

**CORPORACIÓN DE LA ORQUESTA
SINFÓNICA DE PUERTO RICO
(A Component Unit of the
Commonwealth of Puerto Rico)**

**ANNUAL FINANCIAL STATEMENTS AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2011 AND 2010**

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Corporación de la Orquesta Sinfónica
de Puerto Rico
San Juan, Puerto Rico

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the **Corporación de la Orquesta Sinfónica de Puerto Rico** (a component unit of the Commonwealth of Puerto Rico), (the Corporation) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. The prior year summarized comparative information has been derived from **Corporación de la Orquesta Sinfónica de Puerto Rico's** 2010 financial statements and, in our report dated September 28, 2010, we expressed a qualified opinion on those financial statements because certain funds advanced by the Puerto Rico Industrial Development Company to the Corporation were not recognized as a liability in the June 30, 2010 statement of net assets. However, during the fiscal year ended June 30, 2011, a final determination established that such advances were not a liability of the Corporation, therefore, the qualification was removed from prior year financial statements reports.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As presented in Note 5 to the basic financial statements, the Corporation's financial statements do not disclose the annual pension cost and net pension obligation as of June 30, 2011 because the last actuarial valuation report issued at that date was as of June 30, 2009. The estimate of the annual pension cost and the related net pension obligation for the year 2011 and 2010 was determined based on the 2009 pension cost.

In our opinion, except for the effect, if any of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and aggregate remaining fund information of the **Corporación de la Orquesta Sinfónica de Puerto Rico** (a component unit of the Commonwealth of Puerto Rico), as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 to 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 on it.

September 29, 2011

Stamp number 2611795 was affixed to the original of this report.

A handwritten signature in black ink that reads "Norman Vilez Co. PSC". The signature is written in a cursive style with a large initial "N".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The **Corporación de la Orquesta Sinfónica de Puerto Rico** (the Corporation), a component unit of the Commonwealth of Puerto Rico, was created by Law No. 44 of May 12, 1980, as amended, of the Commonwealth of Puerto Rico, to develop, plan, coordinate and promote the performance of the musical arts in Puerto Rico.

The Corporation is a subsidiary of the Corporación de las Artes Musicales de Puerto Rico.

The principal purpose of the Corporation is to provide musical alternatives of symphony music in Puerto Rico. It can also give the young musicians the opportunity to join the Symphony Orchestra after graduating from the Puerto Rico Conservatory of Music Corporation, provided all the necessary criteria are met.

The Corporation prepares an annual budget for its operations.

The Corporation has an organizational structure composed of the following work units:

- Executive Director
- Administrative Sub-director
- Technical Sub-director

As management of the Corporation, we offer to the readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider the information presented here with in conjunction with the Corporation's basic financial statements included in pages 9 through 29.

USING THIS ANNUAL REPORT:

The Corporation complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 105, Generally Accepted Accounting Principles, which became effective September 15, 2009, replaces the FASB's previous four-part GAAP hierarchy with a single source of GAAP. GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued in December 2010, incorporates the FASB, APB, and ARB pronouncements issued on or before November 30th, 1989, which do not conflict with or contradict GASB pronouncements. While GASBS No. 62 keeps the substance of that guidance, it nevertheless modifies the guidance to recognize the effects of the governmental environment and the needs of governmental financial statement users. GASBS No. 62 also supersedes GASBS No. 20, thus eliminating the election that allowed enterprise funds and business-type activities to apply FASB Statements and Interpretations issued after November 30, 1989, that did not conflict with or contradict GASB pronouncements. GASBS No. 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS:

The Corporation uses enterprise funds to account for the sale of tickets and orchestra fees for its performance in Puerto Rico. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into proprietary category. These financial statements are prepared on the full accrual basis accounting and, in fact, they are essentially the same as the business-type activities. Users of the statements will be able to see the cost of providing services, and how government finances its program, and understand the extent to which government has invested in capital assets. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation like other state or local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds are divided into proprietary funds category.

The proprietary fund financial statements provide separate information for the Orquesta Sinfónica Fund, Concierto de Gala Fund and Departamento del Trabajo Fund, which are considered to be the major funds of the Corporation.

