

Puerto Rico Convention Center District Authority

(A Component Unit of the Commonwealth of
Puerto Rico)

Basic Financial Statements, Required Supplementary
Information, and Supplemental Schedules as of and
for the Year Ended June 30, 2011, and Independent
Auditors' Report

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Puerto Rico Convention Center District Authority (the "Authority"), a component unit of the Commonwealth of Puerto Rico, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

March 9, 2012

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PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. Our discussion and analysis provides 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.

Financial Highlights

- The Authority's total assets increased by \$45.1 million in 2011 or 5.7%
- The Authority's total liabilities decreased by \$15.9 million in 2011 or 2.4%
- The Authority's net assets increased by \$61.0 million in 2011 or 44.8%
- Operating revenues increased by \$2.6 million during 2011 or 10.4%
- Direct operating costs and expenses increased by \$0.3 million during 2011 or 4.2%
- Other operating expenses increased by \$0.8 million during 2011 or 2.1%
- Nonoperating revenues increased by \$69.8 million during 2011 or 577.7%

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 assets presents information regarding all of the Authority's assets and liabilities. The difference between the mentioned components is reported as net assets. Increase and decrease in net assets provide an indication of whether the Authority's financial health is improving or deteriorating.
- The statement of revenues, expenses, and changes in net assets presents information showing how the Authority's net assets changed during the most recent fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

- 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, 2011 and 2010:

STATEMENTS OF NET ASSETS (in 000's)

	2011	2010	Variance
Assets:			
Current assets	\$ 80,208	\$ 106,706	\$ (26,498)
Capital assets — net	687,844	663,538	24,306
Other noncapital assets	<u>66,779</u>	<u>19,479</u>	<u>47,300</u>
 Total assets	 <u>\$ 834,831</u>	 <u>\$ 789,723</u>	 <u>\$ 45,108</u>
Liabilities:			
Current liabilities	\$ 38,136	\$ 39,940	\$ (1,804)
Noncurrent liabilities	<u>599,518</u>	<u>613,575</u>	<u>(14,057)</u>
 Total liabilities	 <u>637,654</u>	 <u>653,515</u>	 <u>(15,861)</u>
Net assets:			
Invested in capital assets — net of related debt	83,848	55,005	28,843
Restricted assets	71,418	45,173	26,245
Unrestricted	<u>41,911</u>	<u>36,030</u>	<u>5,881</u>
 Total net assets	 <u>197,177</u>	 <u>136,208</u>	 <u>60,969</u>
 Total liabilities and net assets	 <u>\$ 834,831</u>	 <u>\$ 789,723</u>	 <u>\$ 45,108</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS **AS OF AND FOR THE YEAR ENDED JUNE 30, 2011** **(Continued)**

- **The Authority's total assets increased by \$45.1 million in 2011 or 5.7%**

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 completed the construction of the Convention Center and currently is 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. During the year ended June 30, 2011, net capital assets increased by approximately \$24.3 million. This increase was mainly due to the acquisition of land that was transferred to the Authority from the Puerto Rico Land Administration (the "Land Administration"). The Land Administration also transferred cash amounting to approximately \$25.1 million to be used for future development of the land.

- **The Authority's total liabilities decreased by \$15.9 million in 2011 or 2.4%**

During the year ended June 30, 2011, the Authority decreased the principal balance due on its lines of credit maintained with Government Development Bank for Puerto Rico ("GDB"), by approximately \$3.4 million, as well as the accrued interest related such lines of credit by approximately \$3.9 million. In addition, the Authority's bonds payable decreased by approximately \$9.5 million due to current year principal payments of \$8.6 million and the amortization of its bonds premiums of approximately \$950,000. The Authority's deferred revenues decreased by approximately \$935,000.

- **The Authority's net assets increased by \$61.0 million in 2011 or 44.8%**

As of June 30, 2011, the Authority had approximately \$197.2 million in net assets. From such amount, \$83.8 million are invested in capital assets (net of related debt), \$71.4 million correspond to restricted net assets, and \$41.9 million are unrestricted net assets. Investment in capital assets, net of related debt, increased by approximately \$28.8 million in 2011 mainly due to the acquisition of land from the Land Administration. Restricted net assets increased by approximately \$26.2 million, which was mainly due to the cash obtained from the Land Administration. Unrestricted assets increased by approximately \$5.8 million in 2011.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

The following summarizes the Authority's changes in net assets for the years ended June 30, 2011 and 2010:

	2011	2010	Variance
Operating revenues	\$ 27,365	\$ 24,787	\$ 2,578
Direct operating costs and expenses	(8,629)	(8,281)	(348)
Other operating expenses	(39,690)	(38,878)	(812)
Nonoperating revenues — net	<u>81,923</u>	<u>12,089</u>	<u>69,834</u>
 Change in net assets	 60,969	 (10,283)	 71,252
 Net assets — beginning of year	 <u>136,208</u>	 <u>146,491</u>	 <u>(10,283)</u>
 Net assets — end of year	 <u>\$ 197,177</u>	 <u>\$ 136,208</u>	 <u>\$ 60,969</u>

