

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, 2012, and
Independent Auditors' Report

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2012:	
Statement of Net Assets	10-11
Statement of Revenues, Expenses, and Changes in Net Assets	12
Statement of Cash Flows	13-14
Notes to Basic Financial Statements	15-26
SUPPLEMENTAL SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2012:	
Schedule of Net Assets Information	27
Schedule of Revenues, Expenses, and Changes in Net Assets Information	28
	29

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, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 respective 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements' 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedule of net asset information and the supplemental schedule of revenues, expenses, and changes in net assets information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The

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

Deloitte & Touche LLP

April 19, 2013

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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, 2012

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, 2012. 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 decreased by \$7.6 million in 2012 or 0.92%
- The Authority's total liabilities decreased by \$10.2 million in 2012 or 1.60%
- The Authority's net assets increased by \$2.6 million in 2012 or 1.31%
- Operating revenues increased by \$0.7 million during 2012 or 2.60%
- Direct operating costs and expenses decreased by \$0.1 million during 2012 or 1.42%
- Other operating expenses decreased by \$1.3 million during 2012 or 3.25%
- Nonoperating revenues — net decreased by \$60.5 million during 2012 or 73.86%

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, 2012
(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, 2012 and 2011:

STATEMENTS OF NET ASSETS (in 000's)

	2012	2011	Variance
Assets:			
Current assets	\$ 72,066	\$ 80,208	\$ (8,142)
Capital assets — net	696,556	687,844	8,712
Other noncurrent assets	<u>58,565</u>	<u>66,779</u>	<u>(8,214)</u>
Total assets	<u>\$ 827,187</u>	<u>\$ 834,831</u>	<u>\$ (7,644)</u>
Liabilities:			
Current liabilities	\$ 41,616	\$ 38,136	\$ 3,480
Noncurrent liabilities	<u>585,813</u>	<u>599,518</u>	<u>(13,705)</u>
Total liabilities	<u>627,429</u>	<u>637,654</u>	<u>(10,225)</u>
Net assets:			
Invested in capital assets — net of related debt	104,204	83,848	20,356
Restricted assets	59,123	71,418	(12,295)
Unrestricted	<u>36,431</u>	<u>41,911</u>	<u>(5,480)</u>
Total net assets	<u>199,758</u>	<u>197,177</u>	<u>2,581</u>
Total liabilities and net assets	<u>\$ 827,187</u>	<u>\$ 834,831</u>	<u>\$ (7,644)</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, 2012
(Continued)

- **The Authority's total assets decreased by \$7.6 million in 2012 or 0.92%**

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.

The decrease in total assets is mainly due to a decrease in cash of \$10.0 million and a decrease in accounts receivable of \$5.7 million, which was partially offset by an increase in capital assets of \$8.7 million. During 2012, the Authority used its cash for the development of the Bahia Urbana project and for other operational purposes. The decrease in accounts receivable is mainly due to a reduction of amounts due from Puerto Rico Tourism Company of \$3.2 million and a decrease in deferred receivables of \$2.6 million.

- **The Authority's total liabilities decreased by \$10.2 million in 2012 or 1.60%**

During the year ended June 30, 2012, the Authority decreased the principal balance due on its lines of credit maintained with Government Development Bank for Puerto Rico ("GDB"), by \$1.7 million. In addition, the Authority's bonds payable decreased by \$9.4 million mainly due to current year principal payments of \$9.0 million.

- **The Authority's net assets increased by \$2.6 million in 2012 or 1.31%**

As of June 30, 2012, the Authority had \$199.8 million in net assets. From such amount, \$104.2 million are invested in capital assets (net of related debt), \$59.1 million correspond to restricted net assets, and \$36.4 million are unrestricted net assets. Investment in capital assets, net of related debt, increased by approximately \$20.4 million in 2012. Restricted net assets decreased by approximately \$12.3 million. Unrestricted net assets decreased by approximately \$5.5 million in 2012.

