES:	
Unearned revenues	4,037,284
Borrowings under lines of credit	145,284,916
Bonds payable	403,436,296
Total non-current liabilities	552,758,496
Total liabilities	605,400,490
NET POSITION:	
Net investment in capital assets	106,961,675
Restricted for debt services	53,931,024
Restricted for construction	1,136,987
Unrestricted	21,699,831
Total net position	183,729,517
TOTAL LIABILITIES AND NET POSITION	$ 789,130,007

See notes to basic financial statements. (Concluded)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For The Year Ended June 30, 2015

OPERATING REVENUES:	
Food and beverage	$ 10,646,380
Rental and event services	12,686,274
Advertising	3,024,653
Total operating revenues	26,357,307
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	5,146,964
Rental and event services	2,680,256
Advertising	1,127,952
Total direct operating costs and expenses	8,955,172
GROSS OPERATING PROFIT	17,402,135
ADMINISTRATIVE EXPENSES:	
Salaries and related benefits	861,528
Professional and contract services	6,684,298
Depreciation and amortization	10,839,669
Insurance	3,200,705
Utilities	8,785,211
Advertising	416,717
Repairs and maintenance	2,803,020
Bad debt expense	4,166,061
Other — net	2,877,350
Total other operating expenses	40,634,559
OPERATING LOSS	(23,232,424)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(28,729,060)
Contributions from Puerto Rico Tourism Company	35,100,711
Contributions from Commonwealth of Puerto Rico - General Fund	4,469,989
Interest income	433,848
Other income	1,647,263
Total non-operating revenues — net	12,922,751
CHANGES IN NET POSITION	(10,309,673)
NET POSITION — Beginning of year	194,039,190
NET POSITION — End of year	$ 183,729,517

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of operating revenues	$ 26,858,159
Payments to suppliers for operating expenses	(22,223,936)
Payments to employees	(861,528)
Net cash provided by operating activities	3,772,695
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Contributions from Puerto Rico Tourism Company	33,691,723
Contributions from Commonwealth of Puerto Rico - General Fund	4,469,989
Net cash provided by non-capital financing activities	38,161,712
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments of bonds payable	(10,275,000)
Payments of lines of credit	(156,310)
Capital expenditures	(477,968)
Payment of interest:	
Bonds payable	(24,532,457)
Lines of credit	(4,453,478)
Net cash used in capital and related financing activities	(39,895,213)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Redemption of investments	2,706,759
Collection from notes receivable	1,161,071
Advances to note receivable	(862,704)
Collection of interest income	433,848
Other income	1,647,263
Net cash provided by investing activities	5,086,237
NET INCREASE IN CASH	7,125,431
CASH — Beginning of year	13,885,043
CASH — End of year	$ 21,010,474
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash — unrestricted	$ 20,783,301
Cash — restricted	227,173
TOTAL CASH — End of year	$ 21,010,474

(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, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (23,232,424)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	10,839,669
Provision for doubtful accounts	4,166,061
Amortization of prepaid insurance	437,626
Amortization of discounts on bonds	(833,022)
Loss on disposition of capital assets	4,183
Changes in operating assets and liabilities:	
Decrease in assets:	
Accounts receivable	(771,751)
Prepaid expenses and other assets	(978,320)
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	4,240,371
Customer deposits payable	8,437,644
Unearned revenues	1,462,658
Total adjustments	27,005,119
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,772,695

See notes to basic financial statements. (Concluded)

1. REPORTING ENTITY

The Puerto Rico Convention Center District Authority (the Authority) is a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as it complies with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations Are Components Units*, as amended by GASB 61. The Authority was created by Act No. 351 of September 2, 2000, as amended (Act 351), to be responsible, for improving, developing, managing and operating the property and improvements within the Puerto Rico Convention Center District (the District) geographical area. The Authority has the ability to finance all of the improvements to be developed through the issuance of bonds and the imposition of assessments against the owners or lessees of land within the District who benefit from the Convention Center and other improvements. Also, the Authority promotes the development, construction, expansion and improvement of the Puerto Rico Convention Center (Convention Center), and the Jose Miguel Agrelot Coliseum (the Coliseum) which was appropriated and transferred to the Authority under Act 351. On May 15, 2013, the Authority acquired the project called Bahía Urbana to promote its development. The administration, operation and management of the Convention Center, the Coliseum, and Bahía Urbana, is carried out by a third party private entity, under the Authority's responsibility.