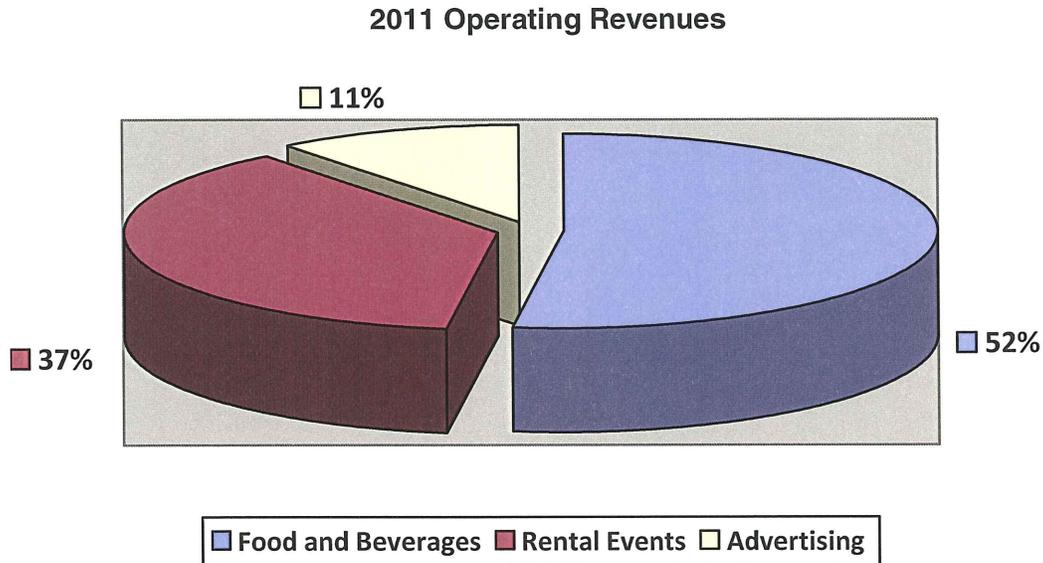
- **Operating revenues increased by \$2.6 million during 2011 or 10.4%**

Operating revenues are earned from rental of facilities and related support services, sale of food and beverages, suites and club seat rental, sponsorships, and ticket incentive rebates, among others. The increase in the Authority's operating revenues during the year ended June 30, 2011, is substantially related to sales of food and beverages. The increase in food and beverage sales resulted from an increase in activities undertaken on the Convention Center, as well as an increase in rental fees of the Convention Center activities areas.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

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



- **Direct operating costs and expenses increased by \$0.3 million during 2011 or 4.2%**

During the year ended June 30, 2011, operating expenses related to cost of food, beverages and novelty, and direct rental decreased by approximately \$50,000, while event costs, such as event setup, support, engineering, and labor directly related to the event, increased by approximately \$350,000.

- **Other operating expenses increased by \$0.8 million during 2011 or 2.1%**

The increase in other operating expenses is mainly the result of the increase in depreciation and amortization of approximately \$541,000 and an increase in utilities and insurance of approximately \$294,000. The increase in depreciation and amortization is mainly due to the increase in depreciable assets and the increase in utilities and insurance is mainly due to the increase in the electricity expense.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

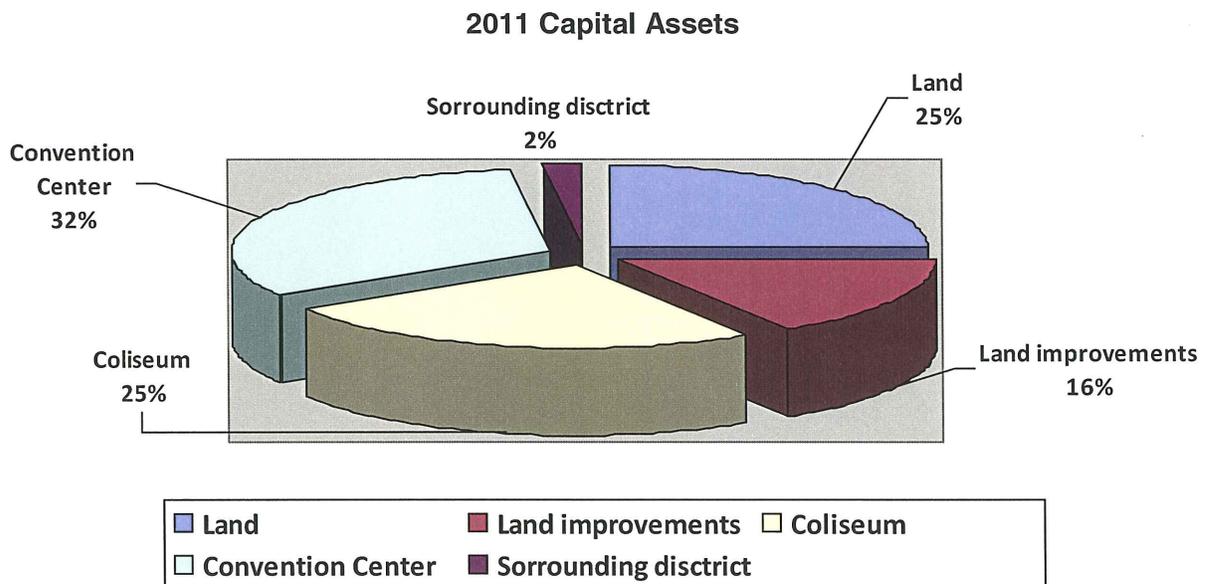
- **Nonoperating revenues (net of nonoperating expenses) increased by approximately \$69.8 million during 2011 or 577.7%**