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, 2012
(Continued)

The following summarizes the Authority's changes in net assets for the years ended June 30, 2012 and 2011 (in thousands):

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Operating revenues	\$ 28,076	\$ 27,365	\$ 711
Direct operating costs and expenses	(8,506)	(8,629)	123
Other operating expenses	(38,402)	(39,690)	1,288
Nonoperating revenues — net	<u>21,413</u>	<u>81,923</u>	<u>(60,510)</u>
Change in net assets	2,581	60,969	(58,388)
Net assets — beginning of year	<u>197,177</u>	<u>136,208</u>	<u>60,969</u>
Net assets — end of year	<u>\$ 199,758</u>	<u>\$ 197,177</u>	<u>\$ 2,581</u>

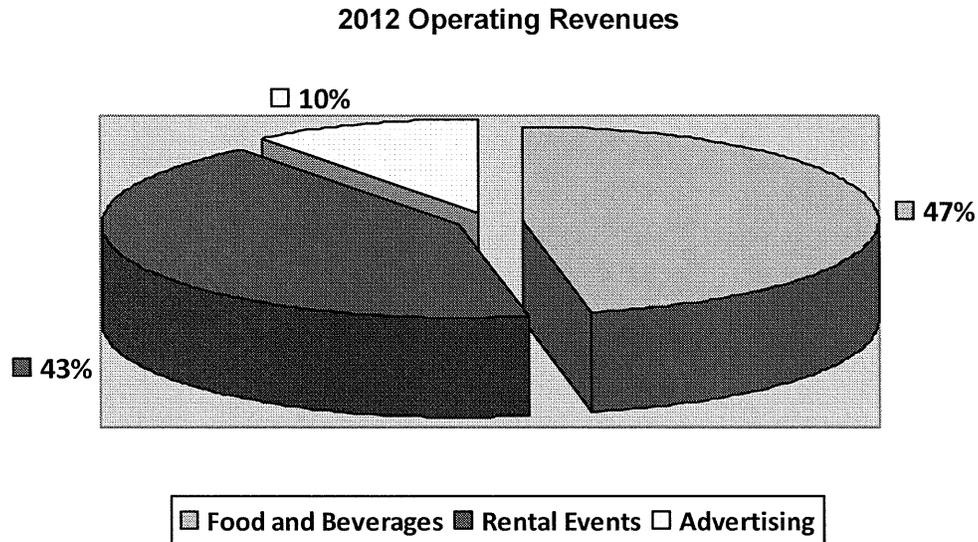
- **Operating revenues increased by \$0.7 million during 2012 or 2.60%**

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, 2012, is substantially related to the suites and club seat rental and event services.

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, 2012
(Continued)

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



- **Direct operating costs and expenses decreased by \$0.1 million during 2012 or 1.43%**

During the year ended June 30, 2012, operating expenses related to cost of food, beverages and novelty, decreased by approximately \$459,000 while event costs, such as event setup, support, engineering, and labor directly related to the event, increased by approximately \$336,000.

- **Other operating expenses decreased by \$1.3 million during 2012 or 3.25%**

The decrease in other operating expenses is mainly the result of the decrease in other administrative expenses of \$1.6 million.

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, 2012
 (Continued)