The Authority is governed by a nine-member Board of Directors (BOD), which is comprised of the Secretary of the Department of Economic Development and Commerce; the Executive Director of the Puerto Rico Tourism Company; the President of the Government Development Bank; an official, employee or member of the public sector of a board, commission, agency or authority or municipality of the Government of Puerto Rico with experience in the areas of hotels, tourism, planning, marketing, engineering, real estate or convention centers, who shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate, and three representatives of the private sector with experience in the areas of hotels, tourism, planning, marketing, engineering, real estate or convention centers, one of whom shall represent the working sector of the Convention Center, and two representatives who shall be outstanding citizens in the sphere of sports, arts or culture, and shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and direct operating expenses generally result from the sale of food and beverage, venue rental and related event services; and sponsoring and advertising in connection with the Authority's principal on-going operations. Non-direct operating expenses include salaries and related benefits, professional and contracted services, depreciation and amortization, insurance, utilities, advertising; and repair and maintence. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as revenues associated with, or restricted by donors to use, and revenues and expenses that result from financing and investing activities.

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

b) Use of Estimates

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

c) *Cash and Cash Equivalents*

The Authority considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. There are no cash equivalents outstanding at June 30, 2015. The Authority's cash composition as of June 30, 2015 is disclosed in Note 3.

d) *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.

e) *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 which, have a cost of $1,000 or more at the date of acquisition and have an expected useful life of two 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
Motor vehicles	5

The capital assets under construction are depreciated once they are placed in operations. At the time capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from books and the resulting gain or loss, if any, is credited or charged to operations. The reported value excludes the costs of normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Capital assets received as transfer from other governmental entities within the same financial reporting entity is accounted for under the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* GASB Statement No. 48 states that these type of transfers need to be recorded at the carrying value of the transferor. Capital assets donated by unrelated third parties are recorded at fair value at the time of donation.

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

The Authority evaluated its capital assets as required by GASB Statement No. 42, and no impairment was identified during the year ended June 30, 2015.

f) Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s), thus will not be recognized as an outflow of resources (expense) until then. The Authority has no items that qualify for reporting in this category.

g) Compensated Absences

The employees of the Authority are granted 30 days of vacation and 18 days of sick leave annually. On June 17, 2014, with the approval of Act No. 66, *Fiscal Operation and Sustainability Act* (Act 66), maximum permissible accumulation subject to liquidation, in case of separation of employment, is 60 days for vacation benefits earned and 90 days for sick leave benefits accumulated. Act 66 states that excess of those limits, which were normally paid, cease to be paid to employees. Employee should enjoy the vacations days in excess of 60 days of accrued vacations, subject to the provisions of the law, and in extraordinary circumstances the Authority should pay for days the employee was unable to enjoy. Excess of sick leave days (over 90 days) will be eliminated, subject to the provision of the law. The Authority records vacations leave as a liability as the benefits are earned by the employees when the employees' rights to receive compensation are attributable to services already rendered and the employees will be compensated for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The Authority records sick leave as a liability as the benefits are earned by the employees only to the extent it is probable that the benefits will result in termination payments up to the maximum allowed as a termination payment.

h) Bonds Payable

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

i) Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s), thus will not be recognized as an inflow of resource (revenue) until then. The Authority has no items that qualify for reporting in this category.

j) 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 Corporation has classified net position into three components: net investment in capital assets, restricted, and unrestricted. These classifications of net position are defined as follows:

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

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

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

k) Restricted Assets and Liabilities from Restricted Assets

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

l) *Non-exchange Transactions*

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

Sponsorship –GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* – establishes accounting and financial reporting standards for nonexchange transactions involving trade and barter transactions (for example, 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. During the year ended June 30, 2015, the Authority recorded sponsorships in the amount of approximately $1,028,000, which are included as part of advertising revenues and advertising operating expenses in the accompanying statement of revenues, expenses and changes in net position.

m) *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.

n) *Risk Management*

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

o) *Future Adoption of Accounting Principles*

The GASB has issued the following accounting pronouncements that have effective date after June 30, 2015:

GASB Statement No. 72, *Fair Value Measurement and Application.* This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches; the market approach, the cost approach, or the income approach. This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the assets or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumptions of the default rate among underlying mortgages of a mortgage-backed security. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

GASB Statement 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.* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the provisions of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The provisions of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. This statement is not expected to have any impact on the Authority's financial statements.