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements, which are as follows:

- **Statement of fund net assets (deficit)** - This statement presents information on all the Corporation's assets and liabilities with the difference between the two reported as net assets or deficit. Over time, increase or decrease in the net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.
- **Statement of revenues, expenses, and changes in fund net assets (deficit)** - This statement presents information showing how the government's net assets changed during the most recent fiscal year.
- **Statement of cash flows** - This statement provides information about transactions resulting in the flows of cash.
- **Notes to the basic financial statements** - The notes provide additional information that is essential to the full understanding of the data provided in the Corporation's basic financial statements.
- **Required supplementary information** - The Management's Discussion and Analysis, and Orquesta Sinfónica de Puerto Rico Retirement System schedules of funding progress and employer contributions represent financial information required to be presented by the GASB Statement No. 34. Such information provides users of this report with additional data that supplements the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL HIGHLIGHTS:

- The total assets decreased by \$210,293, or 23.76%, in comparison with previous year.
- Cash and accounts receivable, other than balance due from related companies, represent 15.54% and 77.77% of total assets as of June 30, 2011, respectively.
- The total liabilities decreased by \$1,402,172 in comparison with previous year and exceeded the assets by \$5,362,130. This is mainly due to the net pension plan obligation that amounted to \$5,041,180, representing approximately 83.51% of total liabilities.
- In net assets, \$29,178 represents investment in capital assets (e.g., furniture and equipment, musical instruments and library), which are not available for future spending. In addition, a portion of \$408,630 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$5,799,938, mainly because of the net pension plan that amounted to \$5,047,216.
- At the close of the fiscal year, the Corporation reported operating revenues of \$554,665, representing an increase of \$67,842, or 13.94% in comparison with prior year.
- For 2011, legislative grants of \$6,311,155 were received to cover mainly the salaries of the musicians, which represent a net increase of approximately \$672,357 in comparison with prior year.

FINANCIAL ANALYSIS OF THE CORPORATION:

As noted earlier, the net assets may serve as a useful indicator of the Corporation's financial position.

Net assets - The Corporation's net assets for the fiscal year ended June 30, 2011 show a deficit of \$5,362,130.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

TABLE I

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO

FUND NET ASSETS (DEFICIT)

	<u>2011</u>	<u>2010</u>	<u>% change</u>
Current assets	\$ 645,527	\$ 851,079	(24.15)%
Capital assets	<u>29,178</u>	<u>33,919</u>	<u>(13.98)%</u>
Total assets	<u>674,705</u>	<u>884,998</u>	<u>(23.76)%</u>
Current liabilities	989,619	2,845,911	(65.23)%
Long-term liabilities	<u>5,047,216</u>	<u>4,593,096</u>	<u>9.89 %</u>
Total liabilities	<u>6,036,835</u>	<u>7,439,007</u>	<u>(18.85)%</u>
Investment in capital assets	29,178	33,919	(13.98)%
Restricted assets	408,630	400,601	2.00 %
Unrestricted assets	<u>(5,799,938)</u>	<u>(6,988,529)</u>	<u>(17.01)%</u>
Total net assets (deficit)	<u>\$(5,362,130)</u>	<u>\$(6,554,009)</u>	<u>(18.19)%</u>

Changes in net assets - The Corporation's operating revenues increased by 13.94%. Most of the Corporation's revenues come from sale of tickets and orchestra fees. However, the Corporation received approximately \$6,311,155 from legislative grants, including special grants.

The main factors affecting this critic situation are the salaries, payroll taxes, fringe benefits and pension costs, which represent 80.35% from the total operating expenses. For 2011, operating expenses increased by 1.71%, mainly because of the pension cost of \$712,704.

Although this year the Corporation reported a net income of approximately \$1,191,879, the net assets deficit only decreased 18.19%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

TABLE II

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO

CHANGES IN FUND NET ASSETS (DEFICIT)

	<u>2011</u>	<u>2010</u>	<u>% change</u>
Operating revenues:			
Sale of tickets	\$ 299,727	\$ 208,643	43.66 %
Sale of advertising	-	8,000	(100.00)%
Orchestra fees	<u>254,938</u>	<u>270,180</u>	<u>(5.64)%</u>
Total operating revenues	<u>554,665</u>	<u>486,823</u>	<u>13.94 %</u>
Operating expenses:			
Salaries, payroll taxes and fringe benefits	4,148,035	3,790,997	9.42 %
Pension cost	712,704	1,131,878	(37.03)%
Reserve for legal claim	45,117	31,030	45.40 %
Administrative service fee	95,000	95,000	- %
Commissions	2,197	10,031	(78.10)%
Depreciation	7,396	7,935	(6.79)%
Insurance	11,544	10,253	12.59 %
Publicity	55,605	23,811	133.53 %
Professional, artistic and consulting services	674,053	553,933	21.68 %
Travel and meals	23,639	15,309	54.41 %
Utilities	1,136	6,594	(82.77)%
Rent	172,283	151,781	13.51 %
Bad debts	14,482	27,428	47.20 %
Others	<u>94,501</u>	<u>100,156</u>	<u>(5.65)%</u>
Total operating expenses	<u>6,057,692</u>	<u>5,956,136</u>	<u>1.71 %</u>
Operating loss	<u>(5,503,027)</u>	<u>(5,469,313)</u>	<u>0.62 %</u>
Non-operating income:			
Legislative grants	1,327,317	157,050	745.16 %
Special legislative grants	4,983,838	5,481,748	9.08 %
Contributions and donations	76,752	90,556	(15.24)%
Other, including interest income	<u>306,999</u>	<u>56,699</u>	<u>441.45 %</u>
Total non-operating income	<u>6,694,906</u>	<u>5,786,053</u>	<u>15.71 %</u>
Net income	1,191,879	316,740	276.30 %
Total net deficit-beginning	<u>(6,554,009)</u>	<u>(6,870,749)</u>	<u>(4.61)%</u>
Total net deficit-ending	<u><u>\$(5,362,130)</u></u>	<u><u>\$(6,554,009)</u></u>	<u><u>(18.19)%</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND DEBT ADMINISTRATION:

Capital Assets:

The total capital assets are as follows:

- Furniture and fixtures - All assets in the administrative area, such as executive offices, finance, personnel and general services.
- Musical instruments - All instruments used in public performances.
- Automobile - The automobile of the executive director.
- Library - It includes all music used in the different shows.

Refer to Note 5 of the basic financial statements.

Long-term debt:

The total long-term debt is as follows:

- Compensated absences - Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2011 and 2010 amounted to \$428,191 and \$54,508, respectively.
- Net pension obligation - The Orquesta Sinfónica de Puerto Rico Retirement System plan (System) is a single-employer defined benefit pension plan administered by the Board of Trustees of the Retirement System. A pension liability was determined in accordance with GASB No. 27, Accounting for Pensions by State and Local Government Employers, as amended by GASB No. 50, Pension Disclosures.

Refer to Note 4 of the basic financial statements.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT:

This financial report is designed to provide a general overview of the corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Corporación de la Orquesta Sinfónica de Puerto Rico, PO Box 41227 Minillas Station, San Juan, Puerto Rico 00940-1227.

STAT

ASSETS

Current assets:

Cash

Receivables:

Individuals and private entities, net of allowance for doubtful accounts of \$111,430 in 2011 and \$96,947 in 2010

Government entities, net of allowance for doubtful accounts of \$29,609 for 2011 and 2010

Other funds

Related companies

Total current assets

Long-term assets; capital assets, net of accumulated depreciation

Total assets

LIABILITIES

Current liabilities:

Accounts payable:

Individuals and private entities

Government entities

Related companies

Other funds

Other payables

Settlement of legal claim

Accrued expenses and withholdings payable

Compensated absences, current

Deferred revenues

Total current liabilities

Long-term debt:

Compensated absences, non-current

Net pension obligation

Total long-term debt

Total liabilities

NET ASSETS (DEFICIT)

Investment in capital assets

Restricted net assets

Unrestricted net assets (deficit)

SUMMARY

Operating revenues:

- Sale of tickets
- Sale of advertising
- Orchestra fees

Total operating revenues

Operating expenses:

- Salaries, payroll taxes and fringe benefits
- Pension cost
- Administrative services
- Reserve for legal claim
- Commissions
- Depreciation
- Insurance
- Publicity
- Professional, artistic and consulting services
- Travel and meals
- Utilities
- Rent
- Bad debts
- Other

Total operating expenses

Operating loss

Non-operating income:

- Legislative grants
- Special legislative grants
- Other, including interest income
- Contributions and donations

Total non-operating income

Net income

Total net assets (deficit), beginning

Total net assets (deficit), ending

SUMMA**Cash flows from operating activities:****Receipts from customers and users:**

Ticket sales
 Advertising sales
 Orchestra fees

Payments to:

Employees, payroll taxes and other fringe be
 Suppliers and other
 Management services used

Net cash used in operating activities

Cash flows from non-capital financing activities:

Legislative grants
 Special legislative grants
 Contributions and donations
 Increase in deferred revenue
 Other, including interest income
 Net advances (payments) to related companies

Net cash provided by non-capital financing activ

Cash flows from capital and related financing a

Acquisition of property and equipment
 Net advances to related parties

Net cash provided by (used in) capital and relate

Net increase (decrease) in cash

Cash, beginning of year

Cash, end of year

C

SUM

Reconciliation of operating loss to net cash used in operating activities:

Operating loss
Adjustments to reconcile operating loss to net cash used in operating activities:
 Depreciation
 Bad debt expense
 Gain (loss) on elimination of related company transactions
 Changes in operating assets and liabilities:
 Decrease in assets:
 Receivables, government and individual private entities
 (Decrease) increase in liabilities:
 Accounts payable, government, individual private entities and other
 Settlement of legal claims payable
 Accrued expenses and withholdings payable
 Net pension obligation

Total adjustments

Net cash used in operating activities

Supplementary schedule of non-cash non-current activities:

Fully depreciated motor vehicle disposed during the period

Capital assets transferred from a related party with related accumulated depreciation of \$406

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Corporación de la Orquesta Sinfónica de Puerto Rico (the Corporation) is an affiliate of Corporación de las Artes Musicales de Puerto Rico (a public Corporation). It was created by Law No. 44 of May 12, 1980, as amended, of the Commonwealth of Puerto Rico to develop, plan, coordinate, and promote the operations and programs of the Orquesta Sinfónica de Puerto Rico.

The Corporation is exempt from the payment of income and property taxes.

Financial reporting entity

The Corporation is a public corporation, an instrumentality and a component unit of the Commonwealth of Puerto Rico.

Financial independence

The Corporation is responsible for its debts and is entitled to its surplus. No other governmental agency can receive the benefits nor can impose financial strain on the Corporation.

Board of Directors

The Board of Directors is appointed by the Governor of the Commonwealth of Puerto Rico, with the counsel and approval of the Senate of Puerto Rico. The Board has the power to make decisions and is responsible for them.

Designation of management

The Board of Directors appoints an Executive Director. The Executive Director appoints the other members of management. Management reports to the Board of Directors.

Capacity to manage operations

The Corporation has the legal capacity to make significant decisions in the managing of its operations. This legal capacity includes, but is not limited to: control of the assets, which include facilities and properties; formalize short-term loans and contract and develop programs.

Accounting of financial matters

The accounting of funds is the responsibility of the Corporation's management.

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds financial statements

Basic financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into proprietary category. An emphasis is placed on major funds within the proprietary category. A fund is considered major if it is the primary operating fund of the Corporation or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenses of the individual enterprise fund are at least 10% of the corresponding total of all funds, and
- b. Total assets, liabilities, revenues or expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, if applicable.

The funds of the financial reporting entity are described below:

Enterprise funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

<u>Funds</u>	<u>Brief Description</u>
Orquesta Sinfónica Fund	Accounts for the activities of sale of tickets for the performance of arts in Puerto Rico. For 2010, this Fund also accounts for the educational activities for the performance art in Puerto Rico schools under the Programa Educativo Conoce tu Orquesta, which was transferred from Corporación de las Artes Musicales de Puerto Rico.
Concierto de Gala Fund	Accounts for concerts celebrated annually for the benefit of the pension plan of the musicians of the Orquesta Sinfónica de Puerto Rico.

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These funds are classified as major funds in the basic financial statements:

Fund accounting requirements

The Corporation complies, in all material respects, with state and local laws and regulations requiring the use of separate funds and with restrictions placed over certain revenue sources. The legally required funds used by the Corporation include the following:

<u>Fund</u>	<u>Required by:</u>
Concierto de Gala Fund	Orchestra's Musicians

Summary of significant accounting policies

The Corporation complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 105, Generally Accepted Accounting Principles, which became effective September 15, 2009, replaces the FASB's previous four-part GAAP hierarchy with a single source of GAAP. GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued in December 2010, incorporates the FASB, APB, and ARB pronouncements issued on or before November 30th, 1989, which do not conflict with or contradict GASB pronouncements. While GASBS No. 62 keeps the substance of that guidance, it nevertheless modifies the guidance to recognize the effects of the governmental environment and the needs of governmental financial statement users. GASBS No. 62 also supersedes GASBS No. 20, thus eliminating the election that allowed enterprise funds and business-type activities to apply FASB Statements and Interpretations issued after November 30, 1989, that did not conflict with or contradict GASB pronouncements. GASBS No. 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Measurement focus, basis of accounting, and financial statement presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The basic financial statements are prepared with an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or long-term, financial or nonfinancial) associated with their activities are reported. Fund equity is classified as net assets. Legislative grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The legislative grant and donations for permanent betterments or for any specific activity not used in the fiscal year are credited to a deferred income account and income when expended.

The basic financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability was incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions would be recognized when the exchange took place. In addition, revenues, expenses, gains, losses, assets and liabilities from non-exchange transactions would be recognized when all applicable eligibility requirements were met and the amounts were "available".