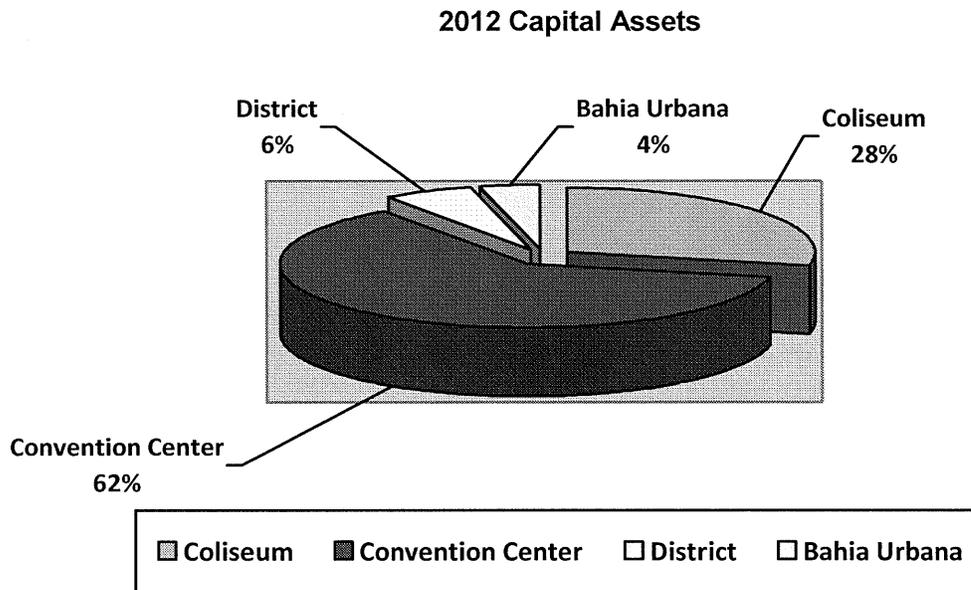
- **Nonoperating revenues (net of nonoperating expenses) decreased by approximately \$60.5 million during 2012 or 73.86%**

The decrease in nonoperating revenues is mainly due to the decrease in contributions from the Commonwealth and its instrumentalities of \$58.5 million. During 2011, the Authority received a contribution of \$58.9 million for the development of the Bahia Urbana project. During 2012, the Authority received \$5.9 million for this purpose. Additionally, the contribution from the Commonwealth for the payment of the debt service of its lines of credit decreased \$5.5 million, from \$17.8 million in 2011 to \$12.3 million in 2012.

The Authority's nonoperating revenues include contributions from Puerto Rico Tourism Company. As required by law, the Puerto Rico Tourism Company contributes part of the hotel room tax collections to the Authority. This contribution provides, among other things, for the debt service of the bond issued for the financing of the Convention Center and to cover the Convention Center's operating deficit. The contribution from the Puerto Rico Tourism Company decreased \$1.3 million, from \$35.6 million in 2011 to \$34.3 million in 2012.

Capital Assets

The following graph segregates the capital assets among land, land improvement, and property subject to depreciation, pertaining to the Coliseum, Bahia Urbana project, 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
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012
(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 \$145.9 million and \$446.5 million, respectively, as of June 30, 2012. 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, 2012

ASSETS

CURRENT ASSETS:

Cash	\$ 15,791,528
Accounts receivable — net	18,500,150
Prepaid expenses and other assets	1,193,573
Restricted assets:	
Cash	12,800,000
Investments	<u>23,780,577</u>
Total current assets	<u>72,065,828</u>

NONCURRENT ASSETS:

Restricted assets:	
Cash	4,767,015
Investments	33,363,922
Long-term accounts receivable	4,717,388
Note receivable	2,066,480
Debt issuance cost — net	13,650,818
Capital assets:	
Nondepreciable	301,085,907
Depreciable — net	<u>395,469,748</u>
Total noncurrent assets	<u>755,121,278</u>

TOTAL \$ 827,187,106

(Continued)

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

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Current liabilities payable from unrestricted assets:	
Accounts payable and accrued expenses	\$ 10,584,579
Customer deposits payable	2,326,163
Deferred revenues	<u>3,646,907</u>

 Total current liabilities payable from unrestricted assets 16,557,649

Current liabilities payable from restricted assets:

Accounts payable and accrued expenses	5,154,094
Current portion of bonds payable	9,470,000
Interest payable on bonds	<u>10,434,481</u>

 Total current liabilities payable form restricted assets 25,058,575

 Total current liabilities 41,616,224

NONCURRENT LIABILITIES:

Deferred revenues	2,931,389
Borrowings under line of credit	145,889,364
Bonds payable	<u>436,992,263</u>

 Total noncurrent liabilities 585,813,016

 Total liabilities 627,429,240

NET ASSETS:

Invested in capital assets — net of related debt	104,204,028
Restricted for	
Debt services	46,710,018
Development of Bahia Urbana project	12,412,921
Unrestricted	<u>36,430,899</u>

 Total net assets 199,757,866

TOTAL \$ 827,187,106

See notes to basic financial statements.