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

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- ✓ Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- ✓ OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- ✓ OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is evaluating the impact that this Statement will have on the Authority's basic financial statements.

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

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is not effective until fiscal year 2016. This statement is not expected to have any impact on the Authority's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement is not effective until fiscal year 2016, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are not effective until fiscal year 2017. 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, 2015, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance	Uninsured or Uncollateralized
GDB	$ 2,390,914	0.10% - 1.00%	$ 2,390,914	$ 2,390,914
Nongovernment banks	18,488,094	0.88% - 1.00%	19,875,592	-
	$ 20,879,008		$ 22,266,506	$ 2,390,914

As of June 30, 2015, reconciliation to the statement of net position is as follows:

Current assets — cash:	
Unrestricted, including cash on-hand of $131,466	$ 20,783,301
Restricted	227,173
Total current assets — cash	21,010,474
Noncurrent assets — cash — restricted	-
	$ 21,010,474

Custodial credit risk is the risk that, in an event of a bank failure, the Authority's deposit might not be recovered. The Authrority is authorized to deposit funds in Government Development Bank for Puerto Rico (GDB), a component unit of the Commonwealth, and/or in the custody of financial institutions approved by the Commonwealth. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount not less than 100% of the amounts in excess of federal insurance coverage. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth of Puerto Rico (the Treasury Department). GDB is exempt from the collateral requirements established by the Commonwealth. As a result, the Authority has $2,390,914 of deposits subject to credit risk as of June 30, 2015.

Investments

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

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

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

- Governmental obligations
- General state obligation bonds rated within the three highest credit categories
- Collateralized banker's acceptance or certificates of deposits
- Obligations of the Commonwealth or any state of the United States of America, their agencies, municipalities, or instrumentalities rated within the three highest credit categories
- Shares of stock in corporations with the highest rating category, as defined
- Commercial paper rated P-1 or A-1 of U.S. banking institutions
- Money market accounts, with the highest credit categories

The description, credit rating, and balance of investments as of June 30, 2015 are shown in the table below:

Description	Rating	Amount
Money market fund (J.P. Morgan 100% U.S. Treasury Securities Money Market Fund)	AAAm	$ 53,930,256
Money market fund (Dreyfuss Cash Management — Investor Shares)	AAAm	910,582
		$ 54,840,838

Reconciliation to the statement of net position as of June 30, 2015, is as follows:

Restricted investments — current	$ 21,475,247
Restricted investments — noncurrent	33,365,591
	$ 54,840,838

4. ACCOUNTS RECEIVABLE

As of June 30, 2015, the Authority has accounts receivable as follows:

	Current	Noncurrent
Trade receivables, net	$ 1,544,316	$ -
Deferred billing	4,466,336	2,883,057
	$ 6,010,652	$ 2,883,057

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, 2015, consist of:

Description	Total
Trade receivables	$ 2,404,162
Less: allowance for doubtful accounts	(859,846)
Trade receivables — net	$ 1,544,316

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, 2015, the deferred billing and non-monetary consideration related to the long-term agreements were as follows:

	Current	Noncurrent
Deferred billing:		
Billable	$ 3,933,771	$ 2,883,057
Non-monetary consideration	532,565	-
	$ 4,466,336	$ 2,883,057

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

Year Ending	Billable	Non-monetary Consideration	Total
2016	$ 3,933,771	$ 532,565	$ 4,466,336
2017	1,506,140	-	1,506,140
2018	776,194	-	776,194
2019	600,723	-	600,723
	$ 6,816,828	$ 532,565	$ 7,349,393

As of June 30, 2015, the unearned revenues were as follows:

	Current	Noncurrent
Unearned revenues:		
Unearned billing related to long-term agreements	$ 4,091,312	$ 3,720,617
Other	100,000	316,667
	$ 4,191,312	$ 4,037,284

The unearned revenues will be earned in the following years:

Year Ending	Total
2016	$ 4,191,312
2017	1,947,985
2018	977,660
2019	772,056
2020	339,583
	$ 8,228,596

5. DUE FROM PUERTO RICO TOURISM COMPANY

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

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

- To provide the funding for the debt service related to Authority's bonds payable described in Note 9.
- To cover the operating deficit, if any, of the Convention Center up to $2.5 million during the first 10 years of the Convention Center's operations. On July 1st 2015, Act No. 98 was created to extend for an additional five years contributions thus changing the payment to quarters.
- 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, 2015, the Authority's revenues related to the contribution from PRTC related to the collection of hotel room taxes amounted to approximately $35,100,711. 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 received from hotel room taxes collected by PRTC. As of June 30, 2015, due from PRTC amounted to $5,880,059.