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation are sale of tickets, orchestra fees, and special grants. Operating expenses for enterprise funds include, among other, salaries, advertising, utilities, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Concentration of credit risks

Cash

The Corporation maintains cash in deposit accounts with commercial banks in Puerto Rico and Government Development Bank. The laws of the Commonwealth of Puerto Rico require that public funds deposited in commercial banks be collateralized when funds exceed the amount insured by the Federal Government. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth of Puerto Rico.

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risks (continued)

Balances Between Related Companies and Related Funds (continued)

The balances are unsecured, non-interest bearing and have no definite due date except for related company loan further explained in Note 2. Payments are received irregularly and depend upon the ability of those related companies to generate sufficient cash flows.

Management believes that the concentration of the risks mentioned above does not represent a risk of loss in relation to the financial position of the Corporation at June 30, 2011.

Sales or purchases of goods and services between funds are reported as revenues and expenses. Repayments from funds responsible for certain expenses to the funds that initially paid for them are not reported as reimbursement but as adjustments to expenses in the respective funds. Amounts reported in the basic financial statements as related companies and other funds receivables and payables are eliminated in the Statement of Net Assets except for the net amount between receivables and payables in each individual fund.

Capital Assets

Capital assets are stated at historical costs when purchased or at estimated fair market value when donated. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Assets which cost or estimated fair market value is stated under \$150 are expensed when purchased or when received as a donation.

Major outlays for capital assets, renewals, and betterments are capitalized. In accordance with practices followed by similar entities, the Corporation records depreciation expense on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and equipment	3-10
Library	10
Musical instruments	5
Motor vehicle	5

CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification

Equity is classified as net assets and displayed in three components:

- a. **Investment in capital assets** - Consists of capital assets, net of accumulated depreciation.
- b. **Restricted net assets** - Consists of net assets with constraints placed on the use either by 1) external groups such as grantors, contributors or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted net assets** - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the Corporation policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to Concierto de Gala Fund and "Departamento del Trabajo" Fund.

Compensated Absences

Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2011 and 2010 amounted to \$428,191 and \$56,212, respectively.

Legislative Grants

The Corporation receives annually legislative grants from the Government of the Commonwealth of Puerto Rico. These grants are for the operations of the Corporation and are recognized as a contribution when granted. The legislative grants for any specific activity not used in any fiscal year are credited to deferred income and thereafter credited to income when expended.

Contributions and Donations

The contributions and donations related to the acquisition and financing of capital accounts are recorded as contributed capital. Those contributed capital were for operations recorded as revenue when received. The contributions and donations for permanent betterments not used in the fiscal year are credited to a deferred income account and credited to revenue when expended.

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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total Columns

The total columns are presented only to facilitate additional analyses. The information on these columns does not present the financial position, results of operations, or the cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated; consequently, amounts shown in totals columns are not comparable to a consolidation.

Accounting for Pension Costs

The Corporation accounts for pension under the provisions of GASB No. 27, Accounting for Pensions by State and Local Government Employers, as amended by GASB No. 50, Pension Disclosures. This statement established standards for measurement, recognition and display of pension expense and related liabilities in financial statements of state and local governmental employers.

Subsequent Events

The Corporation evaluates subsequent events through September XX, 2011, the date the financial statements were issued. The Corporation has determined that there are no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform them to current year presentation. Such reclassifications do not have an effect on net loss as previously reported.

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2. TRANSACTIONS WITH RELATED COMPANIES

The Corporation is a related company of Corporación de las Artes Musicales de Puerto Rico and Corporación de las Artes Escénico-Musicales de Puerto Rico through common management.

The balances of accounts receivable and payable as of June 30, 2011 that resulted from transactions between related companies are as follows:

Corporación de la Orquesta Sinfónica de Puerto Rico Fund

Due from related funds

Corporacion de la Orquesta Sinfonica de Puerto Rico:	
Management Service Fund	\$ 7,648
Concierto Gala Fund	<u>6,535</u>
	<u>\$ 14,183</u>

Due to related company and related fund

Corporación de las Artes Musicales de Puerto Rico:	
Management Service Fund	<u>\$ 66,458</u>

Due to related funds

Corporacion de la Orquesta Sinfonica de Puerto Rico:	
Management Service Fund	<u>\$ 7,648</u>

Concierto Gala Fund

Due from related companies

Corporación de las Artes Musicales de Puerto Rico:	
Management Service Fund	<u>\$ 377,229</u>

Due to related funds

Corporacion de la Orquesta Sinfonica de Puerto Rico:	
Management Service Fund	<u>\$ 6,535</u>

The transactions with related companies, in addition to those identified as such in the accompanying financial statements and the notes, include an annual charges made by the Corporación de las Artes Musicales de Puerto Rico for administrative services, (including rent from an operating lease paid by Corporación de las Artes Musicales de Puerto Rico on behalf of the related companies). For 2011 and 2010, annual charges for administrative services amounted to \$95,000.