(Concluded)

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES:	
Food, beverage, and novelty	\$ 13,199,476
Rental and event services	11,968,604
Advertising	<u>2,908,263</u>
Total operating revenues	<u>28,076,343</u>
DIRECT OPERATING COSTS AND EXPENSES:	
Food, beverage, and novelty	5,600,046
Rental and event services	<u>2,906,518</u>
Total direct operating costs and expenses	<u>8,506,564</u>
GROSS OPERATING PROFIT	<u>19,569,779</u>
ADMINISTRATIVE EXPENSES:	
Salaries and related benefits	962,457
Professional and contract services	8,260,336
Depreciation and amortization	10,974,508
Utilities and insurance	11,410,593
Advertising	2,236,173
Repairs and maintenance	3,149,545
Other — net	<u>1,407,958</u>
Total other operating expenses	<u>38,401,570</u>
OPERATING LOSS	<u>(18,831,791)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(30,872,594)
Contributions from Puerto Rico Tourism Company	34,326,297
Contributions from Commonwealth of Puerto Rico	12,280,962
Contributions from the Puerto Rico Highway and Transportation Authority	5,404,488
Interest income	307,251
Other expenses	<u>(33,933)</u>
Total nonoperating revenues — net	<u>21,412,471</u>
CHANGES IN NET ASSETS	2,580,680
NET ASSETS — Beginning of year	<u>197,177,186</u>
NET ASSETS — End of year	<u>\$ 199,757,866</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of operating revenues	\$ 27,977,954
Collections of other nonoperating revenues	877,291
Payments to suppliers for operating expenses	(35,291,405)
Payments to employees	(962,457)
Payments for other nonoperating expenses	<u>(747,548)</u>
Net cash used in operating activities	<u>(8,146,165)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contributions from Puerto Rico Tourism Company	37,537,872
Contributions from Commonwealth of Puerto Rico	12,280,962
Contributions from Puerto Rico Highway and Transportation Authority	5,404,488
Payments of bonds payable	(9,040,000)
Payments of lines of credit	(1,710,516)
Capital expenditures	(15,415,237)
Payment of interest:	
Bonds payable	(21,083,013)
Lines of credit	<u>(10,070,366)</u>
Net cash used in capital and related financing activities	<u>(2,095,810)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(30,338,418)
Redemption of investments	30,123,013
Collection of note receivable	85,510
Collection of interest income	<u>327,700</u>
Net cash provided by investing activities	<u>197,805</u>
NET DECREASE IN CASH	(10,044,170)
CASH — Beginning of year	<u>43,402,713</u>
CASH — End of year	<u>\$ 33,358,543</u>
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash — unrestricted	\$ 15,791,528
Cash — restricted	<u>17,567,015</u>
TOTAL CASH — End of year	<u>\$ 33,358,543</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, 2012

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

Operating loss	<u>\$(18,831,791)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	10,974,508
Credit for doubtful accounts receivable	(70,041)
Collections of other nonoperating revenues	877,291
Payments for other nonoperating expenses	(747,548)
Changes in operating assets and liabilities:	
Decrease in assets:	
Accounts receivable	2,552,857
Prepaid expenses and other assets	159,712
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	612,074
Customer deposits payable	(1,092,022)
Deferred revenues	<u>(2,581,205)</u>
Total adjustments	<u>10,685,626</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (8,146,165)</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, 2012

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, as amended. The Authority is responsible for developing, constructing, and operating the Puerto Rico Convention (the “Convention Center”) and the Puerto Rico Convention District (the “District”). The Authority is also responsible for the development and operations of the Jose Miguel Agrelot Coliseum (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, 2012.

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 other than disciplinary, an employee is reimbursed for accumulated sick days up to the 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.

