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

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)

BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015 AND 2014

AND

INDEPENDENT AUDITORS' REPORT

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Puerto Rico Public Broadcasting Corporation
San Juan, Puerto Rico

We have audited the accompanying financial statements of the Puerto Rico Public Broadcasting Corporation, (the Corporation) a component unit of the Commonwealth of Puerto Rico (the Commonwealth), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Capital Assets

The Corporation's capital assets, as summarized in Note 4, are stated, net of accumulated depreciation, at $7,764,765 as of June 30, 2015. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the carrying amount of the Corporation's capital assets as of June 30, 2015, nor the beginning balance qualified by the predecessor auditors as described in the *Other Matters – 2014 Audited Financial Statements* below. Consequently, we were unable to determine whether any adjustment to the carrying amount of the Corporation's capital assets is necessary.

Accounting and Financial Reporting for Pensions

As explained in Notes 2(n) and 5, the Corporation has not implemented the requirements of the Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27.* Accordingly, the Corporation has not been able to determine and account for its proportionate share of net pension obligation, deferred inflow of resources, and deferred outflow related to pension costs; and has not recognized the effect of current period changes in net pension liability, deferred outflow of resources, and deferred inflow of resources associated with these costs.

Accounting principles generally accepted in the United States of America require that pension related liability, deferred outflow of resources, and deferred inflow of resources, as applicable, be recognized in accordance with the parameters established by GASB 68, as well as the effect of current period changes of the aforementioned amounts that must be recognized in pension expense during the current year. Recognition of these amounts would increase liabilities, increase deferred outflow of resources, increase deferred inflow of resources, increase the deficit, and change the amount of pension expense. The amounts by which this departure would affect liabilities, deferred outflow of resources, deferred inflow of resources, deficit and expenses of the Corporation has not been determined.

The accompanying notes to the basic financial statements do not disclose the pension cost information required by GASB 68. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1(b), the Corporation's primary source of income represents appropriations received from the general fund of the Commonwealth. These appropriations are dependent on the availability of funds from the Commonwealth and its legislative approval. There is currently no assurance that such availability of funds will be sustained.

Other Matters

Required Supplementary Information Omitted

- The Corporation has omitted the *Schedules of the Corporation's Proportionate Share of the Net Position Liability*, and the *Schedule of Corporation's Contributions to the Employee's Pension Plan*, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

- The Corporation's MD&A does not present comparative data discussing the results as of and for the fiscal year ended June 30, 2014 as required by GASB 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* and clarified by GASB *Implementation Guide No. 2015-1*, when comparative financial statements are presented. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

2014 Audited Financial Statements

The financial statements of the Corporation as of June 30, 2014, were audited by predecessor auditors. Predecessor auditors audited the accompanying financial statements of the Corporation, as of and for the year ended June 30, 2014, as listed in the table of contents, and in their report, dated January 30, 2015 they expressed a qualified opinion that such financial statements, except for the inability to ascertain about the completeness and accuracy of the Corporation's capital assets records with a carrying amount of $8,568,074, presents fairly, in all material respects, the financial position of the Corporation as of June 30, 2014 and the changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Predecessor auditors' report also included an emphasis of matter paragraph indicating that the Corporation's management restated the net position as of and for the year ended June 30, 2013, to correct errors resulting from the understatement of account receivable from governmental entities, understatement of accounts payables, payroll taxes and withholdings.

HLM+D PSC

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

February 12, 2016
San Juan, Puerto Rico

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PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Introduction

As management of the Puerto Rico Public Broadcasting Corporation's (the Corporation), we present the following discussion and analysis to provide an overview of the financial performance of the Corporation for the fiscal years ended June 30, 2015 and 2014. We recommend the readers to consider the analysis, narrative and data information presented in this report in conjunction with the financial statements that follow this section.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the 2015 fiscal year by $4.2 million (net position).

- The Corporation's net position in the amount of $4.2 million at June 30, 2015, increased by $1.3 million when compared to June 30, 2014. The primary reason for this increase was an increase in operating revenues of $936 thousand or approximately 29% and a decrease in operating expenses of $23 thousand. Current assets increased by $1.9 million, while capital assets decreased by $803 thousand, net, when compared to the 2014 fiscal year.

- The aforementioned increase in operating revenues of $936 thousand was mainly related to an increase in the number of local productions and special projects during the 2015 fiscal year.

- Total non-operating revenues for the 2015 fiscal year increased by $1.4 million or approximately 9% when compared to the 2014 fiscal year. This increase is mainly related to an increase of $477 thousand in contributions from the Corporation for Public Broadcasting and increases of $626 thousand and $505 thousand in contributions from Commonwealth of Puerto Rico and federal financial assistance, respectively.

- Non-operating expenses decreased by $3.3 million. This decrease is related to an adjustment to capital assets that resulted from management's reconciliation of the capital assets subsidiary with the general ledger.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation operates the radio, television and electronic communications facilities belonging to the Commonwealth of Puerto Rico (the Commonwealth) and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. This presentation means that financial information is reported using accounting methods similar to those followed by the private sector companies. The statements offer both short-term and long-term financial information about the activities of the Corporation.

Required Financial Statements for Business-Type Activities

The Corporation's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. To provide our users with a contextual frame of reference, comparative information from the financial statements of the previous fiscal year is also provided later in this Management's Discussion and Analysis (MD&A). The financial statements also include notes that are considered essential to a full understanding of the data that is being presented on the face of these statements. The primary purposes of these notes is to provide additional information, enhanced disclosures and tabular presentation of data to further explain the figures presented in the financial statements and to provide more detailed data.

Statement of Net Position - The statement of net position presents information on all of the Corporation's assets and liabilities with the difference between the assets less liabilities reported as net position. The statement of net position provides information about the nature and amounts of investments in resources (assets) and obligations to the Corporation's creditors (liabilities). It also provides the basis for computing rate of returns, evaluating the capital structure of the Corporation, and assessing the liquidity and financial flexibility of the Corporation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position – All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all of its costs through operating revenue and non-operating revenue. It provides the user with basic financial information about the profitability and credit worthiness of the Corporation.

Statement of Cash Flows – The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. The purpose of this statement is to inform the user about the sources of the Corporation's cash, what the cash was used for, and by how much the balance of cash changed over the course of the fiscal year.

Notes to Basic Financial Statements - The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information - This MD&A represents financial information required to be presented by GASB 34 as amended, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. Such information provides the users of this report with additional data that supplements the basic financial statements.

Financial Analysis of the Fiscal Year Ended June 30, 2015

The statements of net position, shown in tabular format below, represent information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. The Corporation's total net position increased from the prior fiscal year by $1.2 million or about 44% for the period.

			Change	
	2015	2014	In Dollars	Percentage
Assets:				
Current assets	$ 5,960,399	$ 4,008,051	$ 1,952,348	49%
Non-Current assets:				
Capital assets, net	7,764,765	8,568,074	(803,309)	-9%
Other	167,213	83,090	84,123	101%
Total assets	**$ 13,892,377**	**$ 12,659,215**	**$ 1,233,162**	**10%**
Liabilities:				
Current liabilities	$ 4,188,840	$ 4,264,516	$ (75,676)	-2%
Non-Current liabilities:				
Termination benefits	3,947,046	4,118,806	(171,760)	-4%
Compensated absences	1,550,770	1,357,025	193,745	14%
Total liabilities	9,686,656	9,740,347	(53,691)	-1%
Net position:				
Net investment in capital assets	7,653,583	8,568,074	(914,491)	-11%
Restricted	3,162,784	1,485,443	1,677,341	113%
Unrestricted	(6,610,646)	(7,134,649)	524,003	7%
Total net position	4,205,721	2,918,868	1,286,853	44%
Total liabilities and net position	**$ 13,892,377**	**$ 12,659,215**	**$ 1,233,162**	**10%**

Analysis of Net Position

For the 2015 fiscal year, net investment in capital assets decreased $914 thousand or about 11% when compared to the previous year. The decrease shown in this category is calculated by taking the depreciated value of our capital assets for a change of $803 from year to year, net of the balances due in relation to the acquisition of capital assets during 2015 in the amount of $111. The balance decrease results from the depreciation expense for the year, amounting to approximately $2 million, net of capital assets acquisitions in the amount of $1.2 million.

