

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**COMBINED FINANCIAL STATEMENTS AND  
ACCOMPANYING INDEPENDENT AUDITORS' REPORT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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## INDEPENDENT AUDITORS' REPORT

**Board of Directors  
Corporación de las Artes Musicales  
de Puerto Rico and Related Companies  
San Juan, Puerto Rico**

We have audited the accompanying combined financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the **Corporación de las Artes Musicales de Puerto Rico and Related Companies** (a component unit of the Commonwealth of Puerto Rico), (hereinafter the "Corporation") as of and for the year ended June 30, 2012, which collectively comprise the Corporation's combined financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the **Corporation's** 2011 financial statements and, in our reports dated September 29, 2011, we expressed an unqualified opinion on those financial statements.

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

As presented in Note 5 to the basic financial statements, the Corporation's financial statements do not disclose the annual pension cost and net pension obligation as of June 30, 2012 because the last actuarial valuation report issued at that date was as of June 30, 2009. For financial reporting purposes, an actuarial valuation should be performed at least biennially. The estimate of the annual pension cost and the related net pension obligation for the year 2012 and 2011 was determined based on the 2009 pension cost.

In our opinion, except for the effects, if any of the matter discussed in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the **Corporación de las Artes Musicales de Puerto Rico and Related Companies** (a component unit of the Commonwealth of Puerto Rico), as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries to management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on it.

January 10, 2013

A handwritten signature in black ink that reads "Harvath Vitez & Co. PSC". The signature is written in a cursive, flowing style.

Stamp number 2669436 was affixed to the original of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The combined financial statements include the accounts of Corporación de las Artes Musicales de Puerto Rico and its related companies, Corporación de la Orquesta Sinfónica de Puerto Rico and Corporación de las Artes Escénico-Musicales de Puerto Rico.

### 1. Corporación de las Artes Musicales de Puerto Rico

Corporación de las Artes Musicales de Puerto Rico is a public corporation created by Law No. 4 of July 31, 1985. The Corporation operates separately from the Commonwealth of Puerto Rico, its agencies and public subdivisions. The Corporation was created to develop and execute the public policy towards the development of the fine arts and cultural programs administered by its affiliates, and other programs of the Commonwealth of Puerto Rico.

### 2. Corporación de la Orquesta Sinfónica de Puerto Rico

Corporación de la Orquesta Sinfónica de Puerto Rico was created by Law No. 44 of May 12, 1980, as amended, to develop, plan, coordinate and promote the performance of the Orquesta Sinfónica de Puerto Rico (OSPR).

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

### 3. Corporación de las Artes Escénico-Musicales de Puerto Rico

Corporación de las Artes Escénico-Musicales is a public corporation created by Law No. 42 of May 12, 1980, as amended. This Corporation was created to develop, coordinate and promote the performance of fine arts and cultural programs in Puerto Rico. In addition, Law No. 42 provides for the incorporation of Festival Casals, the Festival de la Orquesta Sinfónica Juvenil de América, and the Museum Pablo Casals, as part of the operations of the Corporation.

The Corporation and its related companies are exempt from the payment of income and property taxes.

The Corporation prepares an annual budget for its operations.

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

- Executive Director
- Director of Finance
- Administrative Sub-director
- Program Coordinator
- Acting Museum Director
- Technical Sub-Director

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following is a narrative overview and analysis of the financial activities of the **Corporación de las Artes Musicales de Puerto Rico and Related Companies** (a component unit of the Commonwealth of Puerto Rico) (hereinafter the "Corporation") for the fiscal year ended June 30, 2012. The management discussion and analysis ("MD&A") is intended to serve as an introduction to the basic financial statements, which have the following components: (1) statements of net assets; (2) statements of revenues, expenses, and changes in fund net assets; (3) statements of cash flows and (4) notes to the financial statements. The MD&A is designed to: (a) assist the reader in focusing on significant financial matters; (b) provide an overview of the Corporation's financial activities; (c) highlight individual fund matters. We encourage readers to review this information in conjunction with the Corporation's basic financial statements, which are located after this analysis that begin from pages 18 through 43.

### USING THIS ANNUAL REPORT

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

During the fiscal year 2011, the Corporation adopted the provisions of GASB Statement No. 47 - Accounting for Termination Benefits. This Statement recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. Refer to Note 6 for more information.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Corporation uses enterprise funds to account for the sales of tickets, advertising, orchestra fees, and management services for the performance of arts in Puerto Rico. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into proprietary categories. These financial statements are prepared on the full accrual basis of accounting and, in fact, they are essentially the same as the business-type activities. Users of the statements will be able to see the cost of providing services, how government finances the programs, and understands the extent to which government has invested in capital assets.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation like other state or local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds are divided into proprietary funds category.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The proprietary funds financial statements provide separate information for major and non-major funds reported in the combined financial statements of the Corporación de las Artes Musicales de Puerto Rico, the Corporación de la Orquesta Sinfónica de Puerto Rico and the Corporación de las Artes-Escénico Musicales.

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

- **Statements of net assets (deficit)** - These statements present information on all the Corporation's assets and liabilities with the difference between the two reported as net assets or deficit. Over time, increase or decrease in the net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.
- **Statements of revenues, expenses, and changes in funds net assets (deficit)** - These statements present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.
- **Statements of cash flows** - These statements provide information about transactions resulting from the flows of cash.
- **Notes to the combined financial statements** - The notes provide additional information that is essential to the full understanding of the data provided in the Corporation's combined financial statements.
- **Required supplementary information** - The Management's Discussion and Analysis and Orquesta Sinfónica de Puerto Rico Retirement System schedules of funding progress and employer contributions represent financial information required to be presented by the GASB Statement No. 34. Such information provides users of this report with additional data that supplements the combined financial statements.
- **Other supplementary information** - This part of the annual report includes optional financial information such as basic financial statements of the Corporación de las Artes Musicales de Puerto Rico, the Corporación de la Orquesta Sinfónica de Puerto Rico and the Corporación de las Artes Escénico-Musicales de Puerto Rico. This other supplementary information is provided to address certain specific needs of various users of the Corporation's annual report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL HIGHLIGHTS

This section of the Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during fiscal years ended June 30, 2012 and 2011.

#### Corporación de las Artes Musicales de Puerto Rico

- The assets of the Corporation amounted to \$2,562,659 and exceeded the liabilities by \$290,236, which amounted to \$2,272,423 at the close of the current fiscal year.
- At the close of the fiscal year, the Corporation reported net assets amounting to \$290,236 this shows a decrease of \$387,016 in comparison with prior year net assets.
- Cash and accounts receivable other than balance due from related companies and other funds represent 60.36% and 1.96% of total assets as of June 30, 2012, respectively.
- In net assets, \$727,237 represents investments in capital assets (e.g., furniture and equipment, musical instruments and library), which are not available for future spending.
- The operating loss for the year was \$2,320,339. This loss is \$535,050 more than the prior year operating loss, principally due to an increase of 26.35% in operating expenses mostly due to a significant increase in professional, artistic, and consulting services.

#### Corporación de la Orquesta Sinfónica de Puerto Rico

- The total assets decreased by \$11,523, or 1.71%, in comparison with previous year.
- Cash and accounts receivable, represent 19.19% and 13.49% of total assets as of June 30, 2012, respectively.
- The total liabilities increased by \$660,749 in comparison with previous year and exceeded the assets by \$6,034,402. This is mainly due to the net pension obligation that amounted to \$5,531,180, representing approximately 82.58% of total liabilities.
- In net assets, \$21,887 represents investment in capital assets (e.g., furniture and equipment, musical instruments, and library), which are not available for future spending. In addition, a portion of \$408,382 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$6,464,671, mainly because of the net pension obligation that amounted to \$5,531,180.
- At the close of the fiscal year, the Corporation reported operating revenues of \$418,912, representing a decrease of \$135,750, or 24.47% in comparison with prior year.
- For 2012, legislative grants of approximately \$4,947,000 were received to cover mainly the salaries of the musicians, resulting in \$1,364,155 less than in previous year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL HIGHLIGHTS (CONTINUED)

#### Corporación de las Artes Escénico-Musicales de Puerto Rico

- The assets of the Corporation amounted to \$1,685,635 and exceeds the liabilities by \$1,157,818, which amounted to \$527,817 at the close of the current fiscal year.
- At the close of the fiscal year, the Corporation reported net assets amounting to \$1,157,818, this shows an increase of \$73,173 in comparison with prior year net assets.
- Cash and accounts receivable, other than the balance due from related companies and other funds, represent 89.17% and 4.33% of the total assets, respectively.
- In net assets, \$35,362 represents investment in capital assets (e.g., furniture and equipment, musical instruments and library ), which are not available for future spending.

### FINANCIAL ANALYSIS OF THE CORPORATION

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

#### Corporación de las Artes Musicales de Puerto Rico

- **Current assets** - The current assets increased by 11.73% in comparison with prior year due to outstanding balances from related companies and interfund transactions made to subsidize their own operations. As previously mentioned, the Corporation is the management entity of its subsidiaries assuming all operating expenses to be charged to each subsidiary.
- **Cash** - The Corporation has a cash management account that supplies all funds for the operations of the Corporation and its related companies. The cash accounts are divided by programs or by funds. Each fund has a regular account, which receives all deposits, especially the monthly legislative funds, and generates payments to suppliers. In addition, the Corporation makes payments to professors of the educational programs in the Servicios Integrados a la Comunidad Fund. The Corporation and its related companies have only one payroll bank account, but the expenses are recorded in each individual corporation.
- **Capital assets** - The capital assets increased by \$10,513, mainly by the acquisition of musical instruments to be used in the Servicios Integrados a la Comunidad programs.
- **Current liabilities** - The current liabilities increased by 31.46% in comparison with prior year due to outstanding balances from related companies and interfund transactions made to subsidize their own operations. Refer to current assets presented above.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

Refer to **TABLE I** for the accompanying comparative financial analysis.

**TABLE - I**  
**CORPORACIÓN DE LAS ARTES MUSICALES DE PUERTO RICO**  
**NET ASSETS**

	<u>2012</u>	<u>2011</u>	<u>% Changes</u>
<b>Assets</b>			
Current and other assets	\$ 1,835,422	\$ 1,642,718	11.73 %
Capital assets	<u>727,237</u>	<u>716,724</u>	<u>1.47 %</u>
Total assets	<u>2,562,659</u>	<u>2,359,442</u>	<u>8.61 %</u>
<b>Liabilities</b>			
Current liabilities	2,146,058	1,632,533	31.46 %
Long-term liabilities	<u>126,365</u>	<u>49,657</u>	<u>154.48 %</u>
Total Liabilities	<u>2,272,423</u>	<u>1,682,190</u>	<u>35.09 %</u>
<b>Net assets</b>			
Invested in capital activities	727,237	716,724	1.47 %
Restricted	-	21	( 100.00)%
Unrestricted	<u>( 437,001)</u>	<u>( 39,493)</u>	<u>1,006.53 %</u>
Total net assets	<u>\$ 290,236</u>	<u>\$ 677,252</u>	<u>( 57.15)%</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

#### Corporación de las Artes Musicales de Puerto Rico (continued)

**Operating revenues** - The operating revenue of the Corporation represents administrative services charged to its related companies. The administrative charges for the current and prior year were \$245,000.