Future Adoption of Recent Accounting Pronouncements — The GASB has issued the following statements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*, which is effective for periods beginning after June 15, 2012.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2011.
- GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which is effective for periods beginning after December 15, 2012.
- GASB Statement No. 67, *Financial Reporting for Pension Plans — an amendment of GASB Statement No. 25*, which is effective for periods beginning after June 15, 2013.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pension — an amendment of GASB Statement No. 27*, which is effective for periods beginning after June 15, 2014.

Management is evaluating the impact that these statements will have on the Authority's basic financial statements.

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, 2012, the Authority had approximately \$18,691,000 of deposits subject to custodial risk.

As of June 30, 2012, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance	Uninsured or Uncollateralized
GDB	\$ 18,690,841	0.1 %	\$ 18,690,841	\$ 18,690,841
Nongovernment banks	<u>14,445,635</u>	0.88%–1.63%	<u>15,330,828</u>	<u> </u>
	<u>\$33,136,476</u>		<u>\$34,021,669</u>	<u>\$ 18,690,841</u>

As of June 30, 2012, the Authority’s cash-on-hand amounted to approximately \$222,000.

Reconciliation to the statement of net assets as of June 30, 2012, is as follows:

Current assets — cash:	
Unrestricted	\$ 15,791,528
Restricted	<u>12,800,000</u>
Total current assets — cash	28,591,528
Noncurrent assets — cash — restricted	<u>4,767,015</u>
Total	<u>\$33,358,543</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, 2012 are shown in the table below:

Description	Rating	Amount
Money market fund (J.P. Morgan 100% U.S. Treasury Securities Money Market Fund)	AAAm	\$ 53,268,585
Money market fund (Dreyfuss Cash Management — Investor Shares)	AAAm	<u>3,875,914</u>
Total		<u>\$ 57,144,499</u>

Reconciliation to the statement of net assets as of June 30, 2012, is as follows:

Restricted investments — current	\$ 23,780,577
Restricted investments — noncurrent	<u>33,363,922</u>
Total	<u>\$ 57,144,499</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012, consists of:

Description	Current	Long Term	Total
Trade receivables	\$ 3,316,005	\$ 1,839,903	\$ 5,155,908
Due from Puerto Rico Tourism Company	11,717,645		11,717,645
Deferred receivable:			
Billable	3,722,959	2,700,077	6,423,036
Nonmonetary consideration	<u>491,612</u>	<u>177,408</u>	<u>669,020</u>
	19,248,221	4,717,388	23,965,609
Less allowance for bad debts	<u>(748,071)</u>	<u> </u>	<u>(748,071)</u>
Accounts receivable — net	<u>\$ 18,500,150</u>	<u>\$ 4,717,388</u>	<u>\$ 23,217,538</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
2013	\$3,722,959	\$491,612	\$4,214,571
2014	2,013,620	177,408	2,191,028
2015	468,002		468,002
2016	187,205		187,205
2017	<u>31,250</u>	<u> </u>	<u>31,250</u>
	<u>\$6,423,036</u>	<u>\$669,020</u>	<u>\$7,092,056</u>

As of June 30, 2012, the Authority received services and products used to reduce the deferred nonmonetary consideration for approximately \$200,000.

As of June 30, 2012, the deferred revenues related to the long-term agreements were as follows:

Description	Current	Noncurrent
Deferred revenues	<u>\$3,646,907</u>	<u>\$2,931,389</u>

The deferred revenues will be earned in the following years:

Year Ending June 30	Amount
2013	\$3,646,907
2014	2,142,152
2015	550,996
2016	137,252
2017	<u>100,989</u>
Total	<u>\$6,578,296</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, 2012, the outstanding principal of the note receivable amounted to \$2,066,480.