In comparing the total amount of restricted net position with the previous fiscal year, there was an increase of $1.6 million or 113%. This increase can be directly attributed to the special project "Taller Cien" under production services that began in the current year and have a restricted net position of $1 million. Also, as of the end of the 2015 fiscal year, there is a net position of funds from the Corporation for Public Broadcasting restricted for television and radio productions amounting to $452 thousand and $83 thousand, respectively.

Compared to the prior year's balance, there was an increase in the unrestricted net position category of $524 thousand or 7%. The increase in this component is directly related to an increase in operating revenues of $936 thousand.

Analysis of Current Assets

Current assets represent balance sheet items which equal the sum of cash (restricted and unrestricted), accounts receivable trade, accounts receivable other, and due from governmental entities, that could be converted into cash in less than one year. Current assets are important in any financial analysis because it is from current assets that a business funds its ongoing day-to-day operations. A comparison of the June 30, 2015 and 2014 balances by asset classification are shown in the table below:

			Change	
Current Asset Classification	**2015**	**2014**	**In Dollars**	**Percentage**
Unrestricted:				
Cash	$ 449,638	$ 1,950,725	$ (1,501,087)	-77%
Accounts receivable, net	793,435	526,250	267,185	51%
Other receivables	49,056	29,082	19,974	69%
Due from government entities	1,446,429	16,550	1,429,879	8640%
Total unrestricted	2,738,558	2,522,607	215,951	9%
Restricted:				
Cash	3,221,841	1,485,444	1,736,397	117%
Total current assets	**$ 5,960,399**	**$ 4,008,051**	**$ 1,952,348**	**49%**

As indicated in the tabular information presented above, the total unrestricted current assets of the Corporation increased by $216 thousand or about 9% compared to the previous period. The increase of accounts receivable, net in current year when compared to prior year is attributed to an increase in production services near year end. Compared to the previous year's balance due from government entities category increased by $1.4 million or about 8640%. This increase includes $296 thousand from contributions of the Commonwealth for termination benefits paid to participants (Refer to Note 6 to the financial statements for further detail of termination benefits), $800 thousand from the Commonwealth for funds used for radio productions, and $350 thousand from the Puerto Rico Department of Education related to the special project "Taller Cien". Restricted cash increased by $1.7 million when compared to the prior fiscal year due to increases in restricted contributions as detailed in the restricted net position fluctuations above.

Analysis of Non-current Assets

Non-current assets represent assets that are not reasonably expected to be realized in cash or sold or consumed during the next fiscal year. When making a distinction between whether an asset should be considered current or non-current, liquidity or nearness to cash are not the only considerations for determining the classification; restrictions on the use of the asset must also be considered. Thus, cash investments intended for liquidation of liabilities due beyond a one-year period are non-current assets, as are assets segregated or restricted for the liquidation of long-term debts (including amounts due within the next operating cycle). Certain assets designated to be used to acquire, construct, or improve capital assets would also be considered non-current.

In the following table, the non-current assets of the Corporation at June 30, 2015 and 2014 are compared by major classification.

			Change	
Non-current Asset Classification	**2015**	**2014**	**In Dollars**	**Percentage**
Licensed program rights and costs incurred for programs not yet broadcasted	$ 167,213	$ 83,090	$ 84,123	101%
Capital assets, net	7,764,765	8,568,074	(803,309)	-9%
Total	**$ 7,931,978**	**$ 8,651,164**	**$ (719,186)**	**-8%**

As indicated by the tabular information above, total non-current assets decreased by $719 thousand or approximately 8% during the 2015 fiscal year.

One of the two components (Licensed program rights and costs incurred for programs not yet broadcasted) did experience a significant fluctuation from the previous fiscal year, although it had a small monetary impact to the overall total. Increase in licensed program rights and costs incurred for programs not yet broadcasted were directly related to the increase in the acquisition of programs for future broadcasting.

Capital assets, net experienced a decrease of $803 thousand or approximately 9% when compared to the previous fiscal year. This decrease is a combination of depreciation expense for the year amounting to approximately $2 million, net capital assets acquired during the year in the amount of approximately $1.2 million.

Analysis of Liabilities

In financial accounting, the term *liability* is defined as an obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future. In essence, this section analyzes the various claims that creditors have against the Corporation's assets.

Liabilities	2015	2014	Change In Dollars	Change Percentage
Accounts payable	$ 1,955,710	$ 1,908,684	$ 47,026	2%
Accrued expenses, payroll taxes and withholdings	813,234	1,068,903	(255,669)	-24%
Termination benefits	4,386,017	4,550,305	(164,288)	-4%
Compensated absences	2,531,695	2,212,455	319,240	14%
Total liabilities	**$ 9,686,656**	**$ 9,740,347**	**$ (53,691)**	**-1%**

Two of the four components (accounts payable trade and termination benefits) didn't experience a significant fluctuation from the previous fiscal year, and had a small monetary impact to the overall total.

Accrued expenses, payroll taxes and withholdings decreased by $255 thousand or 24% mainly due to the following: a decrease in accruals of $207 thousand given a difference in the timing of payments near year-end comparing 2015 with 2014, and a decrease of $38 thousand from payroll liabilities mainly due to a reduction in the accumulation of overtime pay.

Compared to the prior year's balance, there was an increase in the compensated absences category of $319 thousand or 14%. Compensated absences include compensated vacations and compensated sick leave to employees. The increase in this component is a direct effect of the requirement of Law 66 implemented at the end of the 2014 fiscal year, since more vacations were taken by vested employees during prior year. Please refer to Note 1(i) to the Financial Statements for further information in relation to this law.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Statements of Revenues, Expenses and Change in Net Position

The change in net position is an indicator of whether the overall fiscal condition of a government component unit has improved or worsened during the year. Following is a summary of the statements of revenues, expenses and change in net position for the years ended on June 30, 2015 and 2014.

			Change	
	2015	2014	In Dollars	Percentage
Operating revenues:				
Sponsoring services	$ 1,295,277	$ 1,231,206	$ 64,071	5%
Production services	2,628,727	1,772,484	856,243	48%
Other	276,066	260,626	15,440	6%
Total operating revenues	4,200,070	3,264,316	935,754	29%
Non-Operating revenues:				
Contributions from Corporation for Public Broadcasting	2,730,150	2,252,195	477,955	21%
Interest and other income	19,486	159,384	(139,898)	-88%
Contributions from Commonwealth of Puerto Rico	14,629,087	14,002,689	626,398	4%
Federal financial assistance	505,918	-	505,918	n/a
Total non-operating revenues	17,884,641	16,414,268	1,470,373	9%
Operating expenses:				
Broadcasting and technical	3,387,055	3,515,385	(128,330)	-4%
Programming and production	11,065,459	9,480,445	1,585,014	17%
General administration	4,219,510	5,150,417	(930,907)	-18%
Depreciation and amortization	2,026,398	2,548,182	(521,784)	-20%
Bad debt expense	99,436	80,000	19,436	24%
Total operating expenses	20,797,858	20,774,429	23,429	0%
Non-Operating expenses - loss on capital assets	-	3,305,805	(3,305,805)	-100%
Increase / (decrease) in net position	1,286,853	(4,401,650)	5,688,503	129%
Net position, at beginning of year	2,918,868	7,320,518	(4,401,650)	-60%
Net position, at end of year	**$ 4,205,721**	**$ 2,918,868**	**1,286,853**	**44%**

Analysis of Revenues

There were two basic causes for the production services variation between the current and prior fiscal year. During 2015, the Corporation increased the number of local television productions mainly from other agencies of the Commonwealth, and a significant increase of approximately $453 thousand from special projects of the Corporation.