The Authority's nonoperating revenues include contributions from Puerto Rico Tourism Company related to hotel room tax as required by law. The provisions of the hotel room tax revenues provide, among other things, for the debt service of the bond issued for the financing of the Convention Center and the setting of special funds to cover for the operating deficit. In addition, the Authority received a transfer of land and cash from the Land Administration of approximately \$53.3 million during the year ended June 30, 2011. The Authority will use the transferred land and cash for the development of the Bahia Urbana project.

- **Capital assets increased by \$24.3 million in 2011 or 3.7%**

The Authority's increase in capital assets during 2011 was mainly due to the transfer of land from the Land Administration of approximately \$28.2 million and other miscellaneous additions amounting to approximately \$7.6 million, which were offset by depreciation and amortization, that for the year ended June 30, 2011, amounted to approximately \$11.5 million.

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



See Note 5 to the basic financial statements for additional information on the Authority's capital assets.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011
(Concluded)

Long-Term Debt

The Authority's long-term debt consists of two lines of credit with GDB and bonds payable, which amounted to approximately \$147.6 million and \$456.4 million, respectively, as of June 30, 2011. 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 6 and 7 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. Box 19269, San Juan, Puerto Rico, 00910-1269.

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

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS

CURRENT ASSETS:

Cash	\$ 18,265,443
Accounts receivable — net	23,723,408
Prepaid expenses and other assets	1,353,285
Restricted assets — Cash	13,300,000
Restricted assets — Investments	<u>23,565,529</u>
Total current assets	<u>80,207,665</u>

NONCURRENT ASSETS:

Restricted assets — Cash	11,837,270
Restricted assets — Investments	33,363,564
Long-term accounts receivable	5,188,522
Note receivable	2,165,105
Debt issuance cost — net	14,225,547
Capital assets — net	<u>687,843,541</u>
Total noncurrent assets	<u>754,623,549</u>

TOTAL	<u>\$ 834,831,214</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 10,432,555
Customer deposits payable	3,418,185
Deferred revenues	<u>4,596,973</u>

Total current liabilities payable from unrestricted assets	18,447,713
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Current liabilities payable from restricted assets:

Current portion of bonds payable	9,040,000
Interest payable on bonds	<u>10,648,531</u>

Total current liabilities	<u>38,136,244</u>
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NONCURRENT LIABILITIES:

Deferred revenues	4,562,528
Borrowings under lines of credit	147,599,880
Bonds payable	<u>447,355,376</u>

Total noncurrent liabilities	<u>599,517,784</u>
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Total liabilities	<u>637,654,028</u>
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NET ASSETS:

Invested in capital assets — net of related debt	83,848,285
Restricted for:	
Debt service	46,280,562
Development of Bahia Urbana project	25,137,270
Unrestricted	<u>41,911,069</u>

Total net assets	<u>197,177,186</u>
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TOTAL	<u>\$ 834,831,214</u>
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See notes to basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES:	
Food, beverage, and novelty	\$ 14,328,359
Rental and event services	10,161,578
Advertising	<u>2,874,914</u>
Total operating revenues	<u>27,364,851</u>
DIRECT OPERATING COSTS AND EXPENSES:	
Food, beverage, and novelty	6,059,145
Rental and event services	<u>2,570,344</u>
Total direct operating costs and expenses	<u>8,629,489</u>
GROSS OPERATING PROFIT	<u>18,735,362</u>
OTHER OPERATING EXPENSES:	
Salaries and related benefits	883,107
Professional and contract services	8,665,601
Depreciation and amortization	11,543,353
Utilities and insurance	10,297,367
Advertising	2,474,060
Repairs and maintenance	2,768,129
Other	<u>3,058,177</u>
Total other operating expenses	<u>39,689,794</u>
OPERATING LOSS	<u>(20,954,432)</u>
NONOPERATING (EXPENSES) REVENUES:	
Interest expense	(31,398,568)
Contributions from Puerto Rico Tourism Company	35,596,462
Contributions from Commonwealth of Puerto Rico	17,822,204
Contributions from Puerto Rico Land Administration	53,303,228
Interest income	165,909
Other income	<u>6,433,755</u>
Total nonoperating revenues	<u>81,922,990</u>
CHANGE IN NET ASSETS	60,968,558
NET ASSETS — Beginning of year	<u>136,208,628</u>
NET ASSETS — End of year	<u>\$ 197,177,186</u>