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, 2012, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 172,432,990	\$ 7	\$ -	\$ 172,432,997
Land improvements	109,288,493			109,288,493
Construction in progress		19,364,417		19,364,417
Total capital assets not being depreciated	281,721,483	19,364,424	-	301,085,907
Capital assets being depreciated:				
Building	441,830,970	448,982		442,279,952
Improvements — other than land	13,482,219			13,482,219
Furniture and fixture	22,651,605	79,034	(704,366)	22,026,273
Equipment	245,627	6,181		251,808
Vehicles	43,790			43,790
Total capital assets being depreciated	478,254,211	534,197	(704,366)	478,084,042
Less accumulated amortization and depreciation	(72,132,154)	(10,974,508)	492,368	(82,614,294)
Capital assets being depreciated — net	406,122,057	(10,440,311)	(211,998)	395,469,748
Capital assets — net	\$ 687,843,540	\$ 8,924,113	\$ (211,998)	\$ 696,555,655

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.

Construction in Progress — The Authority has been designated by the Commonwealth as the governmental entity in charge of the development of the Bahia Urbana project (the “Project”). The Authority invested approximately \$19.4 million in the development of the Project during the year ended June 30, 2012.

During the year ended June 30, 2012, the Authority received expenditure-driven grants from Puerto Rico Highway and Transportation Authority (PRHTA) and from the Department of Economic Development and Commerce of the Commonwealth amounting to \$8,000,000 and \$500,000, respectively, to partially fund the development of the Project. During the year ended June 30, 2012, the Authority recorded \$5,404,488 and \$500,000 as contributions from PRHTA and the Commonwealth, respectively, in the accompanying statement of revenues, expenses, and changes in net assets.

6. BORROWINGS UNDER LINES OF CREDIT

As of June 30, 2012, 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, 2012, the accrued interest on the lines of credit amounted to \$851,021 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, 2012, is as follows:

Description	Beginning Balance	Additions/ Transfer	Payments	Ending Balance
Borrowings under lines of credit — Coliseum	<u>\$ 147,599,880</u>	<u>\$ -</u>	<u>\$(1,710,516)</u>	<u>\$ 145,889,364</u>

As of June 30, 2012, the Commonwealth contributed approximately \$11,780,882 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.

On June 29, 2012, the Authority entered into a new nonrevolving line of credit with GDB mainly to fund certain improvements to the Coliseum. The maximum credit limit on this facility amounted to \$10,000,000 and matures on December 31, 2014. This line of credit will bear interest at the higher of 150 basis points over the prime rate or 6%. During 2012, the Authority did not withdraw any amounts from this line of credit.

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%	\$ 218,625,000
Term bonds maturing through 2036, with interest rates ranging from 4-1/2% to 5%	<u>219,495,000</u>
Total bonds outstanding	438,120,000
Add bonds premiums — net	<u>8,342,263</u>
Total bonds payable	<u>\$ 446,462,263</u>

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

Year Ending June 30	Principal	Interest
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	11,325,000	18,782,813
2018–2022	65,090,000	84,977,132
2023–2027	82,755,000	66,894,639
2028–2032	105,395,000	43,652,500
2033–2037	<u>133,175,000</u>	<u>15,508,686</u>
	<u>\$ 438,120,000</u>	<u>\$ 309,856,447</u>

The activity of bonds payable for the year ended June 30, 2012, is as follows:

Description	2011	Issuances	Payments/ Amortization	2012	Current Portion
Serial bonds	\$ 227,665,000	\$ -	\$ (9,040,000)	\$ 218,625,000	\$ 9,470,000
Term bonds	<u>219,495,000</u>	<u> </u>	<u> </u>	<u>219,495,000</u>	<u> </u>
Total bonds outstanding	447,160,000	-	(9,040,000)	438,120,000	9,470,000
Add bonds premium	<u>9,235,376</u>	<u> </u>	<u>(893,113)</u>	<u>8,342,263</u>	<u> </u>
Bonds payable — net	<u>\$ 456,395,376</u>	<u>\$ -</u>	<u>\$ (9,933,113)</u>	<u>\$ 446,462,263</u>	<u>\$ 9,470,000</u>

8. DEBT ISSUANCE COSTS

The activity of debt issuance cost for the year ended June 30, 2012, is as follows:

Description	Beginning Balance	Additions	Ending Balance
Bonds insurance expense	\$ 13,128,793	\$ -	\$ 13,128,793
Underwriter's fee	3,094,921	<u> </u>	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>(3,016,360)</u>	<u>(574,729)</u>	<u>(3,591,089)</u>
Debt issuance costs — net	<u>\$ 14,225,547</u>	<u>\$ (574,729)</u>	<u>\$ 13,650,818</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, 2012, the Authority's revenues related to the contribution from Puerto Rico Tourism Company related to the collection of hotel room taxes amounted to approximately \$34,326,297. 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, 2012, amounted to approximately \$58,000.

11. COMMITMENTS

Consulting and Management — As of June 30, 2012, 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.

Litigation — 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, 2012, the Authority paid approximately \$31,153,379 in interest. For cash flow statement purposes such amount was considered as a noncash transaction.

13. SUBSEQUENT EVENTS

Development and Lease Agreement — On July 15, 2012, the Authority entered into a development Agreement with Lighthouse Group, LLC for the development of a mixed use urban project named the "Trocadero Diverplex Complex". This agreement includes the development and operation of a food, beverage, entertainment venue, and the construction of a hotel in the final phase.

Ground Lease — On October 22, 2012, the Authority entered into a development ground lease agreement with District Hotel Co., LLC. The agreement includes the construction of a minimum of 126 room hotel under the Hyatt House brand.

* * * * *

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, 2012

	Convention Center District Authority	Convention Center	Coliseum	Total
ASSETS				
CURRENT ASSETS:				
Cash	\$ 7,645,486	\$ 2,767,573	\$ 5,378,469	\$ 15,791,528
Accounts receivable — net	71,131	13,488,700	4,940,319	18,500,150
Prepaid expenses and other assets	56,287	737,024	400,262	1,193,573
Restricted assets:				
Cash	12,800,000			12,800,000
Investments		23,780,577		23,780,577
Total current assets	<u>20,572,904</u>	<u>40,773,874</u>	<u>10,719,050</u>	<u>72,065,828</u>
NONCURRENT ASSETS:				
Restricted assets:				
Cash	4,767,015			4,767,015
Investments		33,363,922		33,363,922
Long-term accounts receivable	1,839,903	360,131	2,517,354	4,717,388
Note receivable	2,066,480			2,066,480
Debt issuance cost — net		13,650,818		13,650,818
Capital assets:				
Nondepreciable:				
Land	28,165,964	115,710,571	28,556,462	172,432,997
Land improvements	7,622,474	101,666,019		109,288,493
Construction in progress	18,633,764		730,653	19,364,417
Depreciable:				
Building		244,400,428	197,879,524	442,279,952
Improvements — other than land	13,482,219			13,482,219
Furniture and fixtures	385,134	8,569,419	13,071,720	22,026,273
Equipment and vehicles	295,598			295,598
Accumulated depreciation	(1,803,127)	(38,069,408)	(42,741,759)	(82,614,294)
Total noncurrent assets	<u>75,455,424</u>	<u>479,651,900</u>	<u>200,013,954</u>	<u>755,121,278</u>
TOTAL	<u>\$96,028,328</u>	<u>\$520,425,774</u>	<u>\$210,733,004</u>	<u>\$827,187,106</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 3,110,840	\$ 4,517,001	\$ 2,956,738	\$ 10,584,579
Customer deposits payable	80,000	790,692	1,455,471	2,326,163
Deferred revenues		325,833	3,321,074	3,646,907
Current liabilities payable from restricted assets:				
Accounts payable and accrued expenses	5,154,094			5,154,094
Current portion of bonds payable		9,470,000		9,470,000
Interest payable on bonds		10,434,481		10,434,481
Total current liabilities	<u>8,344,934</u>	<u>25,538,007</u>	<u>7,733,283</u>	<u>41,616,224</u>
NONCURRENT LIABILITIES:				
Deferred revenues		360,302	2,571,087	2,931,389
Borrowings under line of credit			145,889,364	145,889,364
Bonds payable		436,992,263		436,992,263
Total noncurrent liabilities	<u>-</u>	<u>437,352,565</u>	<u>148,460,451</u>	<u>585,813,016</u>
Total liabilities	<u>8,344,934</u>	<u>462,890,572</u>	<u>156,193,734</u>	<u>627,429,240</u>
NET ASSETS:				
Invested in capital assets — net of related debt	66,782,026	(14,185,234)	51,607,236	104,204,028
Restricted	12,412,921	46,710,018		59,122,939
Unrestricted	8,488,447	25,010,418	2,932,034	36,430,899
Total net assets	<u>87,683,394</u>	<u>57,535,202</u>	<u>54,539,270</u>	<u>199,757,866</u>
TOTAL	<u>\$96,028,328</u>	<u>\$520,425,774</u>	<u>\$210,733,004</u>	<u>\$827,187,106</u>