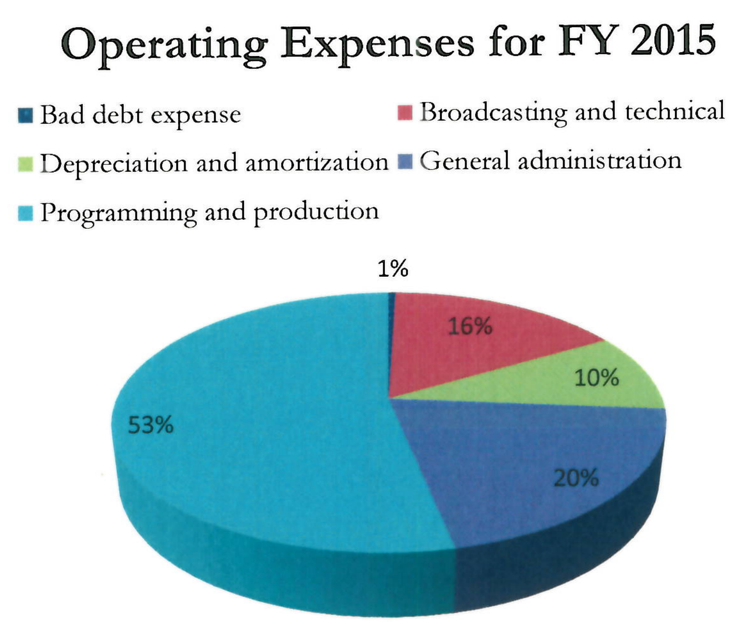
Contributions from the Corporation for Public Broadcasting ("CPB") are generally divided into two categories. The funds for use in television productions (usually representing the higher volume) and funds for use in radio productions. These funds are discretional. The significant increase when compared with the prior year was in the funds for use in radio productions. During the current fiscal year, the Corporation elected to operate as a non-commercial radio station and was granted a higher amount of CPB funds.

One of the four components of non-operating revenues (Contributions from the Commonwealth of Puerto Rico) didn't experience a significant fluctuation from the previous fiscal year, although it had a significant monetary impact to the overall total. The increase in these contributions is due to the special project "Taller Cien" (new for the current fiscal year) of $1.3 million and a net decrease from the general fund (includes funds for: general purposes, termination benefits, and television and radio productions) of approximately $626 thousand.

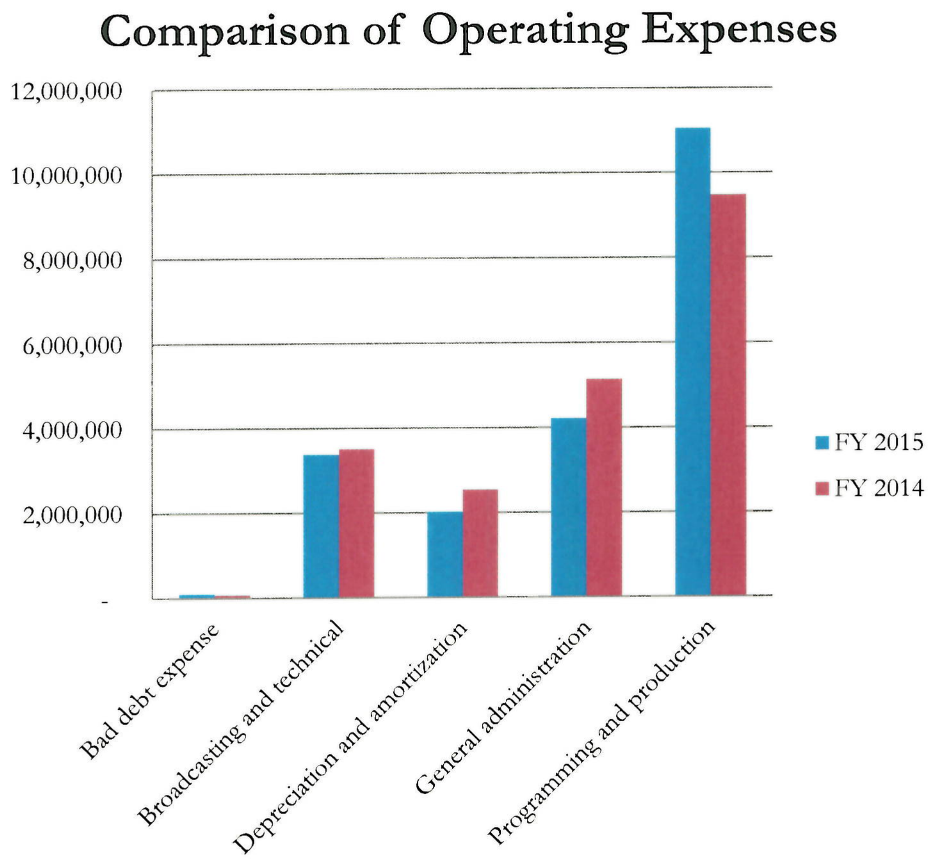
Federal financial assistance includes approximately $394 thousand that were invested in the acquisition of capital assets during the current year and approximately $111 thousand received for improvements to the emergency alert system of the Corporation (registered as part of capital assets).

Analysis of Expenses

The total operating expenses for fiscal year 2015 were approximately $20.7 million. That amount represents an increase of $23 thousand when compared to the prior fiscal year. The five major categories of operating expenses are shown in the pie chart below. The percentage of each expense category from the total is also provided. As an additional analytical tool, the bar graph below provides a side-by-side comparison of each category when compared to the preceding fiscal year.



The tabular information shown below provides a side-by side comparison of operating expenses for the 2015 and 2014 fiscal years.



In analyzing the expense data, only one of the five expense categories exhibited a significant increase when compared to the prior period. Programming and production expenses for the 2015 fiscal year increased by $1.6 million or 17%. During the year, there was a significant increase in professional services (included within programming and production expenses) as a result of the aforementioned increase in television productions. Most of these productions are subcontracted by the Corporation.

The depreciation and amortization category experienced a decrease of $522 thousand when compared with the 2014 fiscal year. This decrease was primarily due to capital assets fully depreciated between the prior and current year.

Comparative data for the general administration expense category shows that annual expenses of $4.2 million represented a decrease of $931 thousand or approximately 18% when compared with the 2014 fiscal year. This decrease is primarily attributable to significant decreases in repairs and maintenance, utilities (as a result of the reduction in the cost of petroleum) and advertising due to a cost reduction strategy implemented by management.

Non-operating expenses present a decrease of $3.3 million from 2014 fiscal year to 2015 fiscal year. This decrease is attributable to a prior period adjustment that resulted in a qualification of the prior year auditors' report.

Capital Assets

At June 30, 2015, the Corporation had an investment of approximately $7.7 million in capital assets, net of depreciation and amortization. This amount represents a net decrease (including additions and deletions) of approximately $803 thousand or 9% when compared with the 2014 fiscal year. A comparative schedule of capital assets by major classification for the two most recent fiscal years is shown in the following table. To assist in analyzing the information, the amount of the annual increase or decrease for each class has also been provided.