**Operating Expenses** -The operating expenses in overall increased by 26.35% from prior year, mostly due to a significant increase in professional, artistic, and consulting services.

During the 2012, the Corporation donated \$190,000 to Teatro de la Opera and Ballets de San Juan, each institution received \$95,000. These funds represent a legislative grant that can only be assigned to not-for-profit entities.

In 2012, the Corporation's professional, artistic, and consulting services increased by 125.31% in comparison with prior year due to a new librarian assistant, a secretary, and more professors for the "Bandas en Marcha" program.

Depreciation expense increased for fiscal year 2011-2012 by 18.34% mostly due to the acquisition of new musical instruments.

Other expenses increased by 106.84% due to the effect of certain activities that took place in prior year.

**Non-operating revenues** - The non-operating revenues of the Corporation are from the following sources:

1 - **Legislative Grants:**

Management Service Fund	\$ 1,080,000
Servicios Integrados a la Comunidad Fund	<u>636,000</u>
	<u>\$ 1,716,000</u>

2 - **Interest and other income** - The income increased by 91.93% in comparison with prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Corporación de las Artes Musicales de Puerto Rico (continued)**

Refer to **TABLE II** for the accompanying comparative financial analysis.

**TABLE - II**

**CORPORACIÓN DE LAS ARTES MUSICALES DE PUERTO RICO**

**CHANGES IN FUND NET ASSETS**

	<u>2012</u>	<u>2011</u>	<u>% Changes</u>
<b>Operating revenues</b>			
Charges to affiliates	\$ 245,000	\$ 245,000	-
<b>Operating expenses</b>			
Salaries, payroll taxes, and fringe benefits	1,503,053	1,413,326	6.35 %
Rent	92,897	93,281	( 0.41)%
Scholarships and financial aid	190,210	95,000	100.22 %
Travel and meals	44,578	23,717	87.96 %
Publicity and advertisement	3,496	6,652	( 47.44)%
Professional, artistic and consulting services	480,705	213,353	125.31 %
Administrative services	65,000	65,000	-
Utilities	12,345	8,452	46.06 %
Depreciation	45,316	38,293	18.34 %
Representation	1,300	2,900	( 55.17)%
Repairs and maintenance	16,591	14,427	15.00 %
Insurance	23,564	14,172	66.27 %
Others, net of expenses paid on behalf of related companies	<u>86,284</u>	<u>41,716</u>	<u>106.84 %</u>
Total operating expenses	<u>2,565,339</u>	<u>2,030,289</u>	<u>26.35 %</u>
Operating loss	<u>( 2,320,339)</u>	<u>( 1,785,289)</u>	<u>29.97 %</u>
<b>Non-operating revenues</b>			
Legislative grants	1,716,000	1,414,207	21.34 %
Donations	70,160	89,840	( 21.91)%
Interest and other income	<u>147,163</u>	<u>76,674</u>	<u>91.93 %</u>
Total non-operating revenues	<u>1,933,323</u>	<u>1,580,721</u>	<u>22.31 %</u>
<b>Net loss</b>	<u>( 387,016)</u>	<u>( 204,568)</u>	<u>89.19 %</u>
<b>Total net assets</b> , beginning of year, as previously reported	677,252	466,819	45.08 %
<b>Restatement</b> , pertaining to year ended June 30, 2000	<u>-</u>	<u>415,001</u>	<u>( 100.00)%</u>
<b>Total net assets</b> , beginning of year, as restated	<u>677,252</u>	<u>881,820</u>	<u>( 23.20)%</u>
<b>Total net assets</b> , end of year	<u>\$ 290,236</u>	<u>\$ 677,252</u>	<u>( 57.15)%</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

#### Corporación de las Artes Musicales de Puerto Rico (continued)

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital assets

The total capital assets are as follows:

- **Furniture and equipment** - All assets in administrative area, such as executive offices, finance, personnel, and general services.
- **Musical instruments** - All instruments used in the public center where the programs are implemented.
- **Motor vehicle** - The automobile for the Executive Director.
- **Library** - Includes all educational books and materials used in the different programs.

Refer to Note 3 of the combined financial statements.

##### Long-term liabilities

Total long-term debt is as follows:

- **Compensated absences** - Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2012 and 2011 amounted to \$145,705 and \$125,721, respectively.

Refer to Note 4 of the combined financial statements.

#### Corporación de la Orquesta Sinfónica de Puerto Rico

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

**Cash** - All the cash is managed by the Corporación de las Artes Musicales de Puerto Rico, the management company, which receives and supplies all funds for the operations of the Corporation and its affiliates. The cash accounts are divided by programs or by funds. Each fund has a regular account, which receives all deposits, especially the monthly legislative funds, and generates payments to suppliers. The Corporation and its affiliates have only one payroll bank account, but the expenses are recorded in each individual corporation.

**Capital assets** - The capital assets decreased by \$7,291, mainly by the net effect of the accumulated depreciation over the acquisition of new music amounting \$3,599 for the use of the Symphonic Orchestra.

**Current liabilities** - The current liabilities increased by 10.76% in comparison with previous year due to outstanding balances to related companies and interfund transactions made to subsidize their own operations. In addition, \$197,211 was accrued regarding Law No. 70.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

#### Corporación de la Orquesta Sinfónica de Puerto Rico (continued)

**Net assets** - The Corporation's net assets for the fiscal year ended June 30, 2012 show a deficit of \$6,034,402, mostly due to the \$5,531,180 in net pension obligation.

Refer to **TABLE III** for the accompanying comparative financial analysis.

**TABLE III**  
**CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO**  
**NET ASSETS (DEFICIT)**

	<u>2012</u>	<u>2011</u>	<u>% change</u>
<b>Assets</b>			
Current assets	\$ 641,295	\$ 645,527	( 0.66)%
Capital assets	<u>21,887</u>	<u>29,178</u>	<u>( 24.99)%</u>
Total assets	<u>663,182</u>	<u>674,705</u>	<u>( 1.71)%</u>
<b>Liabilities</b>			
Current liabilities	1,096,082	989,619	10.76 %
Long-term liabilities	<u>5,601,502</u>	<u>5,047,216</u>	<u>10.98 %</u>
Total liabilities	<u>6,697,584</u>	<u>6,036,835</u>	<u>10.95 %</u>
<b>Net assets</b>			
Investment in capital assets	21,887	29,178	( 24.99)%
Restricted assets	408,382	408,630	( 0.06)%
Unrestricted deficit	<u>( 6,464,671)</u>	<u>( 5,799,938)</u>	<u>11.46 %</u>
Total net deficit	<u><u>\$( 6,034,402)</u></u>	<u><u>\$( 5,362,130)</u></u>	<u><u>12.54 %</u></u>

**Changes in net assets** - The Corporation's operating revenues decreased by 24.47%. Most of the Corporation's revenues come from sale of tickets and orchestra fees. However, the Corporation received approximately \$4,947,000 from legislative grants including special grants of \$1,430,000.

Refer to **TABLE IV** for the accompanying comparative financial analysis.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Corporación de la Orquesta Sinfónica de Puerto Rico (continued)**

**TABLE IV**

**CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO  
CHANGES IN FUND NET ASSETS (DEFICIT)**

	<u>2012</u>	<u>2011</u>	<u>% change</u>
<b>Operating revenues</b>			
Sale of tickets	\$ 218,673	\$ 299,727	( 27.04)%
Orchestra fees	<u>200,239</u>	<u>254,938</u>	<u>( 21.46)%</u>
Total operating revenues	<u>418,912</u>	<u>554,665</u>	<u>( 24.47)%</u>
<b>Operating expenses</b>			
Salaries, payroll taxes and fringe benefits	4,257,485	4,148,035	2.64 %
Pension cost	726,979	712,704	2.00 %
Administrative services	95,000	95,000	- %
Reserve for legal claims	13,241	45,117	( 70.65)%
Commissions	3,385	2,197	54.07 %
Depreciation	10,889	7,396	47.23 %
Insurance	15,140	11,544	31.15 %
Publicity	74,882	55,605	34.67 %
Bad debts	41,276	14,482	185.02 %
Professional, artistic and consulting services	585,162	674,053	( 13.19)%
Travel and meals	18,484	23,639	( 21.81)%
Utilities	1,503	1,136	32.31 %
Rent	190,933	172,283	10.83 %
Other	<u>71,996</u>	<u>94,501</u>	<u>( 23.81)%</u>
Total operating expenses	<u>6,106,355</u>	<u>6,057,692</u>	<u>0.80 %</u>
Operating loss	<u>( 5,687,443)</u>	<u>( 5,503,027)</u>	<u>3.35 %</u>
<b>Non-operating revenues</b>			
Legislative grants	3,517,000	1,327,317	164.97 %
Special legislative grants	1,430,000	4,983,838	( 71.31)%
Contributions and donations	28,539	76,752	( 62.82)%
Others, including interest income	<u>39,632</u>	<u>306,999</u>	<u>( 87.09)%</u>
Total non-operating revenues	<u>5,015,171</u>	<u>6,694,906</u>	<u>( 25.09)%</u>
<b>Net income (loss)</b>	<u>( 672,272)</u>	<u>1,191,879</u>	<u>( 156.40)%</u>
<b>Total net deficit - beginning of year</b>	<u>( 5,362,130)</u>	<u>( 6,554,009)</u>	<u>( 18.19)%</u>
<b>Total net deficit - end of year</b>	<u><u>\$( 6,034,402)</u></u>	<u><u>\$( 5,362,130)</u></u>	<u>12.54 %</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

#### Corporación de la Orquesta Sinfónica de Puerto Rico (continued)

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The total capital assets are as follows:

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

Refer to Note 3 of the combined financial statements.

#### Long-term Debt

The total long-term debt is as follows:

- **Compensated absences** - Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2012 and 2011 amounted to \$464,122 and \$428,191, respectively.
- **Net pension obligation** - The Orquesta Sinfónica de Puerto Rico Retirement System plan (System) is a single-employer defined benefit pension plan administered by the Board of Trustees of the Retirement System. A pension liability was determined in accordance with GASB No. 27, Accounting for Pensions by State and Local Government Employers, as amended by GASB No. 50, Pension Disclosures.