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FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

3. CAPITAL ASSETS

Orquesta Sinfónica de Puerto Rico Fund				
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Furniture and equipment	\$ 90,128	\$ 2,355	\$ -	\$ 92,483
Musical instruments	103,611	-	-	103,611
Software	-	300	-	300
Library	75,849	-	-	75,849
Total capital assets being depreciated	269,588	2,655	-	272,243
Less accumulated depreciation for:				
Furniture and equipment	88,569	1,081	-	89,650
Musical instrument	85,642	2,926	-	88,568
Software	-	83	-	83
Library	61,458	3,306	-	64,764
Total accumulated depreciation	235,669	7,396	-	243,065
Total capital assets being depreciated, net	\$ 33,919	\$(4,741)	\$ -	\$ 29,178
Concierto Gala Fund				
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Furniture and equipment	\$ 574	\$ -	\$ -	\$ 574
Library	366	-	-	366
Total capital assets being depreciated	940	-	-	940
Less accumulated depreciation for:				
Furniture and equipment	574	-	-	574
Library	366	-	-	366
Total accumulated depreciation	940	-	-	940
Total capital assets being depreciated, net	\$ -	\$ -	\$ -	\$ -

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4. LONG-TERM DEBT

Long-term activity for the year ended June 30, 2011, was as follows:

	Orquesta Sinfónica de Puerto Rico Fund				
	Beginning balance	Additions	Deductions	Ending Balance	Due within one year
Compensated absences	\$ 54,508	\$ 790,300	\$(416,617)	\$ 428,191	\$ 422,155
Net pension obligation	4,551,180	490,000	-	5,041,180	-
Long-term liabilities	<u>\$ 4,605,688</u>	<u>\$ 1,280,300</u>	<u>\$(416,617)</u>	<u>\$ 5,469,371</u>	<u>\$ 422,155</u>

5. PENSION PLANS

Retirement System Plan for the employees of the Commonwealth of Puerto Rico

The Employee's Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS) is a cost-sharing multi-employer defined benefit pension plan sponsored by, and reported as a component unit of the Commonwealth of Puerto Rico. All regular employees of the Corporation under age 55 at the date of employment become members of the System as a condition for their employment.

The System provides retirement, death and disability benefits pursuant to Act No. 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited services. Benefits vest after ten years of plan participation.

Members who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years for creditable service or members who have attained an age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

The amount of the annuity shall be one and one-half percent of the average compensation multiplied by the number-of-years of creditable service up to twenty years, plus two percent of the average compensation multiplied by the number of years of creditable service in excess of twenty years. In no case will the annuity be less than \$200 per month. For those participant employees after March 31, 1990, the amount of the annuity is 1 1/2% of the compensation multiplied by the number of years for credited services. The annuity should not be less than \$2,400 in any case.

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5. PENSION PLANS (CONTINUED)

Retirement System Plan for the employees of the Commonwealth of Puerto Rico (continued)

Participants who have completed at least thirty years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation or if they attained fifty-five (55) years of age will receive 75% of the average compensation. Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten (10) years of service.

No benefit is payable if the participant receives a refund of his accumulated contributions.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, was enacted with the purpose of establishing a new pension program (System 2000). System 2000 became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999, elected either to stay in the defined benefit plan or transfer to the new program. Persons joining on or after January 1, 2000, were only allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth. The annuity will be based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of their turn of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants will receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions will not be granted under System 2000. The employers' contribution (9.275% of the employee's salary) will be used to fund the deficiency of the defined benefit plan.

System 2000 reduces the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

Commonwealth legislation requires employees to contribute 5.775% for the first \$6,600 of their annual gross salary and 8.275% for the salary in excess of \$6,600 for employees hired on or before April 1, 1990. For employees hired on or after April 1, 1990 the required contribution is 8.275% of gross salary. The Corporation's contribution is 9.275% of gross salary. For the years ended June 30, 2011, 2010, and 2009, the total payroll of all the administrative employees amounted to \$405,586, \$231,118, and \$192,677, respectively. The payroll covered by the System amounted to \$275,855, \$131,124, and \$137,118 for the years ended June 30, 2011, 2010, and 2009, respectively. Those amounts are the compensation paid by the Corporation to all active employees covered by the System, which is the base for the contribution.