Schedule of Capital Assets
(Net of Depreciation and Amortization)

Asset Classification:	2015	2014	Increase (Decrease)
Land	$ 82,600	$ 82,600	$ -
Television, radio and other equipment	6,644,633	7,411,316	(766,683)
Building and building improvements	610,632	723,941	(113,309)
Motor vehicles	114,295	71,074	43,221
Furniture and fixtures	285,551	272,305	13,246
Computers	27,054	6,838	20,216
Total capital assets	**$ 7,764,765**	**$ 8,568,074**	**$ (803,309)**

Four of the six components of capital assets (land, motor vehicles, furniture and fixtures, and computers) did not experience a significant monetary impact to the overall total.

Television, radio and other equipment net decrease from prior fiscal year was mainly due to the following events: additions of a microwave system funded by a federal financial assistance program amounting approximately $394 thousand, and other improvements in equipment used for television and radio productions amounting to $933 thousand (including the $394 thousand also obtained from the federal financial assistance program), net of a decrease of $1.7 million resulting from the depreciation expense for the year.

Building and building improvements showed a net decrease when compared with the prior fiscal year mainly due to the following events: an increase of $87 thousand, in general, for improvements to the Mayaguez building to prepare the facility for productions, net of a decrease of $200 thousand resulting from the depreciation expense for the year.

CURRENTLY KNOWS FACTS

Failure to Implement Requirements of New Accounting Standard for Pensions

As disclosed in Notes 2(n) and 5 to the basic financial statements, the Corporation was not able to implement the requirements of GASB 68. The Corporation's inability to implement the requirements of GASB 68 resulted from the unavailability of the required information that was expected to be provided by the Employee Retirement System of the Commonwealth and its Instrumentalities (ERS), the pension trust of the Commonwealth, which is not under the Corporation's management and control. Therefore, as of the date of this report, it is not known when the required information shall be provided to enable the Corporation to implement the requirements of GASB 68 and, therefore, the Corporation is not able to determine the possible impact on its basic financial statements. This situation resulted in the expression of a qualified opinion, among other modifications, from our external auditors on the Corporation.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those individuals having an interest in the Corporation's operations and financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Corporation's Finance Office at 570 Hostos Avenue, Baldrich, San Juan, PR or Telephone at (787) 764-2036.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014
Assets:		
Current assets:		
Cash	$ 449,638	$ 1,950,326
Restricted cash	3,221,841	1,485,443
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $487,595 and $388,160 in 2015 and 2014, respectively	793,435	526,250
Other	49,056	29,482
Due from government entities	1,446,429	16,550
Total current assets	5,960,399	4,008,051
Non-current assets:		
Licensed program rights and costs incurred for programs not yet broadcasted	167,213	83,090
Capital assets, net of accumulated depreciation and amortization	7,764,765	8,568,074
Total assets	$ 13,892,377	$ 12,659,215
Liabilities:		
Current liabilities:		
Accounts payable	$ 1,955,710	$ 1,908,684
Termination benefits accrual, current portion	438,971	431,499
Accrued expenses, payroll taxes and withholdings	813,234	1,068,903
Compensated absences, current portion	980,925	855,430
Total current liabilities	4,188,840	4,264,516
Non-current liabilities:		
Termination benefits accrual, long-term portion	3,947,046	4,118,806
Compensated absences, long-term portion	1,550,770	1,357,025
Total non-current liabilities	5,497,816	5,475,831
Total liabilities	9,686,656	9,740,347
Net position:		
Net investment in capital assets	7,653,583	8,568,074
Restricted	3,162,784	1,485,443
Unrestricted	(6,610,646)	(7,134,649)
Total net position	4,205,721	$ 2,918,868
Total liabilities and net position	$ 13,892,377	$ 12,659,215

The accompanying notes are an integral part of these financial statements.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014
Operating revenues:		
Sponsoring services	$ 1,295,277	$ 1,231,206
Production services	2,628,727	1,772,484
Other	276,066	260,626
Total operating revenues	4,200,070	3,264,316
Operating expenses:		
Broadcasting and technical	3,387,055	3,515,385
Programming and production	11,065,459	9,480,445
General administration	4,219,510	5,150,417
Depreciation and amortization	2,026,398	2,548,182
Bad debt expense	99,436	80,000
Total operating expenses	20,797,858	20,774,429
Loss from operations	(16,597,788)	(17,510,113)
Non-operating revenues:		
Contributions from Corporation for Public Broadcasting and others	2,730,150	2,252,195
Federal financial assistance	505,918	-
Interest and other income	19,486	159,384
Total non-operating revenues	3,255,554	2,411,579
Non-operating revenues - loss on capital assets	-	3,305,805
Loss before contributions from government	(13,342,234)	(18,404,339)
Contributions from Commonwealth of Puerto Rico	14,629,087	14,002,689
Increase / (decrease) in net position	1,286,853	(4,401,650)
Net position, beginning of year	2,918,868	7,320,518
Net position, end of year	$ 4,205,721	$ 2,918,868

The accompanying notes are an integral part of these financial statements.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers	$ 3,813,875	$ 3,272,615
Payments to suppliers and contractors	(8,661,934)	(6,333,911)
Payments to employees	(8,999,541)	(11,046,599)
Net cash used in operating activites	(13,847,600)	(14,107,895)
Cash flows from non-capital financing activities:		
Contributions from the Commonwealth of Puerto Rico	13,199,208	14,402,518
Contributions from Corporation for Public Broadcasting	2,730,150	2,608,494
Federal financial assistance	505,918	-
Net cash provided by non-capital financing activities	16,435,276	17,011,012
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,223,089)	(328,168)
Acquisition of licensed programs rights and costs incurred for programs not yet broadcasted	(1,148,363)	(1,148,962)
Net cash used in capital and related financing activities	(2,371,452)	(1,477,130)
Cash flows provided from investing activities -		
Interest and other income received	19,486	159,384
Net increase in cash and restricted cash	235,710	1,585,371
Cash and restricted cash, beginning of year	3,435,769	1,850,398
Cash and restricted cash, end of year	$ 3,671,479	$ 3,435,769

The accompanying notes are an integral part of these financial statements.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Reconciliation of loss from operations to net cash used in operating activities:	$ (16,597,788)	$ (17,510,113)
Adjustments to reconcilie loss from operations to net cash used in operating activities:		
Depreciation and amortization	2,026,398	2,548,182
Amortization of licensed programs rights and cost incurred for programs not yet broadcasted	1,064,240	1,094,882
Provision for doubtful accounts	99,436	80,000
(Increase) / decrease in assets:		
Accounts receivable	(386,195)	22,644
Increase / (decrease) in liabilities:		
Accounts payable	47,026	1,136,054
Accrued expenses, payroll taxes and withholdings	(255,669)	(1,309,963)
Termination benefits accrual	(164,288)	(153,068)
Compensated absences	319,240	(16,513)
Total adjustments	2,750,188	3,402,218
Net cash used in operating activities	$ (13,847,600)	$ (14,107,895)
Reconciliation of cash and restricted cash to the statements of net position:		
Cash	$ 449,638	$ 1,950,326
Restricted cash	3,221,841	1,485,443
Total cash, cash equivalents and other restricted cash	$ 3,671,479	$ 3,435,769
Non-Cash Transaction:		
Trade and barter transactions	$ 690,200	$ 993,773
Loss on capital assets	$ -	$ 3,305,805

The accompanying notes are an integral part of these financial statements.

1. NATURE OF THE CORPORATION

The Corporation was created on January 21, 1987 by Act No. 7, with the purpose of integrating, developing and operating the radio, television and electronic communication facilities belonging to the Commonwealth of Puerto Rico (the Commonwealth). The Corporation is a Component Unit of the Commonwealth as it complies with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations Are Components Units*, as amended by GASB 61. On September 12, 1996, the Legislative Assembly of the Commonwealth approved Act No. 216. This Act created and transferred all existing assets and broadcasting facilities from a subsidiary of the Puerto Rico Telephone Authority to the Puerto Rico Public Broadcasting Corporation (the Corporation or PRPBC). On December 13, 1996, the Federal Communications Commission (FCC) approved the transfer.