Refer to Note 4 to the combined financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

#### Corporación de las Artes Escénico-Musicales de Puerto Rico

- **Current assets** - The current assets increased by 18.24%, in comparison with prior year due to outstanding balances from related companies and interfund transactions made to subsidize their own operations.
- **Cash** - All the cash is managed by the Corporación de las Artes Musicales de Puerto Rico, the management company, which receives and supplies all funds for the operations of the Corporation and its affiliates. The cash accounts are divided by programs or by funds. Each fund has a regular account, which receives all deposits, especially the monthly legislative funds, and generates payments to suppliers. The Corporation and its affiliates have only one payroll bank account, but the expenses are recorded in each individual corporation.
- **Capital assets** - The capital assets decreased by \$13,995 or 28.35%, mostly due to the effect of the depreciation expense charged to the capital assets as a result of a contra account.
- **Current liabilities** - The current liabilities increased by 33.32%, in comparison with prior year due to outstanding balances from related companies and interfund transactions made to subsidize their own operations. In addition, there is an increase in accounts payable to governmental entities.
- **Long-term liabilities** - Long-term liabilities is composed of compensated absences which increased substantially in comparison with prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Corporación de las Artes Escénico-Musicales de Puerto Rico (continued)**

Refer to **TABLE V** for the accompanying comparative financial analysis.

**TABLE V**

**CORPORACIÓN DE LAS ARTES ESCÉNICO-MUSICALES DE PUERTO RICO**

**NET ASSETS**

	<u>2012</u>	<u>2011</u>	<u>% Changes</u>
<b>Assets</b>			
Current and other assets	\$ 1,650,273	\$ 1,395,692	18.24 %
Capital assets	<u>35,362</u>	<u>49,357</u>	<u>( 28.35)%</u>
Total assets	<u>1,685,635</u>	<u>1,445,049</u>	<u>16.65 %</u>
<b>Liabilities</b>			
Current liabilities	476,444	357,371	33.32 %
Long-term liabilities	<u>51,373</u>	<u>3,033</u>	<u>1,593.80 %</u>
Total liabilities	<u>527,817</u>	<u>360,404</u>	<u>46.45 %</u>
<b>Net assets</b>			
Invested in capital activities	35,362	49,357	( 28.35)%
Unrestricted	<u>1,122,456</u>	<u>1,035,288</u>	<u>8.42 %</u>
Total net assets	<u>\$ 1,157,818</u>	<u>\$ 1,084,645</u>	<u>6.75 %</u>

**Changes in net assets** - The Corporation's operating revenues consist mainly of the sale of tickets for the Festival Casals. The Festival Casals, in its 56th edition, presented 24 concerts with an attendance of 9,582.

**Non-operating revenues** - The non-operating revenues are composed of legislative grants, donations, interest and other income which decreased by 37.48% in comparison with prior year. This decrease corresponds to the effect of management's decision in 2010-2011 to eliminate outstanding balances from (to) related companies and interfund transactions to subsidize their operations from previous years.

**Operating expenses** - In overall total operating expenses decreased by 36.75% in its majority by the effect mentioned above regarding the management's decision in 2010-2011 to eliminate outstanding balances from (to) related companies and interfund transactions, reflected in other expenses.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Corporación de las Artes Escénico-Musicales de Puerto Rico (continued)**

Refer to **TABLE VI** for the accompanying comparative financial analysis.

**TABLE - VI**

**CORPORACIÓN DE LAS ARTES ESCÉNICO-MUSICALES DE PUERTO RICO  
CHANGES IN FUND NET ASSETS**

	<u>2012</u>	<u>2011</u>	<u>% Changes</u>
<b>Operating revenues</b>			
Sale of tickets	\$ 167,822	\$ 151,890	10.49 %
<b>Operating expenses</b>			
Salaries, payroll taxes, and fringe benefits	249,643	172,658	44.59 %
Rent	69,525	74,536	( 6.72)%
Travel and meals	54,021	48,825	10.64 %
Publicity and advertisement	72,329	40,232	79.78 %
Professional, artistic and consulting services	470,510	519,784	( 9.48)%
Administrative services	85,000	85,000	- %
Utilities	22,507	25,129	( 10.43)%
Depreciation	14,575	12,789	13.97 %
Bad debts	720	4,683	( 84.63)%
Insurance	20,144	15,295	31.70 %
Commissions	134	4,510	( 97.03)%
Other	31,306	720,654	( 95.66)%
Total operating expenses	<u>1,090,414</u>	<u>1,724,095</u>	<u>( 36.75)%</u>
Operating loss	<u>( 922,592)</u>	<u>( 1,572,205)</u>	<u>( 41.32)%</u>
<b>Non-operating revenues</b>			
Legislative grants	854,000	740,638	15.31 %
Donations	126,245	149,361	( 15.48)%
Interest and other income	15,520	702,672	( 97.79)%
Total non-operating revenues	<u>995,765</u>	<u>1,592,671</u>	<u>( 37.48)%</u>
<b>Net income</b>	73,173	20,466	257.53 %
<b>Total net assets, beginning of year</b>	<u>1,084,645</u>	<u>1,064,179</u>	<u>1.92 %</u>
<b>Total net assets, end of year</b>	<u>\$ 1,157,818</u>	<u>\$ 1,084,645</u>	<u>6.75 %</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)

#### Corporación de las Artes Escénico-Musicales de Puerto Rico (continued)

### CAPITAL ASSETS AND DEBT ADMINISTRATION COMBINED

#### Capital Assets

The total capital assets are as follows:

- **Furniture and equipment** - All assets in administrative area, such as executive offices, finance, personnel, and general services.
- **Library** - Includes all educational books and materials used in the different programs.

Refer to Note 3 of the combined financial statements.

#### Long-term Liabilities

The total long-term debt is as follows:

- **Compensated absences** - Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2012 and 2011 amounted to \$58,827 and \$10,880, respectively.

Refer to Note 4 to the combined financial statements.

### CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, **Corporación de las Artes Musicales de Puerto Rico and Related Companies**, P.O. Box 41227 Minillas Station, San Juan, Puerto Rico 00940-1227.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES**  
(A Component Unit of the Commonwealth of Puerto Rico)

**COMBINED STATEMENTS OF NET ASSETS (DEFICIT) AS OF JUNE 30, 2012 WITH,  
SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011**

<b>ASSETS</b>				<b>Total</b>		
	<b>Corporación de las Artes Musicales de Puerto Rico</b>	<b>Corporación de la Orquesta Sinfónica de Puerto Rico</b>	<b>Corporación de las Artes Escénico Musicales de Puerto Rico</b>	<b>Eliminations</b>	<b>2012</b>	<b>2011</b>
<b>Current assets</b>	<b>\$ 1,546,792</b>	<b>\$ 127,232</b>	<b>\$ 1,503,039</b>	<b>\$ -</b>	<b>\$ 3,177,063</b>	<b>\$ 2,961,982</b>
Cash						
Receivables:						
Individuals and private entities, net of allowance for doubtful accounts	226	41,738	408	-	42,372	48,479
Government entities, net of allowance for doubtful accounts	50,028	47,700	72,642	-	170,370	52,603
Related companies	149,646	377,229	66,130	( 593,005)	-	-
Other funds	84,310	19,931	8,029	( 112,270)	-	-
Prepaid expenses	4,420	-	-	-	4,420	-
Other	-	27,465	25	-	27,490	-
<b>Total current assets</b>	<b>1,835,422</b>	<b>641,295</b>	<b>1,650,273</b>	<b>( 705,275)</b>	<b>3,421,715</b>	<b>3,063,064</b>
<b>Long-term assets</b>						
Capital assets, net of accumulated depreciation	727,237	21,887	35,362	-	784,486	791,473
<b>Total assets</b>	<b>2,562,659</b>	<b>663,182</b>	<b>1,685,635</b>	<b>( 705,275)</b>	<b>4,206,201</b>	<b>3,854,537</b>

Continues.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES**  
(A Component Unit of the Commonwealth of Puerto Rico)

**COMBINED STATEMENTS OF NET ASSETS (DEFICIT) AS OF JUNE 30, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011 (CONTINUED)**

**LIABILITIES**

		<u>Corporación de las Artes Musicales de Puerto Rico</u>	<u>Corporación de la Orquesta Sinfónica de Puerto Rico</u>	<u>Corporación de las Artes Escénico Musicales de Puerto Rico</u>	<u>Eliminations</u>	<u>2012</u>	<u>2011</u>
<b>Current liabilities</b>							
Accounts payable:							
Individuals and private entities	\$	181,542	175,773	66,946	-	\$ 424,261	\$ 409,388
Government entities		130,483	42,289	92,023	-	264,795	204,316
Related companies		387,109	135,629	70,267	( 593,005)	-	-
Other funds		84,310	19,931	8,029	( 112,270)	-	-
Others		48	-	7,146	-	7,194	7,399
Provision for legal claims		-	-	-	-	-	76,147
Accrued expenses and withholdings payable		770,808	278,660	14,573	-	1,064,041	438,093
Compensated absences, current		19,340	393,800	7,454	-	420,594	506,066
Deferred revenues		339,304	50,000	210,006	-	599,310	614,366
Funds due to related companies		233,114	-	-	-	233,114	233,113
Total current liabilities		<u>2,146,058</u>	<u>1,096,082</u>	<u>476,444</u>	<u>( 705,275)</u>	<u>3,013,309</u>	<u>2,488,888</u>
<b>Long-term debt</b>							
Compensated absences, non-current		126,365	70,322	51,373	-	248,060	58,726
Net pension obligation		-	5,531,180	-	-	5,531,180	5,041,180
Total long-term debt		<u>126,365</u>	<u>5,601,502</u>	<u>51,373</u>	<u>-</u>	<u>5,779,240</u>	<u>5,099,906</u>
Total liabilities		<u>2,272,423</u>	<u>6,697,584</u>	<u>527,817</u>	<u>( 705,275)</u>	<u>8,792,549</u>	<u>7,588,794</u>
<b>NET ASSETS (DEFICIT)</b>							
Investment in capital assets		727,237	21,887	35,362	-	784,486	795,259
Restricted net assets		-	408,382	-	-	408,382	408,651
Unrestricted net assets (deficit)		<u>( 437,001)</u>	<u>( 6,464,671)</u>	<u>1,122,456</u>	<u>-</u>	<u>( 5,779,216)</u>	<u>( 4,804,143)</u>
Total net assets (deficit)		<u>\$ 290,236</u>	<u>\$( 6,034,402)</u>	<u>\$ 1,157,818</u>	<u>\$ -</u>	<u>\$( 4,586,348)</u>	<u>\$( 3,600,233)</u>

See accompanying notes to the combined financial statements.