See notes to basic financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of food, beverages, rental, event services, and advertising revenues	\$ 27,026,359
Collections of other nonoperating revenues	836,968
Payments to suppliers	(33,768,550)
Payments to employees	<u>(883,107)</u>
Net cash used in operating activities	<u>(6,788,330)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contributions from Puerto Rico Tourism Company	30,834,613
Contributions from Commonwealth of Puerto Rico	17,822,204
Contributions from Puerto Rico Land Administration	25,137,270
Payments of bonds payable	(8,640,000)
Payments of lines of credit	(3,475,961)
Capital expenditures	(2,091,776)
Payment of interest:	
Bonds payable	(21,497,414)
Lines of credit	<u>(14,346,243)</u>
Net cash provided by capital and related financing activities	<u>23,742,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Redemption of investments	7,733,210
Origination of note receivable	(2,148,323)
Collection of interest income	<u>149,127</u>
Net cash provided by investing activities	<u>5,734,014</u>
NET INCREASE IN CASH	22,688,377
CASH — Beginning of year	<u>20,714,336</u>
CASH — End of year	<u>\$ 43,402,713</u>
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash —unrestricted	\$ 18,265,443
Cash —restricted	<u>25,137,270</u>
TOTAL CASH — End of year	<u>\$ 43,402,713</u>

(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, 2011

RECONCILIATION OF OPERATING LOSS TO NET CASH USED
IN OPERATING ACTIVITIES:

Operating loss	\$ (20,954,432)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	11,543,353
Bad debt expense	270,242
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(338,685)
Prepaid expenses and other assets	(351,615)
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	2,448,040
Customer deposits payable	1,529,723
Deferred revenues	<u>(934,956)</u>
Total adjustments	<u>14,166,102</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (6,788,330)</u>

See notes to basic financial statements.

(Concluded)

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

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Puerto Rico Convention Center District Authority (the “Authority”) is a component unit of the Commonwealth of Puerto Rico (the “Commonwealth”); created by Act No. 142 of October 4, 2001; and is responsible for developing, constructing, and operating the Puerto Rico Convention (“Convention Center”) and the Puerto Rico Convention District (“District”). Act No. 142 amends and supersedes Act No. 400 of September 9, 2000, which had been enacted to create the Authority and to develop the Convention Center in an effort to promote congress and large group meetings in Puerto Rico. Act No. 142 also amends and supersedes Act No. 351 of September 2, 2000, which had created the World Trade Center District with the final objective to provide the necessary support to the Convention Center. The new legislation conveyed the Convention Center and the World Trade Center District into a single agency. Under the provisions of Act No. 142, the Puerto Rico Tourism Company (PRTC) transferred to the Authority the net costs incurred during the development and design of the site that fosters the Convention Center and surrounding infrastructure, which as of the transfer date of October 4, 2001, amounted to \$3,600,000.

On August 3, 2004, the Commonwealth enacted Act No. 185 to amend Act No. 351 of September 2, 2000, and transferred the ownership of the José Miguel Agrelot Coliseum (the “Coliseum”) to the Authority, increased the composition of the board of directors, and committed the Office of Management and Budget to allocate funds for the debt services and operation deficit, as applicable, among others. Related to the transfer of the Coliseum, on September 21, 2004, Act No. 394 was enacted, amending Act No. 351, to transfer the ownership interest, as well as other rights and obligations related to the development and operations of the Coliseum.

Summary of Significant Accounting Policies — The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”), as applicable to governmental entities. The Authority follows Governmental Accounting Standard Board (“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 Authority has elected to apply all applicable statements and interpretations issued by the Financial Accounting Standards Board (“FASB”) after November 30, 1989, in accounting and reporting for its enterprise fund.

The activities of the Authority are accounted for as an enterprise fund. Accordingly, the Authority follows the accrual basis of accounting. Revenues are recognized when earned, regardless of when they are received, and expenses are recognized when incurred, regardless of when they are paid.

The following is a description of the Authority's most significant accounting policies:

Basis of Presentation — The Authority's basic financial statements conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The statement of net assets presents the Authority's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories as follows:

- *Invested in capital assets — net of related debt* — This component of net assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balance 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-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, the portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* — This component of net assets results when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* — This component of net assets consists of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted". Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

Accounting Estimates — The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts — 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 collectibility of the receivables. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

Capital Assets — Capital assets consist of construction costs related to the development of the Convention Center and other improvements on the adjacent District, the Coliseum, and office furniture and equipment. Construction costs include project development costs, design and architecture, environmental studies and site improvements, capitalized interest, insurance, construction costs received in transfers, and other capitalizable costs. 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 cost.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the building (50 years), vehicles (five years), and furniture and equipment (ranging from 3 to 10 years). 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. Expenditures for repairs and maintenance, which do not extend the useful lives of the assets, are charged to operations in the years incurred.

Land 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.

Accounting for the Impairment of Capital Assets — 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, 2011.

Compensated Absences — The employees of the Authority are granted 30 days of vacation and 18 days of sick leave annually. Vacation and sick leave may be accumulated up to a maximum of 60 and 90 days, respectively. In the event of employee resignation, an employee is reimbursed for accumulated vacation days up to the maximum allowed. For sick leave, in the event of employee resignation for any reason but disciplinary, an employee is reimbursed for accumulated sick days up to a maximum allowed.

Bonds Payable — Bonds payable are presented net of the applicable debt premium. Deferred issuance costs are reported as a separate line item in the statement of net assets. Debt premium and issuance costs are deferred and amortized, as a component of interest expense, over the life of the debt using systematic and rational methods that approximate the interest method.