The Corporation is governed by an eleven-member Board of Directors (BOD), which is comprised of the Secretary of the Department of Education of the Commonwealth, the President of the University of Puerto Rico, the Executive Director of Institute for Puerto Rican Culture, and eight private citizens, appointed by the Governor of Puerto Rico, with the advice and consent of the Senate. At least three of these private citizens must have proven interest, knowledge, and experience in education, culture, art, science, or radio and television.

The Corporation is obligated under existing laws to use its broadcasting facilities exclusively for educational, cultural and public interest purposes, and not for private purposes, partisan politics or sectarian propaganda.

The Corporation operates with funding sources through appropriations from the Commonwealth, grants from the Corporation for Public Broadcasting (CPB), and funds internally generated. It is the public policy of the Commonwealth to annually appropriate financial resources to cover the operations of the Corporation. These appropriations are dependent on the availability of funds from the Commonwealth's annual budget and its legislative approval. There is currently no assurance that such availability of funds will be sustained through the end of fiscal year 2016.

The Act creating the Corporation exempts it from all taxes levied on its properties or revenues by the Laws of the Commonwealth of Puerto Rico and its Municipalities.

The Corporation operates television and radio stations in the following areas:

San Juan (WIPR)	**Mayagüez (WIPM)**
WIPR (6.1)	WIPM (3.1)
Kids TV (6.3)	Kids TV (3.3)
Vme (6.4)	Vme (3.4)
Audio 940 AM (6.6)	Audit 940 AM (3.6)
FM Allegro (91.3)	
FM Allegro (91.3HD1)	
FM Jazz (91.3HD2)	
AM (940)	

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The basic financial statements provide information about the Corporation's business-type activities in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the GASB. The financial statements of the business-type activities are also often referred to as enterprise fund financial statements.

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

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

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

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods and/or services in connection with the Corporation's principal on-going operations. The principal operating revenues are charges to customers for sponsoring services provided to them and public broadcasting and production of program material for distribution. Operating expenses include cost of services, administrative expenses, depreciation and amortization on capital assets and bad debt expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as revenues associated with, or restricted by donors to use for, capital improvements grants, and revenues and expenses that result from financing and investing activities.

The Corporation receives annual distributions from the Corporation for Public Broadcasting (CPB), which are reported as non-operating revenues in the statements of revenues, expenses and changes in net position. CPB is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet certain requirements. These General Provisions pertain to the use of grants funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The Corporation also receives contributions from the Commonwealth, which are recorded in the year in which the funds are available to the Corporation. When their use is restricted for the acquisition or construction of capital assets and related studies, they are recorded as capital contributions. Funds not used at the end of the year are reported as restricted net position and restricted cash. Governmental contributions represent the primary source of income of the Corporation.

b) ***Use of Estimates***

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

c) ***Cash and Cash Equivalents***

Cash and cash equivalents includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. There are no cash equivalents outstanding at June 30, 2015 and 2014.

d) ***Accounts Receivables***

Accounts receivables are stated at their net realizable value. The Corporation provides for estimated losses on accounts receivables, upon an evaluation of the risk characteristics, loss experience, economic conditions and other pertinent factors. Accounts receivable deemed to be uncollectible are charged off against the allowance for doubtful accounts and recoveries are taken into income.

e) ***Licensed Program Rights and Costs Incurred for Programs not yet Broadcasted***

Costs incurred in the acquisition or development of licensed program rights related to programs or program series that will be aired during subsequent periods and are stated at cost. Amortization is computed based on the estimated number of future showings, except that licenses providing for unlimited showings of cartoons and programs with similar characteristics may be amortized over the period of the agreement because the estimated number of future showings may not be determinable. Amortization expense associated with the licensed programs rights and costs incurred for programs not yet broadcasted amounted to approximately $1,064,000 and $1,095,000, for the years ended June 30, 2015 and 2014, respectively, and are included as part of programming and production expenses in the accompanying statement of revenues, expenses, and changes in net position.

f) *Capital Assets*

Capital assets are reported as a component of noncurrent assets in the basic financial statements. Capital assets are generally defined by the Corporation as being those assets with an individual cost of more than $200 and an estimated useful life in excess of 12 months. Such assets are recorded at historical cost or estimated historical cost, when constructed. Certain capital assets were valued at estimated historical costs with the assistance provided by independent outside appraisers. Donated capital assets are recorded at estimated fair market value at the date of donation.

The reported value excludes the costs of normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Capital assets of the Corporation are depreciated using the straight-line method over the following estimated useful lives in years:

Capital assets	Years
Building and building improvements	3-20
Television and other equipment	3-10
Furniture and fixtures	5-10
Motor vehicles	5-10

GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting principles for pollution (including contamination) remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current obligations, and future pollution activities that are required upon retirement of an asset, such as post-closure care. As of June 30, 2015 and 2014, management evaluated its responsibilities for environmental and pollution exposures and no contingency exposure was identified.

g) *Deferred Outflows of Resources*

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

h) *Compensated Absences*

Employees earn vacations benefits at a rate of 30 days per year and accumulate sick leave at a rate of 18 days per year, which are the maximum permissible accumulation. On June 17, 2014, with the approval of Act No. 66, *Fiscal Operation and Sustainability Act (Act 66)*, maximum permissible accumulation subject to liquidation, in case of separation of employment, is 60 days for vacation benefits earned and 90 days for sick leave benefits accumulated. Act 66 states that the excess of those limits, which were normally paid, would cease to be paid to employees. Employee should enjoy the vacations days in excess of 60 days of accrued vacations, subject to the provisions of the law, and in extraordinary circumstances the Corporation should pay for days the employee was unable to enjoy. Excess of sick leave days (over 90 days) will be eliminated, subject to the provisions of the law. The Corporation records a liability for compensated absences associated with vacations leave when benefits are earned by the employees. Benefits are earned by the employees when their right to receive compensation is attributable to services already rendered. Employees will be compensated for these benefits through paid time off or cash payments at termination or retirement. The Corporation records a liability for compensated absences associated with sick leave when benefits are earned by the employees (in the same manner as those associated with vacation leave as described above), but only if it is probable that the benefits will result in termination payments and up to the maximum amount allowed by law as a termination payment.

i) ***Termination Benefits***

The Corporation accounts for termination benefits in accordance with the provisions of GASB 47, *Accounting for Termination Benefits*, which states 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.

j) ***Deferred Inflows of Resources***

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

k) ***Net Position***

The Corporation's financial statements are being presented in conformity with provisions of the GASB 63, *Financial Reporting Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* As required by GASB 63, the Corporation has classified net position into three components: net investment in capital assets, restricted, and unrestricted. These classifications of net position are defined as follows:

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

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

A description of the restrictions and related balances as of June 30, 2015 and 2014 are shown in the following table:

Type of Restriction	2015	2014
TV Dramatic Project	$ 1,585,239	$ 1,483,443
"Taller Cien" special fund	1,042,316	-
Corporation for Public Broadcasting television grant	451,919	-
Corporation for Public Broadcasting radio grant	83,310	-
Others	-	2,000
Total restricted net position	$ 3,162,784	$ 1,485,443

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

l) *Non-Exchange Transactions – Trade and Barter*
In accordance with the provisions of GASB 62, *Codification of Accounting and Financial Reporting Guidance* – the Corporation recognizes trade and barter transactions as revenue and expense based on the estimated fair value of goods and services received or the recorded amount of the nonmonetary asset transferred from the Corporation if neither the fair value of the nonmonetary asset transferred nor the fair value of the nonmonetary asset received in exchange is determinable within reasonable limits. During the years ended June 30, 2015 and 2014, the Corporation recorded trade and barter transactions in the amount of $690,200 and $993,773, respectively, which are included as part of sponsorship services revenues and as part of programming and production and general administration expenses in the accompanying statements of revenues, expenses and changes in net position.