**CORPORACIÓN DE LAS ARTES MUSICALES  
DE PUERTO RICO AND RELATED COMPANIES**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**COMBINED STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUNDS NET ASSETS (DEFICIT)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011**

	Corporación de las Artes Musicales de Puerto Rico		Corporación de la Orquesta Sinfónica de Puerto Rico		Corporación de las Artes Escénico Musicales de Puerto Rico		Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>Operating revenues</b>										
Sale of tickets	\$ -	\$ 218,673	\$ 167,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 386,495	\$ 451,617
Orchestra fees	-	200,239	-	-	(145,000)	-	-	-	55,239	109,938
Charges to affiliates	245,000	-	-	-	(245,000)	-	-	-	-	-
Total operating revenues	245,000	418,912	167,822	167,822	(390,000)	-	-	-	441,734	561,555
<b>Operating expenses</b>										
Salaries, payroll taxes, and fringe benefits	1,503,053	4,257,485	249,643	-	-	-	-	-	6,010,181	5,734,019
Pension cost	-	726,979	-	-	-	-	-	-	726,979	712,704
Rent	92,897	190,933	69,525	-	-	-	-	-	353,355	340,100
Scholarships and financial aid	190,210	-	-	-	-	-	-	-	190,210	95,000
Travel and meals	44,578	18,484	54,021	-	-	-	-	-	117,083	96,181
Publicity and advertisement	3,496	74,882	72,329	-	-	-	-	-	150,707	102,489
Professional, artistic and consulting services	480,705	585,162	470,510	(145,000)	-	-	-	-	1,391,377	1,262,190
Administrative services	65,000	95,000	85,000	(245,000)	-	-	-	-	-	-
Provision for legal claims	-	13,241	-	-	-	-	-	-	13,241	45,117
Utilities	12,345	1,503	22,507	-	-	-	-	-	36,355	34,717
Depreciation	45,316	10,889	14,575	-	-	-	-	-	70,780	58,478
Bad debts	-	41,276	720	-	-	-	-	-	41,996	19,165
Representation	1,300	-	-	-	-	-	-	-	1,300	2,900
Repairs and maintenance	16,591	15,140	20,144	-	-	-	-	-	16,591	14,427
Insurance	23,564	3,385	134	-	-	-	-	-	58,848	41,011
Commissions	-	71,996	31,306	-	-	-	-	-	3,519	6,707
Other, net of expenses paid on behalf of related companies	86,284	-	-	-	-	-	-	-	189,586	623,768
Total operating expenses	2,565,339	6,106,355	1,090,414	(390,000)	(922,592)	-	-	-	9,372,108	9,188,973
Operating loss (carried forward)	(2,320,339)	(5,687,443)	(922,592)	-	-	-	-	-	(8,930,374)	(8,627,418)

Continues.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES**  
(A Component Unit of the Commonwealth of Puerto Rico)

**COMBINED STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUNDS NET ASSETS (DEFICIT) (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

	Corporación de las Artes Musicales de Puerto Rico	Corporación de la Orquesta Sinfónica de Puerto Rico	Corporación de las Artes Escénico Musicales de Puerto Rico	Eliminations	Total
	2012	2011	2012	2011	2012
Operating loss (brought forward)	\$( 2,320,339)	\$( 5,687,443)	\$( 922,592)	\$ -	\$( 8,930,374)
<b>Non-operating revenues</b>					
Legislative grants	1,716,000	3,517,000	854,000	-	6,087,000
Special assignment	-	1,430,000	-	-	1,430,000
Contributions and donations	70,160	28,539	126,245	-	224,944
Other, including interest	147,163	39,632	15,520	-	202,315
Total non-operating revenues	1,933,323	5,015,171	995,765	-	7,944,259
<b>Net income (loss)</b>	( 387,016)	( 672,272)	73,173	-	( 986,115)
Total net assets (deficit), beginning of year, as previously reported	677,252	( 5,362,130)	1,084,645	-	( 3,600,233)
Restatement, pertaining to year ended June 30, 2000	-	-	-	-	415,001
Total net assets (deficit), beginning of year, as restated	677,252	( 5,362,130)	1,084,645	-	( 3,600,233)
Total net assets (deficit), end of year	\$ 290,236	\$( 6,034,402)	\$ 1,157,818	\$ -	\$( 4,586,348)
					\$( 3,600,233)

See accompanying notes to the combined financial statements.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES**  
(A Component Unit of the Commonwealth of Puerto Rico)

**COMBINED STATEMENTS OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011

		Corporación de las Artes Musicales de Puerto Rico	Corporación de la Orquesta Sinfónica de Puerto Rico	Corporación de las Artes Escénico Musicales de Puerto Rico	Eliminations	Total
		2012	2012	2012	2012	2011
<b>Cash flows from operating activities</b>						
Receipts from customers and users:						
Interfund services provided		\$ 288,900	-	\$ 124,177	\$( 245,000)	\$ ( 10,261)
Receipts from tickets sales		-	235,418	-	-	388,627
Orchestra Fees		-	200,239	-	( 145,000)	109,938
Payments to:						
Suppliers for goods or services		( 671,281)	( 1,137,729)	( 657,542)	145,000	( 4,595,513)
Employees, payroll taxes and other fringe benefits		( 1,483,069)	( 4,261,322)	( 237,048)	-	( 5,400,045)
Payments for management and interfund services used		( 65,000)	( 95,000)	( 85,000)	245,000	-
Other		229,038	-	-	-	317,757
Net cash used in operating activities		<u>( 1,701,412)</u>	<u>( 5,058,394)</u>	<u>( 855,413)</u>	<u>-</u>	<u>( 9,189,497)</u>
<b>Cash flows from non-capital financing activities</b>						
Repayments from (advances to) related companies		( 144,147)	( 3,974)	( 66,924)	215,045	95,915
Legislative appropriations		1,716,000	3,517,000	854,000	-	3,482,162
Special assignments		-	1,430,000	-	-	4,983,838
Contributions and donations		150,850	28,539	141,764	-	348,663
(Increase) decrease in deferred revenues		( 25,056)	-	10,000	-	( 129,898)
Other, including interest income		66,474	39,632	-	( 404)	590,551
Net cash provided by non-capital financing activities		<u>1,764,121</u>	<u>5,011,197</u>	<u>938,840</u>	<u>214,641</u>	<u>9,371,231</u>
<b>Cash flows from capital related financing activities</b>						
Purchase of property and equipment		( 55,828)	( 3,599)	( 579)	-	( 62,264)
Advances from related companies		81,156	73,146	60,339	( 214,641)	( 157,963)
Net cash provided by (used in) capital related financing activities		<u>25,328</u>	<u>69,547</u>	<u>59,760</u>	<u>( 214,641)</u>	<u>( 220,227)</u>
<b>Net increase (decrease) in cash</b>		88,037	22,350	143,187	-	( 38,493)
<b>Cash, at beginning of year</b>		<u>1,458,755</u>	<u>104,882</u>	<u>1,359,852</u>	<u>-</u>	<u>2,961,982</u>
<b>Cash, at end of year</b>		<u>\$ 1,546,792</u>	<u>\$ 127,232</u>	<u>\$ 1,503,039</u>	<u>\$ -</u>	<u>\$ 2,923,489</u>

Continues.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES**  
(A Component Unit of the Commonwealth of Puerto Rico)

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011

	Corporación de las Artes Musicales de Puerto Rico	Corporación de la Orquesta Sinfónica de Puerto Rico	Corporación de las Artes Escénico Musicales de Puerto Rico	Eliminations	Total
	2012	2012	2012	2012	2010
<b>Reconciliation of operating loss to net cash used in operating activities</b>					
Operating loss	\$( 2,320,339)	\$( 5,687,443)	\$( 922,592)	\$ -	\$( 8,627,418)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	45,316	10,889	14,575	-	58,475
Bad debts	-	41,276	-	-	19,165
Gain on elimination of related companies and interfund transactions	-	-	-	-	478,260
Decrease (increase) in assets:					
Accounts receivables	43,900	( 16,745)	( 44,470)	-	( 210,940)
Prepaid expenses	-	( 27,465)	-	-	( 27,465)
Other	( 4,420)	-	-	-	( 4,420)
(Decrease) increase in liabilities:					
Accounts payable	99,194	( 72,935)	48,888	-	( 1,920,834)
Settlement of legal claims payable	-	( 76,147)	-	-	( 204,883)
Net pension obligation	-	490,000	-	-	490,000
Accrued expenses and withholdings payables	434,937	246,686	48,186	-	729,809
Net cash used in operating activities	618,927	629,049	67,179	-	( 562,079)
	\$( 1,701,412)	\$( 5,058,394)	\$( 855,413)	\$ -	\$( 9,189,497)
<b>Supplementary schedule of non-cash non-capital financing activities</b>					
Fully depreciated furniture and equipment disposed during the year	\$ -	\$ -	\$ -	\$ -	\$ 5,835

See accompanyign notes to the combined financial statements.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Combination**

The combined financial statements include the accounts of the Corporación de las Artes Musicales de Puerto Rico and its related companies, including Corporación de las Artes Escénico-Musicales de Puerto Rico and Corporación de la Orquesta Sinfónica de Puerto Rico (hereinafter "the Corporation" or "the Corporation and related companies"). All intercompany transactions and balances have been eliminated in combination.

**Organization**

**Corporación de las Artes Musicales de Puerto Rico**

Corporación de las Artes Musicales de Puerto Rico is a public corporation created by Law No. 4 of July 31, 1985. The Corporation operates separately from the Commonwealth of Puerto Rico, its agencies and public subdivisions. The Corporation was created to develop and execute the public policy towards the development of the fine arts and cultural programs of the Commonwealth of Puerto Rico.

**Corporación de la Orquesta Sinfónica de Puerto Rico**

Corporación de la Orquesta Sinfónica de Puerto Rico was created by Law No. 44 of May 12, 1980, as amended, to develop, plan, coordinate and promote the operations and programs of the Orquesta Sinfónica de Puerto Rico.

**Corporación de las Artes Escénico-Musicales de Puerto Rico**

Corporación de las Artes Escénico-Musicales is a public corporation created by Law No. 42 of May 12, 1980, as amended. The Corporation was created to develop, coordinate and promote the performance of arts in Puerto Rico. Law No. 42, in addition, provides for the incorporation of Festival Casals, the Festival de la Orquesta Sinfónica Juvenil de América, the Festival Iberoamericano de las Artes Fund, and the Museum Pablo Casals, as part of the operations of the Corporation.

The Corporation and its related companies are exempt from the payment of income and property taxes.

**Financial Reporting Entity**

The Corporation and its related companies are public corporations and instrumentalities of the Commonwealth of Puerto Rico. They are a component unit of the Commonwealth of Puerto Rico.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Financial Independence**

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

**Board of Directors**

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

**Designation of Management**

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

**Capacity to Manage Operations**

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

**Accounting of Financial Matters**

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

**Funds Financial Statements**

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The funds of the financial reporting entity are described below:

**Enterprise Funds**

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

**Corporación de las Artes Musicales de Puerto Rico**

<u>Funds</u>	<u>Brief Description</u>
Management Services Fund	A mayor fund that accounts for the activities of management services charged to related companies and other funds
Servicios Integrados a la Comunidad Fund	"Programa Músico-Sociales" consists of "Programa de Bandas de Marcha (PMB)". The purpose of this program is to expose children from disadvantaged communities and high risk from Puerto Rico to the art of music and to promote music education through the program.