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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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5. PENSION PLANS (CONTINUED)

Retirement System Plan for the employees of the Commonwealth of Puerto Rico (continued):

The pension expense for the years ended June 30, 2011, 2010, and 2009 amounted to \$13,345, \$14,622, and \$12,038, respectively.

The amount of total pension benefit obligation is based on a standardized measurement established by generally accepted accounting principles that, with some exceptions, must be used by a public employee retirement system. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases. The significant actuarial assumptions used to determine the standardized measure of the pension benefits obligation are summarized below:

- The most recent actuarial valuation is as of June 30, 2010.
- Interest rate 7.5% a year
- Salary increases 3.0% a year
- Pre-retirement mortality RP-2000 Employee Mortality Rates for males and females projected on a generational basis using Scale AA.
- Post-retirement health mortality Projected on generational basis using Scale AA.
- Post-retirement disabled mortality RP-2000 Disabled Annuitant Mortality Rates, without projection.
- Termination 2% of annual rate of termination
Current terminated members with a vested benefit are assumed to retire at the age of 58 or at the attained age on the valuation date if later.
- Disability Rates are based on the six month elimination period rates in the 1987 Commissioners Group Disability Table, as adjusted. Rates of disability cease to apply once a member is eligible for the 75% of the highest salary maximum benefit.
- Retirement age Graded scale of retirement ages commensurate with anticipated experience

**CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

5. PENSION PLANS (CONTINUED)

- Marriage 50% of current active members, terminated members and retirees are assumed to be married at retirement with males 4 years younger than females
- Number of Employees Electing Higher Contributions 15% of retiring employees assumed to pay retroactive contributions at retirement

The required and realized contribution by the employees and the employer for the years ended June 30, 2011, 2010 and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Required and realized contribution by the employees	\$ 12,044	\$ 13,113	\$ 10,302
% that represents the total of payroll covered	4.37 %	10.00 %	8.31 %
Required and realized contribution by the employer	\$ 13,345	\$ 14,622	\$ 12,038
% that represents the total of payroll covered	4.84 %	9.18 %	9.31 %

The financial statements and required supplementary information for the pension plan are available at the administration office of the Employees' Retirement System of the Government of Puerto Rico, P.O. Box 42003 Minillas, San Juan, Puerto Rico 00940.

Plan for the Musicians of the Orquesta Sinfónica de Puerto Rico

Plan Description: The Corporación de la Orquesta Sinfónica de Puerto Rico Retirement System (System) is a single-employer defined benefit pension plan administered by the Retirement Committee. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The general administration of the plan and the responsibility for carrying out its provisions are placed in the Retirement Committee, the members of which are appointed by the Board of Directors of the employer and by the participants on an equal representation basis.

Funding Policy: The contribution requirements of plan members and the Symphony Orchestra (Orchestra) are established and may be amended by the Retirement Committee. Plan members are required to contribute 3.5% of their compensation.

The Orchestra is supposed to contribute at an actuarially determined rate; the current rate is 19.6% of annual covered payroll.

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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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5. PENSION PLANS (CONTINUED)

Plan for the Musicians of the Orquesta Sinfónica de Puerto Rico (continued)

Actuarial cost method: The Aggregate Cost Method is used to determine the normal cost for retirement, termination, and ancillary benefits. Under this cost method, the total of the present value of all future benefits for all participants reduced by the actuarial value of assets is divided by the present value of future compensation to determine the Normal Cost Rate. The present value of future benefits is determined by discounting, to the valuation date, the total future benefits cash flow from the plan to all of the current participants, using the actuarial assumptions. The actuarial value of assets is adjusted by the funding standard account balance. The present value of future compensation is determined by discounting, to the valuation date, all of the compensation anticipated to be paid to the current participants, using the actuarial assumptions. The Normal Cost Rate is then multiplied by the compensation for participants under retirement age to arrive at the Normal Cost payable on the valuation date. The final Normal Cost, after increasing this result for expected administrative expenses, if applicable, may not be less than zero. For this purpose, "retirement age", means the earliest age at which probability of retirement is 100%.

Annual Pension cost and net pension obligation: For 2010, annual pension cost and net pension obligation of \$929,000 and \$4,551,000, respectively, were determined based on Actuarial Valuation Report as of August 15, 2009, which presents the funding results of the actuarial valuation of the System, as well as required Governmental Accounting Standard Board (GASB) disclosures for the fiscal year ended June 30, 2010. For the fiscal year ended June 30, 2011, the Actuarial Valuation Report was not available; accordingly, the management estimated a pension cost of approximately \$490,000 based on Actuarial Valuation Report dated August 15, 2009.