m) *Advertising Costs*
Advertising costs are expensed in the period in which they are incurred. During the fiscal years ended June 30, 2015 and 2014, the Corporation incurred in advertising costs amounting to approximately $544,000 and $636,000, respectively.

n) *Accounting for Pension Costs*
GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* (GASB 68) became effective for the year ended June 30, 2015. This statement replaces the requirements of GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB 50, *Pension Disclosures*, as they related to pensions that are provided though pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the Employee Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). Under GASB 68, the Commonwealth's agencies, as well as the component units and municipalities are considered "cost-sharing" employers of the ERS, therefore, the Corporation would report its allocated share of the Commonwealth's resulting net pension liability based on *(1)* the Corporation's individual proportion to the collective net pension liability of all the governments participating; and *(2)* the proportion should be consistent with the method used to assess contributions (percentage of payroll).

As further explained on Note 5, the ERS did not provide the Corporation the information needed to adopt GASB 68. Accordingly, these financial statements do not include any adjustments, disclosures or required supplementary information established by GASB 68. As a result, the Corporation has continued the accounting for pension costs in accordance with GASB 27, where the pension expense is equal to the statutory required contribution to the ERS. A pension liability or asset is reported equal to the cumulative difference between statutory required and actual contributions.

o) ***Reclassifications***

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation.

p) ***Future Adoption of Accounting Principles***

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

- GASB 72, *Fair Value Measurement and Application.* This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches; the market approach, the cost approach, or the income approach. This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the assets or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumptions of the default rate among underlying mortgages of a mortgage-backed security. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is evaluating the impact that this Statement will have on the Corporation's basic financial statements.

- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB 68. It also amends certain provisions of GASB 67, *Financial Reporting for Pension Plans*, and GASB 68 for pension plans and pensions that are within their respective scopes. The provisions of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the provisions of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The provisions of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Management is evaluating the impact that this Statement will have on the Corporation's basic financial statements.

- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement replaces GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, GASB 43, and GASB 50, *Pension Disclosures.* The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

  ✓ Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

  ✓ OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

  ✓ OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

  This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. This Statement is not expected to be applicable to the Corporation.

- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of GASB. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. Management is evaluating the impact that this Statement will have on the Corporation's basic financial statements.

- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes GASB 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is evaluating the impact that this Statement will have on the Corporation's basic financial statements.

- GASB 77, *Tax Abatement Disclosures.* This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. For financial reporting purposes, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. A transaction's substance, not its form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement for the purpose of this Statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. This Statement is not expected to be applicable to the Corporation.

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

This Statement is not effective until fiscal year 2016. The Corporation and the Retirement Systems are in the process of evaluating the impact of this Statement on its agencies and component units and also on the municipalities of the Commonwealth.

- GASB 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended.* If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB 31, as amended. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

  This Statement is not effective until fiscal year 2016, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are not effective until fiscal year 2017. This Statement is not expected to be applicable to the Corporation.

3. CASH DEPOSITS

The carrying amount of the Corporation's cash deposits at June 30, 2015 and 2014, are presented in the tabular information as follows:

	June 30, 2015			
	Carrying Amount			Bank Balance
	Deposits	Cash on Hand	Total	
Unrestricted	$ 449,238	$ 400	$ 449,638	$ 677,691
Restricted:				
Special dramatic project- Lucy Boscana	1,595,803	-	1,595,803	1,608,698
"Taller Cien"	930,986	-	930,986	930,986
CPB CSG TV	611,743	-	611,743	611,743
CPB CSG Radio	83,309	-	83,309	83,309
	$ 3,671,079	$ 400	$ 3,671,479	$ 3,912,427

	June 30, 2014			
	Carrying Amount			Bank Balance
	Deposits	Cash on Hand	Total	
Unrestricted	$ 1,949,926	$ 400	$ 1,950,326	$ 2,139,587
Restricted:				
Special dramatic project- Lucy Boscana	1,483,443	-	1,483,443	1,485,443
Other	2,000	-	2,000	2,000
	$ 3,435,369	$ 400	$ 3,435,769	$ 3,627,030

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

As of June 30, 2015 and 2014, the Corporation's carrying amount of bank demand deposits was $3,671,079 and $3,435,369, respectively. The bank balances for all of the demand deposit accounts totaled $3,912,427 and $3,627,030, as of June 30, 2015 and 2014, respectively. Of the bank balances $250,000 were covered by federal depository insurance by each financial institution. The Corporation maintained all its funds in two private or non-governmental financial institutions. Uninsured balances in the amount of $3,412,427 and $3,127,030, as of June 30, 2015 and 2014, respectively, were 100% collateralized by the Treasury Department, as disclosed above.

4. DUE FROM GOVERNMENT ENTITIES

Due from governmental entities as of June 30, consist of:

	June 30, 2015	June 30, 2014
Office of Management and Budget ("OMB")	$ 296,580	$ 16,550
Commonwealth of Puerto Rico - Treasury Department	800,000	-
Puerto Rico Department of Education	349,849	-
Total	$ 1,446,429	$ 16,550

Office of Management and Budget ("OMB") – Balance due from the OMB relates to the reimbursement of funds paid by the Corporation to the eligible employees under the early retirement incentives program, known as Act No. 70 of July 2, 2010.

Commonwealth of Puerto Rico – Treasury Department – Balance due from the Commonwealth relates to a remaining balance from the special fund granted under Law No. 146 of July 26, 2011, "Ley del Fondo Especial del Taller Dramático de Radio AM de las Emisoras de la Corporación de Puerto Rico para la Difusión Pública".

Puerto Rico Department of Education – Balance due from the Puerto Rico Department of Education relates to uncollected amounts due under the special project "Taller Cien" granted under the Executive Order 2014-002.

5. CAPITAL ASSETS

The activity of each of the major classes of capital assets and accumulated depreciation for the fiscal year ended June 30, 2015 and 2014 is summarized as follows:

	JUNE 30, 2015			
	Ending June 30, 2014	Increases	Decreases	Ending June 30, 2015
Capital assets not being depreciated-				
Land	$ 82,600	$ -	$ -	$ 82,600
Capital assets being depreciated:				
Television, radio and other equipment	48,556,478	933,888	-	49,490,366
Building and building improvements	12,529,506	87,423	-	12,616,929
Motor vehicles	1,865,379	88,290	(378,043)	1,575,626
Furniture and fixtures	2,802,960	77,013	-	2,879,973
Computers	647,838	36,475	-	684,313
Total capital assets being depreciated	66,402,161	1,223,089	(378,043)	67,247,207
Less: accumulated depreciation and amortization for:				
Television, radio and other equipment	41,145,162	1,700,571	-	42,845,733
Building and building improvements	11,805,565	200,732	-	12,006,297
Motor vehicles	1,794,305	45,069	(378,043)	1,461,331
Furniture and fixtures	2,530,655	63,767	-	2,594,422
Computers	641,000	16,259	-	657,259
Total accumulated depreciation and amortization	57,916,687	2,026,398	(378,043)	59,565,042
Total capital assets, net	$ 8,568,074	$ (803,309)	$ -	$ 7,764,765