6. NOTE RECEIVABLE

Subordinated Credit Agreement:

On January 21, 2011, the Authority and CCHPR Hospitality LLC (the Borrower) entered into a Subordinated Credit Agreement to finance the direct costs of certain improvements on the premises at the Sheraton Puerto Rico Convention Center Hotel and Casino for the construction of Texas de Brazil and China Club restaurants. Through this agreement, the Authority agreed to make available to the Borrower a non-revolving term loan in an aggregate principal amount not to exceed $2,500,000. This agreement shall be collected in full on or before January 21, 2019. The outstanding and unpaid principal amount of each advance under the non-revolving term loan shall accrue interest monthly in arrears, from the date of each such advance until paid in full at a rate of 8% per annum. As of June 30, 2015, the outstanding principal of the note receivable amounted to $961,958.

Thermal Energy Service Agreement:

On April 27, 2009, the Authority and CCHPR Hospitality LLC (CCHPR) entered into a Thermal Energy Service Agreement for the supply of chilled water to the Sheraton Puerto Rico Convention Center Hotel and Casino facilities (the Hotel Facilities). Commencing on November 16, 2009 and through a 15-year period, CCHPR agreed to pay to the Authority a monthly fixed charge of $57,339, not to exceed $6,000,000 (amount invested by the Authority for the design and construction of the thermal enery production facility, known as the TEP Facility). The outstanding and unpaid balance shall accrue interest monthly at a rate of 8% per annum. As of June 30, 2015, the outstanding principal of the note receivable amounted to $862,705, net of allowance for doubful accounts in the amount of $3,351,819.

Dock #3 Loan Agreement:

On April 8, 2014, the Authority and the Ports Authority entered into a loan agreement mainly for the remodeling of Dock #3. The loan is for a maximum amount of $5,000,000 to be disbursed in installments (drawings) upon presentation by the Ports Authority of the corresponding certifications. The loan is due in two years with an interest rate of 5% to be paid monthly. It is collaterized by a property located in Yabucoa valued at $10,503,000. There are no covenants related to this loan. During the fiscal year ended June 30, 2015, the loan's outstanding balance was collected in full.

7. CAPITAL ASSETS

Capital assets consist mainly of the cost incurred in the development of the Convention Center District, which will entail 113 acres of land positioned near the center of the San Juan metropolitan area, the Coliseum of Puerto Rico and Bahía Urbana. The board of directors adopted a master plan that calls for developments of the Convention Center and surrounding infrastructure, residential and office buildings, hotels and casinos, 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, 2015, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 176,922,997	-	-	$ 176,922,997
Land improvements	109,288,493	-	-	109,288,493
Construction in progress	3,498,259	327,968	-	3,826,227
Total capital assets not being depreciated	289,709,749	327,968	-	290,037,717
Capital assets being depreciated:				
Building	474,655,769	150,000	-	474,805,769
Improvements — other than land	13,482,219	-	-	13,482,219
Furniture and fixture	22,179,899	-	(123,043)	22,056,856
Equipment	253,714	-	(13,757)	239,957
Vehicles	59,537	-	-	59,537
Total capital assets being depreciated	510,631,138	150,000	(136,800)	510,644,338
Less accumulated amortization and depreciation	(105,007,658)	(10,839,669)	132,617	(115,714,710)
Capital assets being depreciated — net	405,623,480	(10,689,669)	(4,183)	394,929,628
Capital assets — net	$ 695,333,229	$ (10,361,701)	$ (4,183)	$ 684,967,345

Ground Lease

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

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

Construction in Progress

On July 15, 2012, the Authority entered into a development Agreement with Lighthouse Group, LLC for the development of a mixed-use urban project named the "Trocadero Diverplex Complex". This agreement includes the development and operation of a food, beverage, entertainment venue, and the construction of a hotel in the final phase. The amount in construction in progress related to Trocadero as of June 30, 2015 is $99,016.