Operating Revenues and Expenses — Enterprise fund reporting distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing the services that correspond to the Authority's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Operating revenues and operating expenses consist of activities related to the Convention Center and the Coliseum.

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.

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.

Nonexchange Transactions — GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange 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.

Restricted Assets and Liabilities from Restricted Assets — Restricted assets represent 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.

Recent Accounting Pronouncements — The GASB has recently issued the following accounting pronouncements:

In December 2009, the GASB issued GASB Statement No. 57, *OPEB Measurements by Agents Employees and Agent Multi-Employers Plans*. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The provisions of this statement are effective for financial statements for periods beginning after June 15, 2011. The impact of this statement in the Authority's basic financial statements has not yet been determined.

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, a SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The impact of this statement in the Authority's basic financial statements has not yet been determined.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. This statement modifies existing requirements for the assessment of the potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012. The impact of this statement in the Authority's basic financial statements has not yet been determined.

In December 2010, the GASB issued GASB Statement No. 62, *Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) FASB Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The impact of this statement in the Authority's basic financial statements has not yet been determined.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. The impact of this statement in the Authority's basic financial statements has not yet been determined.

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision-an amendment of GASB Statement No. 53*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The impact of this statement in the Authority's basic financial statements has not yet been determined.

2. CASH AND INVESTMENTS

Cash — The Authority 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. GDB is exempt from the collateral requirements established by the Commonwealth.

Based on these provisions, deposits either insured or collateralized are not considered to be subject to custodial risk, which is the risk that in the event of a bank's failure, the Authority's deposits may not be returned to it. As of June 30, 2011, the Authority had approximately \$26,260,000 of deposits subject to custodial risk.

As of June 30, 2011, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance	Uninsured or Uncollateralized
GDB	\$ 26,259,925	0.1 %	\$ 26,259,925	\$ 26,259,925
Nongovernment banks	<u>17,142,788</u>	0.88%–1.63%	<u>18,630,790</u>	<u> </u>
	<u>\$ 43,402,713</u>		<u>\$ 44,890,715</u>	<u>\$ 26,259,925</u>

Investments — Certain proceeds from the bonds issued on March 15, 2006 (see Note 7) were set aside for the repayment of the bonds, for capitalized interest, and construction, and are classified as restricted assets in the accompanying statement of net assets. 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.

Investment Policy — 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, 2011 are shown in the table below:

Description	Rating	Amount
Money market fund (J.P. Morgan 100% U.S. Treasury Securities Money Market Fund)	AAAm-G	\$ 53,053,187
Money market fund (Dreyfuss Cash Management — Investor Shares)	AAAm	<u>3,875,906</u>
Total		<u>\$ 56,929,093</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2011, consists of:

Description	Current	Long Term	Total
Trade receivables	\$ 5,131,824	\$ -	\$ 5,131,824
Due from Puerto Rico Tourism Company	14,929,220		14,929,220
Deferred receivable:			
Billable	3,919,583	4,480,532	8,400,115
Nonmonetary consideration	<u>560,892</u>	<u>707,990</u>	<u>1,268,882</u>
	24,541,519	5,188,522	29,730,041
Less allowance for bad debts	<u>(818,111)</u>		<u>(818,111)</u>
Accounts receivable — net	<u>\$23,723,408</u>	<u>\$5,188,522</u>	<u>\$28,911,930</u>

Trade receivables comprise amount due on event services, food, beverages, rental, and advertising billed to promoters, facility members, sponsors, and the general public. Due from Puerto Rico Tourism Company represents the amount of contributions to be received from hotel room taxes collected by Puerto Rico Tourism Company (see notes 7 and 9).

The Authority enters in long-term multiservices 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 nonmonetary consideration is measured at fair value based on the current rates applicable to the Authority.

Deferred billing and nonmonetary consideration under these agreements are as follows:

Year Ending June 30	Billable	Nonmonetary Consideration	Total
2012	\$3,919,583	\$ 560,892	\$4,480,475
2013	2,248,396	707,990	2,956,386
2014	1,515,250		1,515,250
2015	440,886		440,886
2016	<u>276,000</u>		<u>276,000</u>
	<u>\$8,400,115</u>	<u>\$1,268,882</u>	<u>\$9,668,997</u>

As of June 30, 2011, the Authority received services and products used to reduce the deferred nonmonetary consideration for approximately \$570,000.

As of June 30, 2011, the deferred revenues related to the long-term agreements were as follows:

Description	Current	Noncurrent
Deferred revenues	<u>\$4,596,973</u>	<u>\$4,562,528</u>

The deferred revenues will be earned in the following years:

Year Ending June 30	Amount
2012	\$4,596,973
2013	2,270,688
2014	1,515,250
2015	438,387
2016	<u>338,203</u>
Total	<u>\$9,159,501</u>

4. NOTE RECEIVABLE

On January 21, 2011, the Authority and CCHPR Hospitality LLC (the "Borrower") entered a Subordinated Credit Agreement. Through this agreement, the Authority agreed to grant a non-revolving term loan in an aggregate principal amount not to exceed \$2,500,000 to the Borrower. This agreement shall be payable 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, 2011, the outstanding principal of the note receivable amounted to \$2,165,105.