	JUNE 30, 2014			
	Ending June 30, 2013	Increases	Decreases	Ending June 30, 2014
Capital assets not being depreciated-				
Land	$ 82,600	$ -	$ -	$ 82,600
Capital assets being depreciated:				
Television, radio and other equipment	53,210,346	-	(4,653,868)	48,556,478
Building and building improvements	12,494,193	35,313	-	12,529,506
Motor vehicles	1,866,115	149,266	(150,002)	1,865,379
Furniture and fixtures	2,774,711	28,249	-	2,802,960
Computers	618,217	29,621	-	647,838
Total capital assets being depreciated	70,963,582	242,449	(4,803,870)	66,402,161
Less: accumulated depreciation and amortization for:				
Television, radio and other equipment	40,707,227	1,906,120	(1,468,185)	41,145,162
Building and building improvements	11,430,661	416,972	(42,068)	11,805,565
Motor vehicles	1,872,606	35,374	(113,675)	1,794,305
Furniture and fixtures	2,455,353	75,302	-	2,530,655
Computers	526,586	114,414	-	641,000
Total accumulated depreciation and amortization	56,992,433	2,548,182	(1,623,928)	57,916,687
Total capital assets, net	$ 14,053,749	$ (2,305,733)	$ (3,179,942)	$ 8,568,074

6. RETIREMENT PLAN

The Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (previously defined as ERS) was created pursuant to Act No. 447 in May 15, 1951, as amended. It is a cost-sharing multiple-employer defined benefit pension plan sponsored by and reported as a fiduciary component unit of the Commonwealth.

Members who had entered the ERS before January 1, 2000 participated in a defined benefit program. Members who began to participate prior to April 1, 1990 were entitled to the highest benefits structure, while those who began to participate on or after April 1, 1990 were subject to a longer vesting period and a reduced level of benefits, as provided by Act No. 1 of February 16, 1990. In 1999, an act was approved to amend the plan and close the defined benefit plan for new participants and prospectively established a new defined contribution plan, referred to as System 2000 Program (see Note 5.b below). In 2013, another act was approved to amend the plan and follow the same defined contribution program established with the System 2000 Program to be administered by the ERS. As a result of those amendments, the ERS consists of different benefit structures, including a cost-sharing, multi-employer, defined benefit program; a defined contribution program and a defined contribution hybrid program that is explained in further detail below.

a. *Cost-Sharing, Multi-Employer, Defined Benefit Program*

Pursuant to Act No. 447 of May 15, 1951, as amended, (Act 447), all regular employees of the Corporation hired before January 1, 2000 and less than 55 years of age at the date of employment became members of the ERS, under a Defined Benefit Program (the Benefit Program), as a condition of their employment.

The Benefit Program provides retirement, death, and disability benefits pursuant to legislation enacted by the Legislature of Puerto Rico (the Legislature). Members who have attained 55 years of age and have completed at least 25 years of creditable service, or members who have attained at least 58 years of age and have completed at least 10 years of creditable service are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be 1.5% of the average salary, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average salary, as defined, multiplied by the number of years of creditable service in excess of 20 years. The annuity for which the participant is eligible, is limited to a minimum of $500 per month and a maximum of 75% of the average compensation, as defined.

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive up to a maximum 65% of the average salary, as defined, or if they have attained 55 years of age will receive up to a maximum of 75% of the average salary, as defined. Disability retirement benefits are available to members for occupational and non-occupational disability up to a maximum benefit of 50% of the average salary, as defined. However, for non-occupational disability, a member must have at least 10 years of creditable service.

Commonwealth's legislation requires employees to contribute 10% of their monthly gross salary.

Act No 1 of February 16, 1990 (Act 1), made certain amendments applicable to new participating employees joining the ERS effective April 1, 1990. This changes consist principally of an increase in the retirement age from 55 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

b. Defined Contribution Program – System 2000 Program

On September 24, 1999, the Legislature enacted Act No. 305 (Act 305), which amended Act 447 to establish a new retirement program. Act 305, among other things, creates the System 2000 Program, a new benefit structure similar to a defined contribution plan. All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the Benefit Program, and were rehired on or after January 1, 2000, became members of the System 2000 Program as a condition to their employment. In addition, employees who at December 31, 1999 were participants of the Benefit Program had the option, up to March 31, 2000, to irrevocably transfer their prior contributions to the Benefit Program plus interest thereon to the System 2000 Program.

Commonwealth legislation requires employees to contribute 10% of their monthly gross salary to the System 2000 Program. Employee contributions are credited to individual accounts established under the System 2000 Program. Participants have three options to invest their contributions and investment income is credited to the participant's account semiannually.

Under System 2000 Program, contributions received from participants are pooled and invested by the ERS, together with the assets corresponding to the Benefit Program. Future benefit payments under the Benefit Program and the System 2000 Program will be paid from the same pool of assets. As a different benefit structure, the System 2000 Program is not a separate plan and the Commonwealth does not guarantee benefits at retirement age.

Corresponding employers' contributions will be used by the ERS to reduce the unfunded status of the Plan.

The System 2000 Program reduced the retirement age from 65 years to 60 years for those employees who joined this plan on or after January 1, 2000.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life and 50% of such benefit to the participant's spouse in case of the participant's death. Participants with a balance of $10,000 or less at retirement will receive a lump-sum payment. In case of death, the balance in each participant's account will be paid in a lump-sum to the participant's beneficiaries. Participants have the option of receive a lump-sum or purchasing an annuity contract in case of permanent disability.

c. Defined Contribution Hybrid Program

On April 4, 2013, the Legislature enacted Act No. 3 (Act 3), which amended Act 447, Act 1, and Act 305 to establish, among other things, a defined contribution program similar to the System 2000 Program to be administered by the ERS (the Hybrid Program). All active regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, became members of the Hybrid Program as a condition of their employment.

In addition, employees who at June 30, 2013, were participants of previous programs will become part of the Hybrid Program. Act 3 froze all retirement benefits accrued through June 30, 2013 under the Benefit Program, and thereafter, all future benefits will accrue under the defined contribution formula used for the 2000 System Program participants.

Participants in the Benefit Program who as of June 30, 2013, were entitled to retire and receive some type of pension, may retire on any later date and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. Participants who as of June 30, 2013 have not reach the requirements of age and years of service can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program.

Participants in the System 2000 Program who, as of June 30, 2013, were entitled to retire because they were 60 years of age may retire on any later date and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. Participants in the System 2000 Program who, as of June 30, 2013, have not reached the age of 60 can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. In addition, Act 3 amended the provisions of the different benefit structures under the ERS including, but not limited to, the following:

- Increased the minimum pension for current retirees from $400 to $500 per month.
- The retirement age for the Act No. 447 participants will be gradually increased from age 58 to age 61.
- The retirement age for the active System 2000 Program participants will be gradually increased from age 60 to age 65.
- Eliminated the "merit annuity" available to participants who joined the ERS prior to April 1, 1990.
- The retirement age for new employees was increased to age 67.
- The employee contribution rate was increased from 8.275% to 10%.
- For the System 2000 Program participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
- Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from $600 to $200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings will be contributed to the ERS.
- Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
- Survivor benefits were modified.

Employee contributions are credited to individual accounts established under the Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty five percent (0.25%) is required for the purchase of disability insurance.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life. In case of the pensioner's death, the designated beneficiaries will continue receiving the monthly benefit until the contributions of the participant are completely consumed. In case of the participants in active service, a death benefit will be paid in one lump sum in cash to the participant's beneficiaries. Participants with a balance of less than $10,000 or less than five years of computed services at retirement will receive a lump-sum payment. In case of permanent disability, the participants have the option of receiving a lump-sum or purchasing an annuity contract.

For the year ended June 30, 2015 and 2014, the Corporation was required to contribute 13.275% 12.275%, respectively, of each participant's gross salary under the different benefit structures. The ERS will use these contributions to increase its level of assets and to reduce the actuarial deficit. Beginning on July 1, 2013, and up until June 30, 2016, the employer's contribution rate shall be annually increased by one percent (1%). Beginning July 1, 2016, and up until June 30, 2021, the employer's contribution rate that is in effect on June 30 of every year shall be annually increased on every successive July 1 by one point twenty-five percent (1.25%).