The Authority has also been making improvements to the Coliseum for several construction defects and deficiencies identified as a result of a series of inspections carried out by the Comptroller Office of the Commonwealth of Puerto Rico to assess the structural soundness and condition of the Coliseum. As of June 30, 2015, construction in progress related to Coliseum amounted to $3,727,211.

8. BORROWINGS UNDER LINES OF CREDIT

The Authority had two interim non-revolving lines of credit with GDB that were used for the construction of the Coliseum. The maximum credit limit on these facilities amounted to $157,847,302. The nonrevolving lines of credit expires on June 30, 2027 and bear interest at a fixed rate of 7%. As of June 30, 2015, the accrued interest on the lines of credit amounted to $8,249,351 and has been included as part of accounts payable and accrued expenses in the accompanying statement of net position.

The Authority maintained a nonrevolving line of credit with GDB mainly to fund certain improvements to the Coliseum. The maximum credit limit on this facility amounted to $10,000,000 and expired on December 31, 2014. This line of credit beared interest at the highest of 150 basis points over the prime rate or 6%. During the fiscal year 2015, the Authority paid in full the outstanding balance of approximated $156,000 of principal and interest owed to this line of credit.

On October 1, 2013, the Authority entered into a line of credit with GDB for payments to expropriate a structure existing in Parcel C. The source of income for the payment fo the line of credit will be the proceeds from the sale or the rental revenue received from Parcel C. The maximum credit limit on this facility amounted to $6,675,000 and expired on September 30, 2014. During 2015, the Authority accrued interest on this line of credit amounting to $470,702 and has been included as part of accounts payable and accrued expenses in the accompanying statement of net positon.

The activity of the lines of credit for the year ended June 30, 2015, is as follows:

	2014	Borrowings	Repayments	2015
Borrowings under lines of credit — Coliseum	$ 140,951,226	$ -	$ (156,310)	$ 140,794,916
Borrowings under line of credit — Parcel C	4,490,000	-	-	4,490,000
	$ 145,441,226	$ -	$ (156,310)	$ 145,284,916

As disclosed in Note 12, the Authoriy is currently facing problems paying its obligations in accordance with orginal contractual terms due to the current situation of the Commonwealth. The appropriations from the Commonwealth for the payment of debts were not available for the full satisfaction of the current year payments of principal and interest.

9. BONDS PAYABLE

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

Serial bonds maturing through 2025, with interest rates ranging from 4% to 5%	$ 189,035,000
Term bonds maturing through 2036, with interest rates ranging from 4-1/2% to 5%	219,495,000
Total bonds outstanding	408,530,000
Add bonds premiums — net	5,696,296
Total bonds payable	$ 414,226,296

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

Year Ending	Principal	Interest
2016	$ 10,790,000	$ 19,279,063
2017	11,325,000	18,782,813
2018	11,780,000	18,261,813
2019	12,370,000	17,658,063
2020–2024	71,665,000	78,257,050
2025–2029	91,130,000	58,288,844
2030–2034	116,080,000	32,828,563
2035–2036	83,390,000	5,738,625
	$ 408,530,000	$ 249,094,834

The activity of bonds payable for the year ended June 30, 2015, is as follows:

Description	2014	Issuances	Payments / Amortization	2015	Current Portion
Serial Bonds	$ 199,310,000	$ -	$ (10,275,000)	$ 189,035,000	$ (10,790,000)
Term Bonds	219,495,000	-	-	219,495,000	
Total bonds outstanding	418,805,000	-	(10,275,000)	408,530,000	(10,790,000)
Premium/(Discount)	6,529,318	-	(833,022)	5,696,296	-
Total bonds-Component Units	$ 425,334,318	$ -	$ (11,108,022)	$ 414,226,296	$ (10,790,000)

10. DEFINED CONTRIBUTION RETIREMENT PLAN

During the fiscal year ended June 30, 2004, the Authority approved and established the Puerto Rico Convention Center Retirement Money Purchase Plan (the Plan), a contributory deferred money purchase plan covering all the employees of the Authority, with benefits for the employees effective January 1, 2003. All employees become vested, once they entered into the Plan, in accordance with the eligibility requirements. The Authority acts as the Plan administrator and, subject to certain limitations, can amend the Plan. Contributions to the Plan have been determined to be equivalent to 9% of the employees' normal annual salary, as defined. Total contributions made by the Authority for the year ended June 30, 2015, amounted to approximately $55,640.