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, 2012

	Convention Center District Authority	Convention Center	Coliseum	Total
OPERATING REVENUES:				
Food, beverage, and novelty	\$ -	\$ 9,690,046	\$ 3,509,430	\$ 13,199,476
Rental and event services		3,442,948	8,525,656	11,968,604
Advertising		519,793	2,388,470	2,908,263
	<u>-</u>	<u>13,652,787</u>	<u>14,423,556</u>	<u>28,076,343</u>
DIRECT OPERATING COSTS AND EXPENSES:				
Food, beverage, and novelty		3,840,614	1,759,432	5,600,046
Rental and event services		1,404,202	1,502,316	2,906,518
	<u>-</u>	<u>5,244,816</u>	<u>3,261,748</u>	<u>8,506,564</u>
GROSS OPERATING PROFIT	<u>-</u>	<u>8,407,971</u>	<u>11,161,808</u>	<u>19,569,779</u>
OTHER OPERATING EXPENSES:				
Salaries and related benefits	962,457			962,457
Professional and contract services	944,858	4,180,027	3,135,451	8,260,336
Depreciation and amortization	302,261	5,718,670	4,953,577	10,974,508
Utilities and insurance	1,692,588	5,120,806	4,597,199	11,410,593
Advertising	91,829	1,642,514	501,830	2,236,173
Repairs and maintenance	592,629	1,378,459	1,178,457	3,149,545
Other	523,258	399,903	484,797	1,407,958
Allocation of administrative expenses	(1,692,334)	874,103	818,231	
	<u>3,417,546</u>	<u>19,314,482</u>	<u>15,669,542</u>	<u>38,401,570</u>
OPERATING LOSS	<u>(3,417,546)</u>	<u>(10,906,511)</u>	<u>(4,507,734)</u>	<u>(18,831,791)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest expense		(20,550,580)	(10,322,014)	(30,872,594)
Contributions from Puerto Rico Tourism Company		34,326,297		34,326,297
Contribution from Commonwealth of Puerto Rico	500,000		11,780,962	12,280,962
Contribution from Puerto Rico Highway and Transportation Authority	5,404,488			5,404,488
Interest income	264,695	21,947	20,609	307,251
Other income	708,916	6,450	(749,299)	(33,933)
	<u>6,878,099</u>	<u>13,804,114</u>	<u>730,258</u>	<u>21,412,471</u>
INCOME (LOSS) BEFORE TRANSFERS	3,460,553	2,897,603	(3,777,476)	2,580,680
TRANSFERS IN (OUT)	<u>(1,040,530)</u>	<u>(1,729,466)</u>	<u>2,769,996</u>	<u>-</u>
CHANGE IN NET ASSETS	2,420,023	1,168,137	(1,007,480)	2,580,680
NET ASSETS — Beginning of year	<u>85,323,646</u>	<u>56,306,790</u>	<u>55,546,750</u>	<u>197,177,186</u>
NET ASSETS — End of year	<u>\$ 87,743,669</u>	<u>\$ 57,474,927</u>	<u>\$ 54,539,270</u>	<u>\$ 199,757,866</u>