**Corporación de la Orquesta Sinfónica de Puerto Rico**

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Enterprise Funds (continued)**

**Corporación de las Artes-Escénico Musicales de Puerto Rico**

<u>Funds</u>	<u>Brief Description</u>
Management Service Fund	Accounts for managing the Corporación de las Artes Escénico-Musicales de Puerto Rico.
Festival Casals Fund	Accounts for the activities of sale of tickets for the performance of arts in Puerto Rico.
Museo Pablo Casals Fund	Accounts for the activities of collections held for public exhibition and education.
Festival de la Orquesta Sinfónica Juvenil de América Fund	Accounts for the activities for the performance of arts in Puerto Rico.

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

**Fund Accounting Requirements**

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

**Corporación de la Orquesta Sinfónica de Puerto Rico**

<u>Funds</u>	<u>Required By:</u>
Concierto Gala Fund	Orchestra's Musicians

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Summary of Significant Accounting Policies**

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

During the fiscal year 2011, the Corporation adopted the provisions of GASB Statement No. 47 - Accounting for Termination Benefits. This Statement recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)**

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

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

**Use of Estimates in the Preparation of Financial Statements**

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

**Concentration of Credit Risks**

**Cash**

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Concentration of Credit Risks (continued)**

**Receivables**

The risk related to receivables is minimum due to the nature of the accounts.

Management believes that the concentration of the risks mentioned above does not represent a significant risk of loss in relation to the financial position of the Corporation at June 30, 2012.

**Accounts Receivable**

Accounts receivable are stated net of estimated allowances for uncollectible accounts, which are determined, based upon past collection experience and current economic conditions.

The accounts receivable from nongovernmental customers of the Corporation are net of estimated uncollectible amounts. These receivables arise primarily from service charges to users. Accounts receivable from the primary government and other component units that arise from service charges do not have allowances for uncollectible accounts, as these are deemed fully collectible.

**Capital Assets**

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

The Museum and the historic photograph of Pablo Casals are stated at the value established when they were donated to the Corporation and its related companies, which approximates the market value at such date. These assets are not depreciated. Furthermore, the art work and historic collections exhibited in the Museum are not included in the financial statements due to the lack of information about their cost or market value. At present, the Museum is closed to the public.

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

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

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Compensated Absences**

Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2012 and 2011 amounted to \$668,653 and \$564,792, respectively.

**Equity Classification**

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

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

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

Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to Concierto Gala Fund.

**Legislative Grants**

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

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Contributions and Donations**

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

**Total Columns**

The total columns are presented only to facilitate additional analysis. The information in those columns does not present the financial position, results of operations, or the cash flows in conformity with generally accepted accounting principles in the United States of America.

**Accounting for Pension**

The Corporation accounts for pension under the provisions of GASB No. 27, *Accounting for Pensions by State and Local Government Employers*, as amended by GASB No. 50, *Pension Disclosures*. This statement established standards for measurement, recognition, and display of pension expense and related liabilities in financial statements of state and local governmental employers. The statement defines that the pension expense is equal to the statutory required contribution to the employees retirement system. A pension liability or asset equal to the reported cumulative difference between the amounts statutory required and actual contribution.

For the purpose of the basic financial statements, and as disclosed in Note 5, the Corporation's annual pension cost, measured on the accrual basis of accounting, for the year ended June 30, 2012 amounted to approximately \$726,979. The excess of the annual required contribution over the statutorily required contributions increased the net pension obligation at June 30, 2012 to approximately \$5,531,180. This amount is presented in the statement of net assets (deficit) as of June 30, 2012.

For purposes of the stand-alone financial statements of the plan trust, the pension cost is accounted from the standpoint of a participant in a single-employer defined benefit pension plan. Accordingly, pension costs recognized are equal to the statutorily or contractually required contributions, with a liability recorded for any unpaid required contributions. The basis of accounting used by the Corporation was accrual basis.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Termination Benefits**

The Corporation accounts for termination benefits in accordance with the provisions of GASB No. 47, Accounting for Termination Benefits, which indicates that employers should recognize a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

**Subsequent Events**

The Corporation evaluates subsequent events through January 10, 2013 the date the financial statements were issued. The Corporation has determined that there are no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements.

**Reclassifications**

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

**2. RESTATEMENT**

The Corporation's financial statements for the year ended June 30, 2010, and the net assets as of beginning of said fiscal year have been restated to recognize three paintings from Francisco Oller with an insurance value as of June 30, 2000 amounting to \$415,000. During 2011, the Puerto Rico Art Museum contacted the Corporation to inform about the possession of these paintings, which were borrowed for a period of 99 years commencing on December 1999.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**3. CAPITAL ASSETS**

**Corporación de las Artes Musicales de Puerto Rico**

	<b>Beginning Balance as of July 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance as of June 30, 2012</b>
<b>Capital assets not being depreciated:</b>				
Museum	\$ 150,000	\$ -	\$ -	\$ 150,000
Paintings	<u>415,000 *</u>	<u>-</u>	<u>-</u>	<u>415,000 *</u>
	<u>565,000</u>	<u>-</u>	<u>-</u>	<u>565,000</u>
<b>Capital assets being depreciated:</b>				
Furniture and equipment	454,702	4,011	-	458,713
Musical instruments	158,716	51,818	( 210)	210,324
Motor vehicle	25,872	-	-	25,872
Library	1,398	-	-	1,398
Software	<u>38,537</u>	<u>-</u>	<u>-</u>	<u>38,537</u>
Total capital assets being depreciated	<u>679,225</u>	<u>55,829</u>	<u>( 210)</u>	<u>734,844</u>
Less accumulated depreciation for:				
Furniture and equipment	377,856	23,230	-	401,086
Musical instruments	126,147	6,601	( 210)	132,538
Motor vehicle	19,188	2,588	-	21,776
Library	1,242	51	-	1,293
Software	<u>3,068</u>	<u>12,846</u>	<u>-</u>	<u>15,914</u>
Total accumulated depreciation	<u>527,501</u>	<u>45,316</u>	<u>( 210)</u>	<u>572,607</u>
Total capital assets being depreciated, net	<u>151,724</u>	<u>10,513</u>	<u>-</u>	<u>162,237</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 716,724</u>	<u>\$ 10,513</u>	<u>\$ -</u>	<u>\$ 727,237</u>

\* These paintings are located in the Puerto Rico Museum of Art for a period of 99 years since 1999.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**3. CAPITAL ASSETS (CONTINUED)**

**Corporación de la Orquesta Sinfónica de Puerto Rico**

	<b>Beginning Balance as of <u>July 1, 2011</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Ending Balance as of <u>June 30, 2012</u></b>
<b>Capital assets, being depreciated:</b>				
Furniture and equipment	\$ 93,057	\$ -	\$ -	\$ 93,057
Musical instruments	103,611	-	-	103,611
Software	300	-	-	300
Library	<u>76,215</u>	<u>3,598</u>	<u>-</u>	<u>79,813</u>
 Total capital assets, being depreciated	 <u>273,183</u>	 <u>3,598</u>	 <u>-</u>	 <u>276,781</u>
 Less accumulated depreciation for:				
Furniture and equipment	90,224	480	-	90,704
Musical instruments	88,568	7,265	-	95,833
Software	83	100	-	183
Library	<u>65,130</u>	<u>3,044</u>	<u>-</u>	<u>68,174</u>
 Total accumulated depreciation	 <u>244,005</u>	 <u>10,889</u>	 <u>-</u>	 <u>254,894</u>
 <b>Business-type activities capital assets, net</b>	 <u>\$ 29,178</u>	 <u>\$( 7,291)</u>	 <u>\$ -</u>	 <u>\$ 21,887</u>

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**3. CAPITAL ASSETS (CONTINUED)**

**Corporación de las Artes Escénico-Musicales de Puerto Rico**

	<b>Beginning Balance as of <u>July 1, 2011</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Ending Balance as of <u>June 30, 2012</u></b>
<b>Capital asset not being depreciated,</b> photo of Pablo Casals	\$ 3,000	\$ -	\$ -	\$ 3,000
<b>Capital assets being depreciated</b>				
Furniture and equipment	216,124	-	-	216,124
Musical Instruments	76,000	-	-	76,000
Library	<u>23,438</u>	<u>580</u>	<u>-</u>	<u>24,018</u>
Total capital assets, being depreciated	<u>315,562</u>	<u>580</u>	<u>-</u>	<u>316,142</u>
Less accumulated depreciation for:				
Furniture and equipment	203,565	6,504	-	210,069
Musical Instrument	43,067	7,600	-	50,667
Library	<u>22,573</u>	<u>471</u>	<u>-</u>	<u>23,044</u>
Total accumulated depreciation	<u>269,205</u>	<u>14,575</u>	<u>-</u>	<u>283,780</u>
Total capital assets being depreciated, net	<u>46,357</u>	<u>( 13,995)</u>	<u>-</u>	<u>32,362</u>
<b>Business-type activities capital assets</b>	<u>\$ 49,357</u>	<u>\$( 13,995)</u>	<u>\$ -</u>	<u>\$ 35,362</u>

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**4. LONG-TERM DEBT**

Long-term activity for the year ended June 30, 2012, was as follows:

**Corporación de las Artes Musicales de Puerto Rico**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Compensated absences	\$ 125,721	\$ 132,311	\$( 112,327)	\$ 145,705	\$ 19,340

**Corporación de la Orquesta Sinfónica de Puerto Rico**

Compensated absences	428,191	594,342	( 558,411)	464,122	393,800
Net pension obligation	<u>5,041,180</u>	<u>490,000</u>	<u>-</u>	<u>5,531,180</u>	<u>-</u>
Long-term liabilities	<u>5,469,371</u>	<u>1,084,342</u>	<u>( 558,411)</u>	<u>5,995,302</u>	<u>393,800</u>

**Corporación de las Artes Escénico-Musicales de Puerto Rico:**

Compensated absences	<u>10,880</u>	<u>63,190</u>	<u>( 15,243)</u>	<u>58,827</u>	<u>7,454</u>
<b>Total</b>	<u>\$ 5,605,972</u>	<u>\$ 1,279,843</u>	<u>\$( 685,981)</u>	<u>\$ 6,199,834</u>	<u>\$ 420,594</u>

**5. PENSION PLANS**

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

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

The System provides retirement, death and disability benefits pursuant to Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited services. Benefits vest after ten years of plan participation.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. PENSION PLANS (CONTINUED)**

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

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

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

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

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

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

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

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. PENSION PLANS (CONTINUED)**

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

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

Commonwealth legislation requires employees to contribute 5.775% for the first \$6,600 of their annual gross salary and 8.275% for the salary in excess of \$6,600 for employees hired on or before April 1, 1990. For employees hired on or after April 1, 1990 the required contribution is 8.275% of gross salary. The Corporation's contribution is 9.275% of gross salary. For the years ended June 30, 2012, 2011, and 2010, the total payroll of all the administrative employees amounted to \$1,559,912, \$1,301,001, and \$1,296,213, respectively. The payroll covered by the System 2000 amounted to \$1,148,546, \$1,017,063, and \$1,116,378, for the years ended June 30, 2012, 2011, and 2010, respectively. Those amounts are the compensation paid by the Corporation to all active employees covered by the System, which is the base for the contribution.