11. COMMITMENTS

Consulting and Management

The Authority had entered into various consulting services and management agreements with third parties for the administration, operation and management of the Convention Center, Coliseum and Bahía Urbana. The agreements covered the daily operations that include scheduling of activities, pricing of rental and advertising, and food and beverages, among others. The contracts have several provisions that, at the option of the Authority, could extend the management period. During the year ended June 30, 2015, consulting and management services amounted to approximately $1,049,000.

Litigation

On January 18, 2011, the Authority received notice of demand for arbitration in a supplier's claim for payment for alleged delays and additional work performed at the Authority's premises between 2004 and 2005. The supplier is claiming approximately $7,000,000 for this matter. The case is currently undergoing the mandatory remediation procedure. However, at this stage, no material progress toward a settlement can be asserted.

The Authority is also involved in various labor-related claims and legal actions.

Management of the Authority, with the advice of their legal counsel, understands that the ultimate disposition of these matters will not have a material adverse effect on the Authority's financial positions and/or results of operations.

12. SUBSEQUENT EVENTS

Liquidity Risks and Uncertainties

The discussion in the following paragraphs regarding the liquidity risks and uncertainties of the Authority due to the current situation of the Commonwealth, provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond date of the financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter. GASB Statement No. 56, establishes that the continuace 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. Some of these factors are present at the Authority as follows:

- *Clawback Provisions* - On December 1, 2015, the Governor of Puerto Rico signed Executive Order No. OE-2015-46 (the Executive Order), which provides that the Commonwealth will begin to redirect certain revenues in light of recently revised revenue estimates and its deteriorating liquidity situation. Pursuant to the Executive Order, certain available revenues that have been budgeted to pay debt service on the debt of certain public corporations may be redirected, pursuant to constitutional requirements (the clawback provisions), to pay debt issued or guaranteed by the Commonwealth. Pursuant to the Executive Order, the Secretary of the Treasury of the Commonwealth (the Secretary) may retain, for the application to payments due on the Commonwealth's public debt, certain revenues assigned to particular public corporations (including the Authority) which, by law, constitute "*available resources*" subject to the Commonwealth's priority provisions set forth in the Constitution.

  On January 4, 2016, the Commonwealth paid approximately $330 million of its General Obligation Bonds interest payment due on January 1, 2016. The Commonwealth used approximately $3 million of clawback revenues of the Authority. The Commonwealth expects that the principal of and interest payment on the Commonwealth General Obligations Bonds due on June 30, 2016 will be partially covered with clawback revenues from the Authority and other Commonwealth's component units.

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 the Executive Order. The Authority had previously issued its Hotel Occupancy Tax Revenue Bonds, Series A (the Hotel Occupancy Bonds) pursuant to the Trust Agreement, as disclosed in Note 5 and 9. The proceeds from a hotel occupancy tax collected by the Puerto Rico Tourism Company pursuant to Article 24 of Act 272 of the Legislature of Puerto Rico, approved September 9, 2003, as amended, are available resources of the Commonwealth under the Puerto Rico Constitution. Accordingly, as authorized by the Executive Order, the Secretary withheld as of December 31, 2015, $3 million of these clawback revenues. As a result, these clawback revenues were not available to pay interest on the Hotel Occupancy Bonds due on January 1, 2016. The Authority paid such interest due on January 1, 2016 under the Trust Agreement from funds on deposit in the debt service reserve fund established under the Trust Agreement. The Commonwealth expects to clawback from the Authority approximately $12 million in additional revenues in the second semester of fiscal year 2016. These amounts will not be available to pay principal or interest on the debt service due on June 30, 2016.

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

On January 29, 2016, Commonwealth officials and advisors met with the advisors to the Commonwealth's creditors to present the Commonwealth's and its Components Units' restructuring proposal. The proposal presented contemplates the restructuring of the Commonwealth's general obligation debt, and other tax supported debt issued by certain Component Units. The final outcome of this restructuring process is currently uncertain.

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

Non Renewal of Line of Credit

As disclosed in Note 8, the Authority's credit facility in the amount of $6,675,000 expired on September 30, 2014. On October 26, 2015, the Authority requested an extension to GDB subject to the compliance of the provision of the Article 1.3 of the Loan Agreement, since Parcel C has not been sold or rented. As of the date of issuance of these financial statements, the Authority's line of credit has not been renewed.