5. CAPITAL ASSETS

Capital assets are mainly composed 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 and the Coliseum of Puerto Rico. 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 substantially remain with the Authority.

Capital asset activity for the year ended June 30, 2011, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 144,267,031	\$ 28,165,958	\$ -	\$ 172,432,989
Land improvements	<u>101,666,019</u>	<u>7,622,474</u>		<u>109,288,493</u>
Total capital assets not being depreciated	<u>245,933,050</u>	<u>35,788,432</u>	<u>-</u>	<u>281,721,482</u>
Capital assets being depreciated:				
Coliseum:				
Building	441,830,970			441,830,970
Improvements — other than land	13,482,219			13,482,219
Furniture and fixture	22,652,737	66,089	(67,221)	22,651,605
Equipment	245,627			245,627
Vehicles	<u>43,790</u>			<u>43,790</u>
Total capital assets being depreciated	478,255,343	66,089	(67,221)	478,254,211
Less accumulated amortization and depreciation	<u>(60,650,200)</u>	<u>(11,543,353)</u>	<u>61,401</u>	<u>(72,132,152)</u>
Capital assets being depreciated — net	<u>417,605,143</u>	<u>(11,477,264)</u>	<u>(5,820)</u>	<u>406,122,059</u>
Capital assets — net	<u>\$ 663,538,193</u>	<u>\$ 24,311,168</u>	<u>\$ (5,820)</u>	<u>\$ 687,843,541</u>

Ground Lease — On August 31, 2005, the Authority entered into a development ground lease agreement (the “Agreement”) with a third party. The Agreement includes the construction of a hotel with a minimum of 500 guest rooms, a casino, meeting facilities, and business and fitness center, among others.

Transfer of Land — On May 5, 2011, the Authority received a transfer of land from the Puerto Rico Land Administration (the “Land Administration”) through a fee simple deed. The track of land, which previously belonged to the project known as the Golden Triangle, incorporates the areas of Old San Juan, Puerta de Tierra, and Isla Grande, including the District. The Authority has been designated by an Executive Committee as the governmental entity to be in charge of the coordination and development of the Bahia Urbana project. The land was recorded at the carrying value of the transferor or approximately \$28,166,000. In addition, the Authority received approximately \$25,137,000 in cash to be used for the future development of the area. Such amount has been presented as restricted assets within the accompanying statement of net assets. The total contribution from the Land Administration of approximately \$53,303,000 has been included as part of nonoperating revenues in the accompanying statement of revenues, expenses, and changes in net assets.

Prior to the transfer of the land, the Authority had incurred certain costs for land improvements on behalf of the Land Administration. As a result of the transfer of land, the Authority capitalized these costs as part of land improvements, which amounted to approximately \$5,596,000 for the year ended June 30, 2011.

6. BORROWINGS UNDER LINES OF CREDIT

As of June 30, 2011, the Authority had two interim nonrevolving 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 mature on June 30, 2027 and bear interest at a fixed rate

of 7%. As of June 30, 2011, the accrued interest on the lines of credit amounted to \$315,699 and has been included as part of accounts payable and accrued expenses in the accompanying statement of net assets.

The activity of the lines of credit for the year ended June 30, 2011, is as follows:

Description	Beginning Balance	Additions/ Transfer	Payments	Ending Balance
Borrowings under lines of credit — Coliseum	<u>\$151,075,841</u>	<u>\$ -</u>	<u>\$(3,475,961)</u>	<u>\$147,599,880</u>

As of June 30, 2011, the Commonwealth contributed approximately \$17,822,000 for the payment of principal and interest of the nonrevolving lines of credit with GDB. This contribution has been presented as part of nonoperating revenues in the accompanying statement of revenues, expenses and changes in net assets.

7. BONDS PAYABLE

On March 15, 2006, the Authority authorized the issuance of bonds amounting to \$468,800,000 to finance any outstanding loans, or any construction project associated with the Convention Center construction project. 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%	\$227,665,000
Term bonds maturing through 2036, with interest rates ranging from 4-1/2% to 5%	<u>219,495,000</u>
Total bonds outstanding	447,160,000
Add bonds premiums — net	<u>9,235,376</u>
Total bonds payable	<u>\$456,395,376</u>

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

Year Ending June 30	Principal	Interest
2012	\$ 9,040,000	\$ 21,083,013
2013	9,470,000	20,679,563
2014	9,845,000	20,276,363
2015	10,275,000	19,805,688
2016	10,790,000	19,279,063
2017–2021	62,095,000	88,085,563
2022–2026	78,880,000	70,867,475
2027–2032	100,405,000	48,781,544
2032–2036	127,335,000	21,428,125
2037	<u>29,025,000</u>	<u>653,063</u>
	<u>\$ 447,160,000</u>	<u>\$ 330,939,460</u>

The activity of bonds payable for the year ended June 30, 2011, is as follows:

Description	2010	Issuances	Payments/ Amortization	2011	Current Portion
Serial bonds	\$ 236,305,000	\$ -	\$ (8,640,000)	\$ 227,665,000	\$ 9,040,000
Term bonds	<u>219,495,000</u>	<u>-</u>	<u>(8,640,000)</u>	<u>219,495,000</u>	<u>-</u>
Total bonds outstanding	455,800,000	-	(8,640,000)	447,160,000	9,040,000
Add bonds premium	<u>10,159,715</u>	<u>-</u>	<u>(924,339)</u>	<u>9,235,376</u>	<u>-</u>
Bonds payable — net	<u>\$ 465,959,715</u>	<u>\$ -</u>	<u>\$ (9,564,339)</u>	<u>\$ 456,395,376</u>	<u>\$ 9,040,000</u>

8. DEBT ISSUANCE COSTS

The activity of debt issuance cost for the year ended June 30, 2011, is as follows:

Description	Beginning Balance	Additions	Ending Balance
Bonds insurance expense	\$ 13,128,793	\$ -	\$ 13,128,793
Underwriter's fee	3,094,921	-	3,094,921
Issuance cost	<u>1,018,193</u>	<u>-</u>	<u>1,018,193</u>
Total debt issuance costs	17,241,907	-	17,241,907
Less accumulated amortization	<u>(2,441,629)</u>	<u>(574,731)</u>	<u>(3,016,360)</u>
Debt issuance costs — net	<u>\$ 14,800,278</u>	<u>\$ (574,731)</u>	<u>\$ 14,225,547</u>

9. CONTRIBUTIONS FROM PUERTO RICO TOURISM COMPANY

On March 12, 2008, the Legislature of the Commonwealth enacted Act No. 23, which transferred the responsibility of imposing, collecting, and administering the hotel room tax to the Puerto Rico Tourism Company. Act No. 23 also redefined the formula for distributing the hotel room taxes collected.

Based on the provisions of Act No. 23, the Puerto Rico Tourism Company 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.
- To cover the operating deficit, if any, of the Convention Center in excess of \$2.5 million for a period of 10 years, PRTC will contribute five percent of collections of the hotel room taxes.
- 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.

During the year ended June 30, 2011, the Authority's revenues related to the contribution from Puerto Rico Tourism Company related to the collection of hotel room taxes amounted to approximately \$35,596,000. This contribution has been included as part of nonoperating revenues in the accompanying statement of revenues, expenses, and changes in net assets.

10. DEFINED CONTRIBUTION 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, 2011, amounted to approximately \$56,000.

11. COMMITMENTS

Consulting and Management — As of June 30, 2011, the Authority had entered into various consulting services and management agreements with third parties for the management of the operations of the Convention Center and Coliseum. The agreements covered the daily operations that include scheduling of activities, pricing of rental and advertising, and food and beverages, among others. The contracts have several provisions that, at the option of the Authority, could extend the management period.

On January 18, 2011, the Authority first received notice of demand for arbitration in a supplier's claim for payment for alleged delays and additional work performed at the Authority premises between 2004 and 2005. The supplier is claiming approximately \$7,200,000 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 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. SUPPLEMENTAL DISCLOSURE FOR STATEMENT OF CASH FLOWS

During the year ended June 30, 2011, the Authority paid approximately \$35,844,000 in interest. Land transferred from the Land Administration amounting to approximately \$28,166,000 was recorded to capital assets and other nonoperating income. For cash flow statement purposes such amount was considered as a noncash transaction.

13. SUBSEQUENT EVENTS

On July 7, 2011, as part of the Bahia Urbana Project, the Authority received a transfer of land from Puerto Rico Department of Transportation and Public Works, a department of the Commonwealth. As of the date the basic financial statements were available to be issued, the transferor's carrying value of the property was not available.