The pension expenses to the System 2000 for the years ended June 30, 2012, 2011, and 2010 amounted to \$110,221, \$92,607, and \$98,002, respectively.

The amount of total pension benefit obligation is based on a standardized measurement established by generally accepted accounting principles that, with some exceptions, must be used by a public employee retirement system. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases. The significant actuarial assumptions used to determine the standardized measurement of the pension benefits obligation as of June 30, 2012 are summarized below:

Interest rate	6.40% a year
Salary increases	3.0% a year
Pre-retirement Mortality	RP 2000 Employee Mortality Rates for males and females projected on a generational basis using Scale AA
Disability	Rates are based on the six-month elimination period rates in the 1987 Commissioners Group Disability Table. Rates of disability ceased to apply once a member is eligible for the 75% of Highest Salary maximum benefit.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. PENSION PLANS (CONTINUED)**

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

Retirement Rates of retirement vary by employment category, Act, and by age and years of Creditable Service.

Marriage 50% of current active members, terminated members and retirees are assumed to be married at retirement with males 4 years older than females. 100% of current active members covered under Act 127 who die in service or become disabled are assumed to have qualified beneficiaries.

Number of Employees Electing Higher Contributions 15% of retiring employees assumed to pay retroactive contributions at retirement.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Required and realized contribution by the employees	\$ 88,474	\$ 125,751	\$ 115,047
% that represents the total of payroll covered	7.70 %	12.36 %	10.31 %
Required and realized contribution by the employer	\$ 110,221	\$ 92,607	\$ 98,002
% that represents the total of payroll covered	9.60 %	9.11 %	8.78 %

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

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. PENSION PLANS (CONTINUED)**

**Plan for the musicians of the Orquesta Sinfónica de Puerto Rico**

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

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

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

**Actuarial cost method:** The Aggregate Cost Method is used to determine the normal cost for retirement, termination, and ancillary benefits. Under this cost method, the total of the present value of all future benefits for all participants reduced by the actuarial value of assets is divided by the present value of future compensation to determine the Normal Cost Rate. The present value of future benefits is determined by discounting, to the valuation date, the total future benefits cash flow from the plan to all of the current participants, using the actuarial assumptions. The actuarial value of assets is adjusted by the funding standard account balance. The present value of future compensation is determined by discounting, to the valuation date, all of the compensation anticipated to be paid to the current participants, using the actuarial assumptions.

The Normal Cost Rate is then multiplied by the compensation for participants under retirement age to arrive at the Normal Cost payable on the valuation date. The final Normal Cost, after increasing this result for expected administrative expenses, if applicable, may not be less than zero. For this purpose, "retirement age", means the earliest age at which probability of retirement is 100%.

**Annual Pension Cost and Net Pension Obligation:** For 2010, annual pension cost and net pension obligation (NPO) of \$929,000 and \$4,551,000, respectively, were determined based on Actuarial Valuation Report as of August 15, 2009, which presents the funding results of the actuarial valuation of the System, as well as required Governmental Accounting Standard Board (GASB) disclosures for the fiscal year ended June 30, 2010. For the fiscal years ended June 30, 2012 and 2011, the Actuarial Valuation Report was not available; accordingly, the management estimated a pension cost of approximately \$490,000 based on Actuarial Valuation Report dated August 15, 2009, for both periods.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. PENSION PLANS (CONTINUED)**

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

**Annual Pension Cost and Net Pension Obligation (continued)**

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

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

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

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

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

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

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. PENSION PLANS (CONTINUED)**

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

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

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

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

The Schedule of Funding Progress and Schedule of Employer Contributions are presented in the accompanying required supplementary information.

**6. VOLUNTARY TERMINATION BENEFITS**

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the Corporation. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50 % of each employee' salary, as defined. In this early retirement benefit program, the Corporation will make the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years. Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the Corporación.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
(A Component Unit of the Commonwealth of Puerto Rico)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**6. VOLUNTARY TERMINATION BENEFITS (CONTINUED)**

The financial impact resulting for the benefits granted to participants on this program was the recognition within the Corporation's financial statements of a liability of \$750,695 and \$347,042 in the statement of net assets as of June 30, 2012 and 2011, respectively, and a charge of \$426,891 and \$354,842 in the statement of activities for the year ended June 30, 2012 and 2011, respectively. At June 30, 2012, unpaid long-term benefits granted on this program were discounted at 3.46%.

**7. COMMITMENT**

The Corporation operates on leased facilities to the Public Buildings Authority (the Authority) under a lease agreement that expires on July 1, 2039. The annual rental was determined by the Authority considering the lessee's proportionate share of principal and interest payments on the outstanding bond anticipation notes issued for the remodeling of the building where the Corporation's facilities are located.

Should the Authority deems necessary, this contract may be rescinded and request to negotiate a new one, upon giving at least ninety days written notice in advance.

The minimum rental commitment for the next years are as follows:

<b>Year</b>	<b>Amount</b>
2013	\$ 105,204
2014	105,204
2015	105,204
2016	105,204
2017	105,204
Thereafter	2,314,488
	<b>\$ 2,840,508</b>

The building rent expense for such operating lease during 2012 and 2011 was \$105,204 and \$111,611, respectively. The Corporation allocates 40% of the operating lease expense to its affiliates.

**CORPORACIÓN DE LAS ARTES MUSICALES DE  
PUERTO RICO AND RELATED COMPANIES  
( A Component Unit of the Commonwealth of Puerto Rico)**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Orquesta Sinfónica de Puerto Rico Retirement System**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**SCHEDULE OF FUNDING PROGRESS**

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

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

\*\* Calendar year compensation used for valuation purposes.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

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

\*\* Calendar year compensation used for valuation purposes.

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

**CORPORACIÓN DE LAS ARTES MUSICALES DE PUERTO RICO**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**STATEMENTS OF NET ASSETS - JUNE 30, 2012, WITH**  
**SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011**

	Management Service Fund	Servicios Integrados A la Comunidad Fund	Other Enterprise Funds	Total Enterprise Funds 2012	Total Enterprise Funds 2011
<b>ASSETS</b>					
<b>Current assets</b>	\$ 1,038,257	\$ 508,535	\$ -	\$ 1,546,792	\$ 1,458,755
Cash					
Receivables:					
Individuals and private entities, net of allowance for doubtful accounts of \$3,418 in 2012 and in 2011	54	172	-	226	67
Government entities, net of allowance for doubtful accounts of \$20,000 in 2011	49,966	62	-	50,028	94,087
Related companies	149,646	-	-	149,646	77,242
Other funds	60,509	23,801	-	84,310	12,567
Prepaid Expenses	4,420	-	-	4,420	-
Total current assets	<u>1,302,852</u>	<u>532,570</u>	<u>-</u>	<u>1,835,422</u>	<u>1,642,718</u>
<b>Long-term assets</b>					
Capital assets, net of accumulated depreciation	671,088	56,149	-	727,237	716,724
Total assets	<u>1,973,940</u>	<u>588,719</u>	<u>-</u>	<u>2,562,659</u>	<u>2,359,442</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable:					
Individuals and private entities	65,204	116,338	-	181,542	102,118
Government entities	124,962	5,521	-	130,483	110,508
Related companies	387,109	-	-	387,109	378,529
Other funds	23,801	60,509	-	84,310	11,734
Others	48	-	-	48	253
Compensated absences, current	16,639	2,701	-	19,340	76,064
Accrued expenses and withholdings payable	766,465	4,343	-	770,808	355,853
Funds due to related companies	233,114	-	-	233,114	233,114
Deferred income	109,200	230,104	-	339,304	364,360
Total current liabilities	<u>1,726,542</u>	<u>419,516</u>	<u>-</u>	<u>2,146,058</u>	<u>1,632,533</u>
<b>Long-term debt</b>					
Compensated absences, non-current	96,001	30,364	-	126,365	49,657
Total liabilities	<u>1,822,543</u>	<u>449,880</u>	<u>-</u>	<u>2,272,423</u>	<u>1,682,190</u>
<b>NET ASSETS</b>					
Investment in capital assets	671,088	56,149	-	727,237	716,724
Restricted net assets	-	82,690	-	82,690	21
Unrestricted net assets	(519,691)	-	-	(437,001)	(39,493)
Total funds net assets	<u>\$ 151,397</u>	<u>\$ 138,839</u>	<u>\$ -</u>	<u>\$ 290,236</u>	<u>\$ 677,252</u>

**CORPORACION DE LAS ARTES MUSICALES DE PUERTO RICO**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUNDS NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH**  
**SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED 2011**

	Management Service Fund	Servicios Integrados A la Comunidad Fund	Other Enterprise Funds	Total Enterprise Funds 2012	Total Enterprise Funds 2011
<b>Operating revenues</b>	<b>\$ 245,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 245,000</b>	<b>\$ 245,000</b>
Charges to affiliates					
<b>Operating expenses</b>					
Salaries, payroll taxes, and fringe benefits	1,334,955	168,098	-	1,503,053	1,413,326
Rent	62,289	30,628	-	92,897	93,281
Scholarships and financial aid	190,210	-	-	190,210	95,000
Travel and meals	5,676	38,902	-	44,578	23,717
Publicity and advertisement	2,749	747	-	3,496	6,652
Professional, artistic and consulting services	120,069	360,636	-	480,705	213,353
Administrative services	-	65,000	-	65,000	65,000
Utilities	12,345	-	-	12,345	8,452
Depreciation	41,128	4,188	-	45,316	38,293
Representation expenses	1,300	-	-	1,300	2,900
Repairs and maintenance	16,472	119	-	16,591	14,427
Insurance	5,304	18,260	-	23,564	14,172
Other	30,288	55,975	21	86,284	41,716
Total operating expenses	1,822,765	742,553	21	2,565,339	2,030,289
Operating loss	( 1,577,765)	( 742,553)	( 21)	( 2,320,339)	( 1,785,289)
<b>Non-operating revenues:</b>					
Legislative grants	1,080,000	636,000	-	1,716,000	1,414,207
Donations	-	70,160	-	70,160	89,840
Interest and other income	57,923	89,240	-	147,163	76,674
Total non-operating income	1,137,923	795,400	-	1,933,323	1,580,721
<b>Net income (loss)</b>	<b>( 439,842)</b>	<b>52,847</b>	<b>( 21)</b>	<b>( 387,016)</b>	<b>( 204,568)</b>
<b>Total net assets (deficit), beginning of year, as previously reported</b>	<b>591,239</b>	<b>85,992</b>	<b>21</b>	<b>677,252</b>	<b>466,819</b>
Restatement, pertaining to year ended June 30, 2000	-	-	-	-	415,001
<b>Total net assets, beginning of year, as restated</b>	<b>591,239</b>	<b>85,992</b>	<b>21</b>	<b>677,252</b>	<b>881,820</b>
<b>Total net assets, end of year</b>	<b>\$ 151,397</b>	<b>\$ 138,839</b>	<b>\$ -</b>	<b>\$ 290,236</b>	<b>\$ 677,252</b>