Administration, Operation and Management – Bahía Urbana

As disclosed in Note 1, the administration, operation and management of Bahía Urbana was carried out by a third party private entity. Effective October 1, 2015, the administration, operation and management of Bahía Urbana are been carried out by the Authority.

Ground Lease – Hyatt Place

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

The Authority has evaluated subsequent events from the balance sheet date through April 1, 2016, the date at which the financial statements were available to be issued, and determined there are no other material items to disclose.

* * * * * *

SUPPLEMENTAL SCHEDULES

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

June 30, 2015

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
ASSETS					
CURRENT ASSETS:					
Cash	$ 3,407,631	3,599,766	13,759,649	16,255	20,783,301
Accounts receivable — net	89,107	584,218	5,007,345	329,982	6,010,652
Due from Puerto Rico Tourism Company	-	5,880,059	-	-	5,880,059
Prepaid expenses	217,884	1,069,451	1,063,047	407	2,350,789
Other assets	-	138,874	119,645	21,958	280,477
Restricted assets:					
Cash	-	-	-	227,173	227,173
Investments	-	21,475,247	-	-	21,475,247
Total current assets	3,714,622	32,747,615	19,949,686	595,775	57,007,698
NONCURRENT ASSETS:					
Restricted assets — investments	-	33,365,591	-	-	33,365,591
Prepaid insurance	-	9,081,653	-	-	9,081,653
Long-term accounts receivable	-	415,944	2,440,612	26,501	2,883,057
Notes receivable	1,824,663	-	-	-	1,824,663
Capital assets:					
Nondepreciable:					
Land	4,490,000	115,710,572	28,556,461	28,165,964	176,922,997
Land improvements	-	101,666,019	-	7,622,474	109,288,493
Construction in progress	99,016	-	3,727,211	-	3,826,227
Depreciable:					
Building	-	244,639,357	197,879,524	32,286,888	474,805,769
Improvements — other than land	13,482,219	-	-	-	13,482,219
Furniture and fixtures	385,134	8,442,297	13,087,832	141,593	22,056,856
Equipment	239,957	-	-	-	239,957
Vehicles	43,790	-	15,747	-	59,537
Accumulated depreciation	(2,718,178)	(55,039,788)	(56,552,808)	(1,403,936)	(115,714,710)
Total noncurrent assets	17,846,601	458,281,645	189,154,579	66,839,484	732,122,309
TOTAL ASSETS	$ 21,561,223	491,029,260	209,104,265	67,435,259	789,130,007

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

June 30, 2015

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	$ 4,008,555	1,008,165	10,116,091	2,185,172	17,317,983
Customer deposits payable	83,302	995,866	9,489,125	-	10,568,293
Unearned revenues	-	330,528	3,600,284	260,500	4,191,312
Current liabilities payable from restricted assets:					
Current portion of bonds payable	-	10,790,000	-	-	10,790,000
Interest payable on bonds	-	9,774,406	-	-	9,774,406
Total current liabilities	4,091,857	22,898,965	23,205,500	2,445,672	52,641,994
NON-CURRENT LIABILITIES:					
Unearned revenues	-	416,445	3,577,172	43,667	4,037,284
Borrowings under line of credit	4,490,000	-	140,794,916	-	145,284,916
Bonds payable	-	403,436,296	-	-	403,436,296
Total non-current liabilities	4,490,000	403,852,741	144,372,088	43,667	552,758,496
Total liabilities	8,581,857	426,751,706	167,577,588	2,489,339	605,400,490
NET POSITION:					
Net investment in capital assets	11,531,938	(17,302,297)	45,919,053	66,812,981	106,961,675
Restricted for debt service	-	53,703,851	-	227,173	53,931,024
Restricted for construction	-	1,136,987	-	-	1,136,987
Unrestricted	1,447,428	26,739,013	(4,392,376)	(2,094,234)	21,699,831
Total net position	12,979,366	64,277,554	41,526,677	64,945,920	183,729,517
TOTAL LIABILITIES AND NET POSITION	$ 21,561,223	491,029,260	209,104,265	67,435,259	789,130,007