* * * * *

SUPPLEMENTAL SCHEDULES

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

SCHEDULE OF NET ASSETS INFORMATION
AS OF JUNE 30, 2011

	Convention Center District Authority	Convention Center	Coliseum	Total
ASSETS				
CURRENT ASSETS:				
Cash	\$ 11,171,661	\$ 3,275,786	\$ 3,817,996	\$ 18,265,443
Accounts receivable — net	1,205,994	16,205,115	2,138,377	19,549,486
Current portion of long-term accounts receivable		717,947	3,455,975	4,173,922
Prepaid expenses and other assets	76,470	718,541	558,274	1,353,285
Restricted assets — Cash	13,300,000			13,300,000
Restricted assets — Investments		<u>23,565,529</u>		<u>23,565,529</u>
Total current assets	<u>25,754,125</u>	<u>44,482,918</u>	<u>9,970,622</u>	<u>80,207,665</u>
NONCURRENT ASSETS:				
Restricted assets — Cash	11,837,270			11,837,270
Restricted assets — Investments		33,363,564		33,363,564
Capital assets:				
Land	28,165,958	115,710,570	28,556,461	172,432,989
Land improvements	7,622,474	101,666,019		109,288,493
Building		243,951,446	197,879,524	441,830,970
Recreational areas	13,482,219			13,482,219
Furniture and fixtures	277,808	8,895,504	13,478,293	22,651,605
Equipment and vehicles	289,417			289,417
Accumulated depreciation	<u>(1,436,558)</u>	<u>(32,558,458)</u>	<u>(38,137,136)</u>	<u>(72,132,152)</u>
Total capital assets — net	48,401,318	437,665,081	201,777,142	687,843,541
Note receivable	2,165,105			2,165,105
Long-term accounts receivable		969,969	4,218,553	5,188,522
Debt issuance cost — net		<u>14,225,547</u>		<u>14,225,547</u>
Total noncurrent assets	<u>62,403,693</u>	<u>486,224,161</u>	<u>205,995,695</u>	<u>754,623,549</u>
TOTAL	\$ 88,157,818	\$ 530,707,079	\$ 215,966,317	\$ 834,831,214
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 2,754,172	\$ 4,895,015	\$ 2,783,368	\$ 10,432,555
Customer deposits payable	80,000	775,950	2,562,235	3,418,185
Deferred revenues		<u>717,947</u>	<u>3,879,026</u>	<u>4,596,973</u>
Total current liabilities payable from unrestricted assets	2,834,172	6,388,912	9,224,629	18,447,713
Current liabilities payable from restricted assets:				
Current portion of bonds payable		9,040,000		9,040,000
Interest payable on bonds		<u>10,648,531</u>		<u>10,648,531</u>
Total current liabilities	<u>2,834,172</u>	<u>26,077,443</u>	<u>9,224,629</u>	<u>38,136,244</u>
NONCURRENT LIABILITIES:				
Deferred revenues		967,470	3,595,058	4,562,528
Borrowings under line of credit			147,599,880	147,599,880
Bonds payable		<u>447,355,376</u>		<u>447,355,376</u>
Total noncurrent liabilities	<u>-</u>	<u>448,322,846</u>	<u>151,194,938</u>	<u>599,517,784</u>
Total liabilities	<u>2,834,172</u>	<u>474,400,289</u>	<u>160,419,567</u>	<u>637,654,028</u>
NET ASSETS:				
Invested in capital assets — net of related debt	48,401,318	(18,730,295)	54,177,262	83,848,285
Restricted	25,137,270	46,280,562		71,417,832
Unrestricted	<u>11,785,058</u>	<u>28,756,523</u>	<u>1,369,488</u>	<u>41,911,069</u>
Total net assets	<u>85,323,646</u>	<u>56,306,790</u>	<u>55,546,750</u>	<u>197,177,186</u>
TOTAL	\$ 88,157,818	\$ 530,707,079	\$ 215,966,317	\$ 834,831,214

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

	Convention Center District Authority	Convention Center	Coliseum	Total
OPERATING REVENUES:				
Food, beverage, and novelty	\$ -	\$ 10,646,383	\$ 3,681,976	\$ 14,328,359
Rental and event services		1,973,961	3,045,209	5,019,170
Suite and club income			3,602,272	3,602,272
Ticket incentive rebates			1,540,136	1,540,136
Advertising		727,138	2,147,776	2,874,914
Total operating revenues	-	13,347,482	14,017,369	27,364,851
DIRECT OPERATING COSTS AND EXPENSES:				
Food, beverage, and novelty		3,975,722	2,083,423	6,059,145
Rental and event services		1,283,419	1,286,925	2,570,344
Total direct operating costs and expenses	-	5,259,141	3,370,348	8,629,489
GROSS OPERATING PROFIT	-	8,088,341	10,647,021	18,735,362
OTHER OPERATING EXPENSES:				
Salaries and related benefits	883,107			883,107
Professional and contract services	744,486	4,108,264	3,812,851	8,665,601
Depreciation and amortization	678,653	5,716,272	5,148,428	11,543,353
Utilities and insurance	1,645,320	4,494,138	4,157,909	10,297,367
Advertising	215,610	1,685,909	572,541	2,474,060
Repairs and maintenance	121,817	1,507,394	1,138,918	2,768,129
Other	1,748,400	742,126	567,651	3,058,177
Allocation of administrative expenses	(1,694,089)	874,103	819,986	-
Total other operating expenses	4,343,304	19,128,206	16,218,284	39,689,794
OPERATING LOSS	(4,343,304)	(11,039,865)	(5,571,263)	(20,954,432)
NONOPERATING REVENUES — Net:				
Interest expense		(20,947,455)	(10,451,113)	(31,398,568)
Contributions from Puerto Rico Tourism Company		35,596,462		35,596,462
Contribution from Commonwealth of Puerto Rico			17,822,204	17,822,204
Contributions from Puerto Rico Land Administration	53,303,228			53,303,228
Interest income	113,663	51,152	1,094	165,909
Other income	6,433,755			6,433,755
Nonoperating revenues — net	59,850,646	14,700,159	7,372,185	81,922,990
INCOME BEFORE TRANSFER IN (OUT)	55,507,342	3,660,294	1,800,922	60,968,558
TRANSFERS IN (OUT)	3,833,219	(3,269,488)	(563,731)	-
CHANGE IN NET ASSETS	59,340,561	390,806	1,237,191	60,968,558
NET ASSETS — Beginning of year	25,983,085	55,915,984	54,309,559	136,208,628
NET ASSETS — End of year	\$ 85,323,646	\$ 56,306,790	\$ 55,546,750	\$ 197,177,186