CORPORACIÓN DE LAS ARTES MUSICALES DE PUERTO RICO  
(A Component Unit of the Commonwealth of Puerto Rico)  
STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED 2011

	Management Service Fund	Services Integrados A la Comunidad Fund	Other Enterprise Funds	Total Enterprise Funds	
				2012	2011
<b>Cash flows from operating activities</b>					
Receipts from customers and users:					
Interfund services provided	\$ 209,072	\$ 79,828	\$ -	\$ 288,900	\$ 234,739
Payments to suppliers of goods or services	( 280,776)	( 390,505)	-	( 671,281)	( 487,973)
Payments to employees, payroll taxes and other fringe benefits	( 1,342,119)	( 140,950)	-	( 1,483,069)	( 1,452,393)
Payments for interfund services used	-	( 65,000)	-	( 65,000)	( 65,000)
Other	286,268	( 57,209)	( 21)	229,038	317,757
Net cash used in operating activities	( 1,127,555)	( 573,836)	( 21)	( 1,701,412)	( 1,452,870)
<b>Cash flows from non-capital financing activities</b>					
Repayments from (advances to) related companies	( 120,346)	( 23,801)	-	( 144,147)	22,104
Legislative appropriations	1,080,000	636,000	-	1,716,000	1,414,207
Contributions and donations	80,690	70,160	-	150,850	89,840
Other income, including interest income	( 22,766)	89,240	-	66,474	235,866
Increase in deferred income	50,000	( 75,056)	-	( 25,056)	( 118,398)
Net cash provided by non-capital financing activities	1,067,578	696,543	-	1,764,121	1,643,619
<b>Cash flows used in capital related financing activities</b>					
Purchase of property and equipment	( 2,667)	( 53,161)	-	( 55,828)	( 59,609)
Advances from related companies	32,381	48,775	-	81,156	34,795
Net cash provided by (used in) capital related financial activities	29,714	( 4,386)	-	25,328	( 24,814)
<b>Increase (decrease) in cash</b>	( 30,263)	118,321	( 21)	88,037	165,935
Cash, beginning of year	1,068,520	390,214	21	1,458,755	1,292,820
Cash, end of year	<u>\$ 1,038,257</u>	<u>\$ 508,535</u>	<u>\$ -</u>	<u>\$ 1,546,792</u>	<u>\$ 1,458,755</u>

**CORPORACION DE LAS ARTES MUSICALES DE PUERTO RICO**  
(A Component Unit of the Commonwealth of Puerto Rico)

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH**  
**SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED 2011**

	Management Service Fund	Servicios Integrados A la Comunidad Fund	Other Enterprise Funds	Total Enterprise Funds 2012	2011
<b>Reconciliation of operating loss to net cash used in operating activities</b>					
Operating loss	\$ (1,577,765)	\$ (742,553)	\$ (21)	\$ (2,320,339)	\$ (1,785,289)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	41,128	4,188	-	45,316	38,293
Gain on elimination of related companies and interfund transactions	-	-	-	-	3,894
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Accounts receivable	(35,928)	79,828	-	43,900	(90,261)
Prepaid expense	(4,420)	-	-	(4,420)	-
Increase (decrease) in:					
Accounts payable	40,407	58,787	-	99,194	63,981
Accrued expenses and withholdings payable	409,023	25,914	-	434,937	316,512
	450,210	168,717	-	618,927	332,419
Net cash used in operating activities	<u>\$ (1,127,555)</u>	<u>\$ (573,836)</u>	<u>\$ (21)</u>	<u>\$ (1,701,412)</u>	<u>\$ (1,452,870)</u>

**Supplementary schedule of non-cash non capital financing activities**

Fully depreciated furniture and equipment disposed during the year

	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,835</u>
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**CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**STATEMENTS OF NET ASSETS (DEFICIT) AS OF JUNE 30, 2012, WITH**  
**SUMMARIZED FINANCIAL INFORMATION FOR AS OF JUNE 30, 2011**

		Orquesta Sinfónica Fund	Concierto Gala Fund	Total Enterprise Funds 2012	2011
<b>ASSETS</b>					
<b>Current assets</b>	<b>\$</b>	<b>84,354</b>	<b>\$ 42,878</b>	<b>\$ 127,232</b>	<b>\$ 104,882</b>
Cash		41,738	-	41,738	50,358
Receivables:					
Individuals and private entities, net of allowance for doubtful accounts of \$130,713 for 2012 and \$114,430 for 2011		47,700	-	47,700	97,101
Government entities, net of allowance for doubtful accounts of \$51,602 for 2012 and 2011		19,931	-	19,931	15,957
Other funds		-	377,229	377,229	377,229
Related companies		27,465	-	27,465	-
Other		221,188	420,107	641,295	645,527
Total current assets		<u>21,887</u>	<u>-</u>	<u>21,887</u>	<u>29,178</u>
<b>Long-term assets: capital assets, net of accumulated depreciation</b>		<b>243,075</b>	<b>420,107</b>	<b>663,182</b>	<b>674,705</b>
Total assets		<u>243,075</u>	<u>420,107</u>	<u>663,182</u>	<u>674,705</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable:					
Individuals and private entities		175,773	-	175,773	242,371
Government entities		42,289	-	42,289	48,626
Related companies		135,629	-	135,629	66,458
Other funds		13,396	6,535	19,931	15,956
Other payables		-	-	-	76,147
Accrued expenses and withholdings payable		253,470	25,190	278,660	67,906
Compensated absences, current		393,800	-	393,800	422,155
Deferred revenues		50,000	-	50,000	50,000
Total current liabilities		<u>1,064,357</u>	<u>31,725</u>	<u>1,096,082</u>	<u>989,619</u>
<b>Long-term debt</b>					
Compensated absences, non-current		70,322	-	70,322	6,036
Net pension obligation		5,531,180	-	5,531,180	5,041,180
Total long-term debt		<u>5,601,502</u>	<u>-</u>	<u>5,601,502</u>	<u>5,047,216</u>
Total liabilities		<u>6,665,859</u>	<u>31,725</u>	<u>6,697,584</u>	<u>6,036,835</u>
<b>NET ASSETS (DEFICIT)</b>					
Investment in capital assets		21,887	-	21,887	29,178
Restricted net assets		20,000	388,382	408,382	408,630
Unrestricted net deficit		<u>( 6,464,671)</u>	<u>-</u>	<u>( 6,464,671)</u>	<u>( 5,799,938)</u>
		<u>\$ ( 6,422,784)</u>	<u>\$ 388,382</u>	<u>\$ ( 6,034,402)</u>	<u>\$ ( 5,362,130)</u>

**CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUNDS NET ASSETS (DEFICIT)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH**  
**SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011**

	Orquesta Sinfónica Fund	Concierto Gala Fund	Total Enterprise Funds 2011	Total Enterprise Funds 2011
<b>Operating revenues</b>				
Sale of tickets	\$ 218,673	\$ -	\$ 218,673	\$ 299,727
Orchestra fees	200,239	-	200,239	254,938
Total operating revenues	418,912	-	418,912	554,665
<b>Operating expenses</b>				
Salaries, payroll taxes and fringe benefits	4,257,485	-	4,257,485	4,148,035
Pension cost	726,979	-	726,979	712,704
Administrative services	95,000	-	95,000	95,000
Reserve for legal claim	13,241	-	13,241	45,117
Commissions	3,385	-	3,385	2,197
Depreciation	10,889	-	10,889	7,396
Insurance	15,140	-	15,140	11,544
Publicity	74,882	-	74,882	55,605
Professional, artistic and consulting services	585,162	-	585,162	674,053
Travel and meals	18,484	-	18,484	23,639
Utilities	1,503	-	1,503	1,136
Rent	190,933	-	190,933	172,283
Bad debts	41,276	-	41,276	14,482
Others	71,748	248	71,996	94,501
Total operating expenses	6,106,107	248	6,106,355	6,057,692
Operating loss	( 5,687,195)	( 248)	( 5,687,443)	( 5,503,027)
<b>Non-operating revenues</b>				
Legislative grants	3,517,000	-	3,517,000	1,327,317
Special legislative grants	1,430,000	-	1,430,000	4,983,838
Others, including interest income	39,632	-	39,632	306,999
Contributions and donations	28,539	-	28,539	76,752
Total non-operating revenues	5,015,171	-	5,015,171	6,694,906
Net income (loss)	( 672,024)	( 248)	( 672,272)	1,191,879
Total net assets (deficit), beginning of year	( 5,750,760)	388,630	( 5,362,130)	( 6,554,009)
Total net assets (deficit), end of year	\$ ( 6,422,784)	\$ 388,382	\$ ( 6,034,402)	\$ ( 5,362,130)

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

**STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011**

	Orquesta Sinfónica Fund	Concierto Gala Fund	Total Enterprise Funds 2012	Total Enterprise Funds 2011
<b>Cash flows from operating activities</b>				
<b>Receipts from customers and users</b>				
Ticket sales	\$ 235,418	\$ -	\$ 235,418	\$ 257,977
Advertising sales	-	-	-	-
Orchestra fees	200,239	-	200,239	254,938
<b>Payments to</b>				
Employees, payroll taxes and other fringe benefits	( 4,261,322)	-	( 4,261,322)	( 3,774,352)
Suppliers and other	( 1,137,481)	( 248)	( 1,137,729)	( 3,380,541)
Management services used	( 95,000)	-	( 95,000)	( 95,000)
Net cash used in operating activities	<u>( 5,058,146)</u>	<u>( 248)</u>	<u>( 5,058,394)</u>	<u>( 6,736,978)</u>
<b>Cash flows from non-capital financing activities</b>				
Legislative grants	3,517,000	-	3,517,000	1,327,317
Special legislative grants	1,430,000	-	1,430,000	4,983,838
Contributions and donations	28,539	-	28,539	76,752
Increase (decrease) in deferred revenue	-	-	-	(16,500)
Others, including interest income	39,632	-	39,632	54,715
Net advances (payments) to related companies	( 3,974)	-	( 3,974)	140,155
Net cash provided by non-capital financing activities	<u>5,011,197</u>	<u>-</u>	<u>5,011,197</u>	<u>6,566,277</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of property	( 3,599)	-	( 3,599)	( 2,655)
Net advances to related parties	73,146	-	73,146	80,056
Net cash provided by capital and related financing activities	<u>69,547</u>	<u>-</u>	<u>69,547</u>	<u>77,401</u>
<b>Net increase (decrease) in cash</b>	<u>22,598</u>	<u>( 248)</u>	<u>22,350</u>	<u>( 93,300)</u>
<b>Cash, beginning of year</b>	<u>61,756</u>	<u>43,126</u>	<u>104,882</u>	<u>198,182</u>
<b>Cash, end of year</b>	<u>\$ 84,354</u>	<u>\$ 42,878</u>	<u>\$ 127,232</u>	<u>\$ 104,882</u>