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, 2015

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
OPERATING REVENUES:					
Food and beverage	$ -	6,853,737	2,950,063	842,580	10,646,380
Rental and event services	-	4,762,254	7,335,550	26,069	12,123,873
Advertising	-	399,243	2,239,914	385,496	3,024,653
Other	-	271,973	301,441	-	573,414
Total operating revenues	-	12,287,207	12,826,968	1,254,145	26,368,320
DIRECT OPERATING COSTS AND EXPENSES:					
Food and beverage	-	3,475,202	1,199,390	472,372	5,146,964
Rental and event services	-	952,049	1,305,993	433,227	2,691,269
Advertising	-	201,068	855,986	70,898	1,127,952
Total direct operating costs and expenses	-	4,628,319	3,361,369	976,497	8,966,185
GROSS OPERATING PROFIT	-	7,658,888	9,465,599	277,648	17,402,135
OTHER OPERATING EXPENSES:					
Salaries and related benefits	861,528	-	-	-	861,528
Professional and contract services	478,919	3,112,208	2,600,816	492,355	6,684,298
Depreciation and amortization	308,372	5,691,334	4,183,067	656,896	10,839,669
Insurance	234,516	1,643,142	1,317,172	5,875	3,200,705
Utilities	2,172,130	2,953,309	2,716,757	943,015	8,785,211
Advertising	12,975	193,120	184,616	26,006	416,717
Repairs and maintenance	421,010	1,349,717	880,790	151,503	2,803,020
Bad debt expense	3,542,746	75,822	547,493	-	4,166,061
Other	98,222	2,390,391	350,100	38,637	2,877,350
Allocation of administrative expenses	(1,543,007)	947,973	595,034	-	-
Total other operating expenses	6,587,411	18,357,016	13,375,845	2,314,287	40,634,559
OPERATING LOSS	(6,587,411)	(10,698,128)	(3,910,246)	(2,036,639)	(23,232,424)
NON-OPERATING REVENUES (EXPENSES):					
Interest expense	(269,400)	(18,714,921)	(9,744,739)	-	(28,729,060)
Contributions from Puerto Rico Tourism Company	-	35,100,711	-	-	35,100,711
Contribution from Commonwealth of Puerto Rico	-	-	4,469,989	-	4,469,989
Interest income	395,484	12,131	1,164	25,069	433,848
Other income, net	985,222	662,041	-	-	1,647,263
Total non-operating revenues — net	1,111,306	17,059,962	(5,273,586)	25,069	12,922,751
INCOME (LOSS) BEFORE TRANSFERS	(5,476,105)	6,361,834	(9,183,832)	(2,011,570)	(10,309,673)
TRANSFERS IN (OUT)	(1,900,409)	1,134,767	832,208	(66,566)	-
CHANGE IN NET POSITION	(7,376,514)	7,496,601	(8,351,624)	(2,078,136)	(10,309,673)
NET POSITION — Beginning of year	20,355,880	56,780,953	49,878,301	67,024,056	194,039,190
NET POSITION — End of year	$ 12,979,366	64,277,554	41,526,677	64,945,920	183,729,517

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF OPERATING LOSS - PUERTO RICO CONVENTION CENTER

FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:	
Food and beverage	$ 6,853,737
Rental and event services	4,762,254
Advertising	399,243
Other	271,973
Total operating revenues	12,287,207
DIRECT OPERATING COSTS AND EXPENSES:	
Food and beverage	3,475,202
Rental and event services	952,049
Advertising	201,068
Total direct operating costs and expenses	4,628,319
GROSS OPERATING PROFIT	7,658,888
OTHER OPERATING EXPENSES:	
Professional and contract services	3,112,208
Utilities and insurance, (excluding bond insurance expense)	4,158,825
Advertising	193,120
Repairs and maintenance	1,349,717
Bad debt expense	75,822
Other	2,390,391
Allocation of administrative expenses	947,973
Total other operating expenses	12,228,056
OTHER NON-OPERATING INCOME:	
Interest income	12,131
Other income	662,041
	674,172
LOSS	$ (3,894,997)

RECONCILIATION OPERATING LOSS TO INCOME (LOSS) BEFORE TRANSFERS

LOSS	$ (3,894,997)
ADJUSTMENTS TO RECONCILE TO INCOME (LOSS) BEFORE TRANSFERS	
Depreciation and amortization expense	(5,691,334)
Bond insurance expense	(437,626)
Interest expense	(18,714,921)
Contributions from Puerto Rico Tourism Company	35,100,711
Total adjustments	10,256,830
INCOME (LOSS) BEFORE TRANSFERS	$ 6,361,834