The Orchestra's annual pension cost and net pension obligation to the System for the year ended June 30, 2010 and 2007 were as follows:

	<u>2010</u>	<u>2007</u>
Annual required contribution	\$ 858,461	\$ 569,415
Interest on net pension obligation	319,823	224,661
Adjustment to annual required contribution	<u>(437,296)</u>	<u>(309,553)</u>
Annual pension cost	740,988	484,523
Contributions made	<u>(187,593)</u>	<u>(211,909)</u>
Increase in net pension obligation	553,395	272,614
Net pension obligation, beginning of year ⁽¹⁾	<u>3,997,785</u>	<u>2,808,259</u>
Net pension obligation, end of year	<u>\$ 4,551,180</u>	<u>\$ 3,080,873</u>

⁽¹⁾ No actuarial valuations were performed for the plans years August 15, 2007 and 2008. Therefore the net pension obligation at beginning of the year was estimated based on the annual required contribution rate and amortization period (open-basis) determined in the last valuation available as of August 15, 2008.

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5. PENSION PLANS (CONTINUED)

Plan for the musicians of the Orquesta Sinfónica de Puerto Rico (continued)

The employer contributions rate established by the American Federation of Musicians of the United States of America and Canada differs significantly from the actuarially determined annual contribution.

For the year ended June 30 2010 and 2007, the annual required contribution was determined by the Actuarial Valuation Report as of August 15, 2009 and 2006, respectively, using the aggregate actuarial cost method and the level percentage of payroll as amortization method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases of 4.0% per year, (c) RP-2000 Combined Healthy Mortality Tables for males and females, and (d) 3% of the inflation already included in the investment return and in projected salary increase. The actuarial value of assets is equal to the market value of assets.

The adjustment to the Annual Required Contribution is determined by amortizing the NPO at the beginning of the period as a level percentage to pay over the expected working lifetime of the current active group.

The three-year pension cost trend information was as follows:

Fiscal year ending June 30,	Three-year Trend Information			
	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net pension Obligation
2010	\$ 740,988	\$ 187,593	25.32%	\$ 4,551,180
2009 ⁽¹⁾	\$ 515,708	\$ 55,885	10.8%	\$ 3,997,785
2008 ⁽¹⁾	\$ 490,303	\$ 33,214	6.8%	\$ 3,537,962

⁽¹⁾ No actuarial valuations were performed for the plans years August 15, 2007 and 2008. Therefore the net pension obligation at beginning of the year was estimated based on the annual required contribution rate and amortization period (open-basis) determined in the last valuation available as of August 15, 2008.

Schedule of funding progress and schedule of employer contributions are presented in the accompanying required supplementary information.

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NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

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6. CONTINGENCIES

The Corporation is involved in a legal proceeding related to a dismissed employee during February 2002. On September 2008, the Department of Labor issued an award reinstating the employee with back-pay. As of June 30, 2011, the legal proceeding is finally settled at \$326,147.

**CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO
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REQUIRED SUPPLEMENTARY INFORMATION

Orquesta Sinfónica de Puerto Rico Retirement System

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Present value of future benefits *</u>	<u>Unfunded liability</u>	<u>Funded ratio</u>	<u>Covered payroll **</u>	<u>UAAL as a Percentage of covered payroll</u>
8-15-2009	\$ 2,815,831	N/A	N/A	N/A	\$ 3,090,056	N/A
8-15-2006	\$ 3,496,518	N/A	N/A	N/A	\$ 2,898,248	N/A
8-15-2005	\$ 3,162,639	N/A	N/A	N/A	\$ 2,738,549	N/A

* Present value of all future benefits is used as if there is no actuarial accrued liability under this cost method.

** Calendar year compensation used for valuation purposes.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year ended June 30,</u>	<u>Required Contribution as a percentage of payroll*</u>	<u>Actual payroll**</u>	<u>Required contribution</u>	<u>Actual contribution</u>	<u>Percentage contributed</u>	<u>(Excess)/ Deficiency</u>
2010	27.8%	\$ 3,090,056	\$ 858,461	\$ 187,593	21.9%	\$ 670,868
2009***	19.6%	\$ 3,169,254	\$ 622,659	\$ 55,885	9.0%	\$ 566,774
2008***	19.6%	\$ 2,969,615	\$ 583,436	\$ 33,214	5.7%	\$ 550,222

* Annual Required Contribution is rate at the beginning of the year, obtained by dividing total Employer Normal Cost at beginning of the year by Valuation Payroll for participants under the assumed retirement age.

** Calendar year compensation used for valuation purposes.

*** No Actuarial Report available for such year. Information was obtained from Actuarial Valuation Report as of August 15, 2009.