**CORPORACIÓN DE LA ORQUESTA SINFÓNICA DE PUERTO RICO**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED 2011**

	Orquesta Sinfónica Fund	Concierto Gala Fund	Enterprise Funds 2012	Total Enterprise Funds 2011
<b>Reconciliation of operating loss to net cash used by operating activities</b>				
Operating loss	\$( 5,687,195)	\$( 248)	\$( 5,687,443)	\$( 5,503,027)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	10,889	-	10,889	7,396
Bad debts	41,276	-	41,276	14,482
Gain on elimination of related companies and interfund transactions	-	-	-	28,329
Changes in operating assets and liabilities:				
Decrease in assets:				
Receivables, government and individuals and private entities	16,745	-	16,745	( 70,714)
Prepaid expenses	( 27,465)	-	( 27,465)	-
(Decrease) increase in liabilities:				
Accounts payable, government, individuals and private entities and other	( 72,935)	-	( 72,935)	( 1,908,993)
Settlement of legal claims payable	( 76,147)	-	( 76,147)	( 204,883)
Accrued expenses and withholdings payable	246,686	-	246,686	410,432
Net pension obligation	490,000	-	490,000	490,000
Total adjustments	629,049	-	629,049	( 1,233,951)
Net cash used in operating activities	<u>\$( 5,058,146)</u>	<u>\$( 248)</u>	<u>\$( 5,058,394)</u>	<u>\$( 6,736,978)</u>

CORPORACIÓN DE LAS ARTES  
 ESCÉNICO-MUSICALES DE PUERTO RICO  
 (A Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF NET ASSETS - JUNE 30, 2012, WITH  
 SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011

<b>ASSETS</b>									
<b>Current assets</b>									
Cash	\$ 439,189	\$ 282,212	\$ 517,745	\$ 241,084	\$ 22,809	\$ 1,503,039	\$ 1,359,852		
Receivables:									
Individuals and private entities, net of allowance for doubtful accounts of \$70,936 in 2012 and 2011	34	-	( 97)	200	271	408	813		
Government entities, net of allowance for doubtful accounts of \$41,138 in 2012 and 2011	-	67,147	405	825	4,265	72,642	27,362		
Related companies	-	65,085	-	520	525	66,130	1,300		
Other funds	1,689	-	-	-	6,340	8,029	6,340		
Other assets	25	-	-	-	-	25	25		
Total current assets:	440,937	414,444	518,053	242,629	34,210	1,650,273	1,395,692		
<b>Long-term assets, capital assets, net</b>	-	26,338	8,745	105	174	35,362	49,357		
Total assets	440,937	440,782	526,798	242,734	34,384	1,685,635	1,445,049		
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Accounts payable:									
Individuals and private entities	162	54,748	2,162	100	9,774	66,946	64,899		
Government entities	-	66,779	25,104	-	140	92,023	45,182		
Related companies	50,183	6,735	13,349	6,340	575	70,267	11,617		
Other funds	-	-	1,114	-	-	8,029	6,340		
Other	-	7,146	-	-	-	7,146	7,146		
Compensated absences, current	3,416	-	4,038	-	-	7,454	7,847		
Accrued expenses and withholdings payable	637	13,354	830	-	-	14,573	14,334		
Deferred revenues	-	40,000	150,006	20,000	( 248)	210,006	200,006		
Total current liabilities	54,398	188,762	196,603	26,440	10,241	476,444	357,371		
Compensated absences, non-current	13,782	-	37,591	-	-	51,373	3,033		
Total liabilities	68,180	188,762	234,194	26,440	10,241	527,817	360,404		
<b>NET ASSETS</b>									
Investment in capital assets	-	26,338	8,745	105	174	35,362	49,357		
Unrestricted net assets	372,757	225,682	283,859	216,189	23,969	1,122,456	1,035,288		
Total net assets	\$ 372,757	\$ 252,020	\$ 292,604	\$ 216,294	\$ 24,143	\$ 1,157,818	\$ 1,084,645		

**CORPORACION DE LAS ARTES**  
**ESCÉNICO-MUSICALES DE PUERTO RICO**  
(A Component Unit of the Commonwealth of Puerto Rico)  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUNDS NET ASSETS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH**  
**SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011**

	Management Service Fund	Festival Casals Fund	Museo Pablo Casals Fund	Festival de la Orquesta Sinfónica Juvenil de América Fund	Festival Iberoamericano de las Artes Fund	Total Enterprise Funds 2012	Total Enterprise Funds 2011
<b>Operating revenues</b>							
Sale of tickets	\$ -	\$ 161,011	\$ 2,272	\$ -	\$ 4,539	\$ 167,822	\$ 151,890
Total operating revenues	-	161,011	2,272	-	4,539	167,822	151,890
<b>Operating expenses</b>							
Salaries, payroll taxes and fringe benefits	75,669	9,781	163,348	-	845	249,643	172,658
Travel and meals	-	46,173	1,983	-	5,865	54,021	48,825
Publicity	512	58,371	1,360	-	12,086	72,329	40,232
Professional, artistic and consulting services	6,125	428,121	114	-	36,150	470,510	519,784
Administrative services	85,000	-	-	-	-	85,000	85,000
Utilities	-	-	22,507	-	-	22,507	25,129
Depreciation	-	9,272	5,204	18	81	14,575	12,789
Bad debts	-	720	-	-	-	720	4,683
Rent	28,300	37,199	-	-	4,026	69,525	74,536
Insurance	20,144	-	-	-	-	20,144	15,295
Commissions	-	115	19	-	-	134	4,510
Other	2,714	19,007	5,548	-	4,037	31,306	720,654
Total operating expenses	218,464	608,759	200,083	18	63,090	1,090,414	1,724,095
Operating loss	( 218,464)	( 447,748)	( 197,811)	( 18)	( 58,551)	( 922,592)	( 1,572,205)
<b>Non-operating revenues</b>							
Legislative grants	214,000	347,000	229,000	-	64,000	854,000	740,638
Donations	-	126,145	100	753	-	126,245	149,361
Other	1,140	6,626	2,842	-	4,159	15,520	702,672
Total non-operating revenues	215,140	479,771	231,942	753	68,159	995,765	1,592,671
Net income (loss)	( 3,324)	32,023	34,131	735	9,608	73,173	20,466
Total net assets (deficit), beginning of year	376,081	219,997	258,473	215,559	14,535	1,084,645	1,064,179
Total net assets, end of year	\$ 372,757	\$ 252,020	\$ 292,604	\$ 216,294	\$ 24,143	\$ 1,157,818	\$ 1,084,645

CORPORACION DE LAS ARTES  
 ESCÉNICO-MUSICALES DE PUERTO RICO  
 (A Component Unit of the Commonwealth of Puerto Rico)  
 STATEMENTS OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH  
 SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011

	Management Service Fund	Festival Casals Fund	Museo Pablo Casals Fund	Festival de la Orquesta Sinfónica Juvenil de América Fund	Festival Iberoamericano de las Artes Fund	Total Enterprise Funds
	2012	2012	2012	2012	2012	2011
<b>Cash flows from operating activities</b>						
Receipts from ticket sales	\$ 1,439	\$ 119,787	\$ 2,677	\$ -	\$ 274	\$ 124,177
Payments to employees, payroll taxes and other fringe benefits	( 59,964)	( 9,781)	( 165,188)	( 825)	( 1,290)	( 237,048)
Payments to suppliers of goods or services and other	( 57,917)	( 533,144)	( 1,361)	( 3,978)	( 61,142)	( 657,542)
Payments to interfund services, including management services used	( 85,000)	-	-	-	-	( 85,000)
Net cash used in operating activities	( 201,442)	( 423,138)	( 163,872)	( 4,803)	( 62,158)	( 855,413)
<b>Cash flows from non-capital financing activities</b>						
Legislative grants	214,000	347,000	229,000	-	64,000	854,000
Contributions and donations	1,140	132,770	2,942	753	4,159	141,764
Advances to related parties	( 1,689)	( 64,825)	( 405)	-	( 5)	( 66,924)
Increase in deferred income	-	-	10,000	-	-	10,000
Other income, including interest income	-	-	-	-	-	-
Net cash provided by non-capital financing activities	213,451	414,945	241,537	753	68,154	938,840
<b>Cash flows from capital and related financing activities</b>						
Purchase of property and equipment	-	( 324)	-	-	( 255)	( 579)
Advances from related companies	39,831	6,732	13,201	-	575	60,339
Net cash provided from capital and related financing activities	39,831	6,408	13,201	-	320	59,760
<b>Increase (decrease) in cash</b>	51,840	( 1,785)	90,866	( 4,050)	6,316	143,187
Cash, at beginning of year	387,349	283,997	426,879	245,134	16,493	1,359,852
Cash, at end of year	\$ 439,189	\$ 282,212	\$ 517,745	\$ 241,084	\$ 22,809	\$ 1,503,039
						\$ 1,359,852

**CORPORACIÓN DE LAS ARTES**  
**ESCÉNICO-MUSICALES DE PUERTO RICO**  
 (A Component Unit of the Commonwealth of Puerto Rico)  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012, WITH**  
**SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011**

	Management Service Fund	Festival Casals Fund	Museo Pablo Casals Fund	Festival de la Orquesta Sinfónica Juvenil de América Fund	Festival Iberoamericano de las Artes Fund	Total Enterprise Funds	2012	2011
<b>Reconciliation of operating loss to net cash used by operating activities:</b>								
Operating loss	\$( 218,464)	\$( 447,748)	\$( 197,811)	\$( 18)	\$( 58,551)	\$( 922,592)	\$( 1,572,205)	
Adjustments to reconcile operating loss to net cash used in operating activities:								
Depreciation	-	9,272	5,204	18	81	14,575	12,789	4,683
Bad debts	-	-	-	-	-	-	-	679,137
Gain on cancellation of related companies and interfund transactions	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:								
Increase (decrease) in:								
Accounts receivable from individuals, private entities and government	1,439	( 41,224)	405	( 825)	( 4,265)	( 44,470)	( 49,965)	( 25)
Other assets	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Decrease (increase) in:								
Accounts payable from individuals, private entities and government	( 378)	54,294	( 2,072)	( 3,978)	1,022	48,888	( 75,822)	-
Accrued expenses and withholdings payable	15,961	2,268	30,402	-	( 445)	48,186	1,759	-
Total adjustments	17,022	24,610	33,939	( 4,785)	( 3,607)	67,179	572,556	-
Net cash used in operating activities	\$( 201,442)	\$( 423,138)	\$( 163,872)	\$( 4,803)	\$( 62,158)	\$( 855,413)	\$( 999,649)	-