System Administered Pension Benefits:
The ERS also administers benefits granted under various special laws that have provided additional benefits for the retirees and beneficiaries, referred to as System Administered Pension Benefits. The System Administered Pension Benefits include, among others, additional minimum pension, death and disability benefits, ad-hoc cost-of-living adjustments and summer and Christmas bonuses. Act 3 and Act 160 amended various laws providing some of these System Administered Pension Benefits to reduce some of the amounts payable to existing retirees while eliminating the benefits for all future retirees (those retiring after June 30, 2013 and July 31, 2014).

The System Administered Pension Benefits are funded on a pay-as-you-go basis by the participating employers, including the Corporation. The System Administered Pension Benefits corresponding to former employees of the Corporation are obligations of the Corporation. Most of the funds used to cover the System Administered Pension Benefits for other covered employees are required to be paid by the Commonwealth.

Accounting and Financial Reporting for Pensions:
The ERS actuarial valuation report as of June 30, 2014, differs from the actuarial valuation as of June 30, 2013, due to the adoption of GASB 67, Financial Reporting for Pension Plans, which specifies certain significant changes for financial reporting purposes for the ERS. The actuarial valuation report of the retirement annuities, and death and disability benefits, and System Administered Pension Benefits as of June 30, 2014 (most recently available) reflects a fiduciary net position of $127 million, total pension liability of $30.2 billion, and a net pension liability of $30.1 billion.

As disclosed in Note 2(n), GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27* became effective for the year ended June 30, 2015. This statement replaces the requirements of GASB 27, as well as the requirements of GASB 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the ERS. As of the date of our report, the ERS has not issued its 2014 basic financial statements, nor has it provided the Corporation with the required information to implement the requirements of GASB 68. Therefore, the accompanying financial statements do not have any adjustments that will be necessary for the Corporation to account for its proportionate share of the net pension liability, deferred inflow of resources and deferred outflow of resources in the statement of net position as of July 1, 2014 and June 30, 2015, as well as the effect in the recorded pension expense in the statement of revenues, expenses and changes in net position for the year ended June 30, 2015. Also, additional disclosures required by GASB 68 as well as required supplementary information have been omitted from these basic financial statements. The pension costs recognized in the accompanying financial statements are equal to the statutorily required contributions, with a liability recorded for any unpaid required contributions, which is not in accordance with accounting principles generally accepted in the United States of America.

Total employee contributions for the Benefit Program, the System 2000 Program and Hybrid Program during the year ended June 30, 2015, amounted to approximately $380,128, $126,996 and $25,211, respectively; and during the year ended June 30, 2014, amounted to approximately $375,283, $139,696 and $2,693, respectively.

The Corporation's contributions (either paid or accrued) for the Benefit Program, the System 2000 Program and Hybrid Program during the year June 30, 2015, amounted to approximately $629,702, $168,573 and $33,431, respectively; and during the year ended June 30, 2014, amounted to approximately $586,716, $171,652 and $3,745, respectively. These amounts represented 100% of the required contribution for the corresponding year.

Additional information on the Retirement System is provided on its stand-alone financial statements for the year ended June 30, 2013, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

7. TERMINATION BENEFITS

During the fiscal year ended June 30, 2011, the Legislature approved a one-time retirement incentive plan for all regular employees of the Central Government Agencies and certain Public Corporations, known as Act No. 70 of July 2, 2010 (Act 70). The program included early retirement incentives for certain eligible employees. Under the plan, employees could select one of three options as follows:

a. Option A - Article 4(a) provides a one time economic incentive based on the following parameters:

Years of Service in Public Sector	Incentive Gross Amount
Up to 1 year	1 month of salary
From 1 year and 1 day and less than 3 years	3 months of salary
More than 3 years	6 months of salary

b. Option B - Article 4(b) provides, employees meeting certain years of service criteria (between 15 and 29 years) and opting for early retirement, to receive a higher pension benefit rate than they would otherwise be entitled to receive based on their current years of service, but such pension rate is lower than what they would have been entitled to if they had waited to meet the full vesting requirements.

Annuity pension payments are based on the following parameters:

Credited Years of Service	Pension Payment (As a % of salary)
15	37.5%
16	40.0%
17	42.5%
18	45.0%
19	47.5%
20 to 29	50.0%

The Corporation will be responsible for making the applicable employer contributions to the ERS, as well as making the payments to cover the annuity payments to the employees opting for the early retirement window, until both; the years of service and age requirements for full vesting would have occurred, at which time the applicable ERS will continue making the annuity payments.

Employees selecting options A or B will be entitled to receive full payment of healthcare plan benefits for a period of up to 12 months or the date that the employee is eligible for a healthcare plan benefit offered by another employer, whichever occurs first.

The Corporation recorded a liability and an expense upon election by the employees to participate in the Program. As June 30, 2015 and 2014, unpaid long-term benefits granted on Act 70, including the employer contributions for related employees to the ERS, were discounted to their present values using discount rates ranging from 2.12% to 2.49% and from 1.91% to 2.91%, respectively.

The voluntary termination benefits liability movement for the employees selecting option B as of June 30, 2015 and 2014, was the following:

June 30, 2015				
Beginning Balance	Amortization / Adjustments (net)	Payments	Ending Balance	Due within one year
$ 4,550,305	$ 267,211	$ (431,499)	$ 4,386,017	$ 438,971

June 30, 2014				
Beginning Balance	Amortization / Adjustments (net)	Payments	Ending Balance	Due within one year
$ 4,703,373	$ 273,402	$ (426,470)	$ 4,550,305	$ 431,499

c. Option C - Article 4(c) provides eligible employees that have 30 years of credited services contributing to the ERS and request to start receiving their pension benefits, will be entitled to receive the economic incentive disposed on article 4(a) but not entitled to the incentives provided on article 4(b). Employees that have the required retirement age but have not achieved the years of credited services contributing to the ERS will be entitled to an economic incentive of up to 6 months of salary to cover for the years of service not credited.

The Corporation funds the program with appropriations assigned from the Annual Budget of the Commonwealth of Puerto Rico. Since the inception of the program 32 employees have elected to retire, 7 in 2013, 10 in 2012 and 15 in 2011. No employees retired under the program during the years ended June 30, 2015 and 2014.

8. COMMITMENTS

The Corporation, as lessee, leases transmission tower space for certain repeater stations from third parties under lease agreements. The leases are accounted for as operating leases and are for various terms ranging from 5 to 10 year, with additional renewal options. However, certain agreements are maintained by the Corporation on a month by month basis.

The Corporation, as lessor, leases space on certain towers that it owns, to various third parties using five-year lease agreements with renewal options. Revenues generated from these agreements are recorded as other operating revenue in the accompanying statement of revenues, expenses and changes in net position.

Some of these agreements (both, the Corporation as lessee and as lessor) have terminated and the Corporation has renewed them on a month by month basis.

Future commitments under existing operating lease and other agreements as of June 30, 2015, are as follows:

Year Ending June 30	As Lessee Minimum Lease Payments	As Lessor Minimum Rent Payment
2016	$ 105,557	$ 209,842
2017	47,557	111,234
2018	15,186	3,219
	$ 168,300	$ 324,295

Total rental expense under operating leases amounted to $230,706 and $267,129 for the years ended June 30, 2015 and 2014, respectively, and are included as part of general administration expenses in the accompanying statements of revenues, expenses, and changes in net position.

9. CONTINGENCIES AND COMMITMENTS

a. *Contingent Liabilities*

The Corporation is a defendant or co-defendant in various lawsuits in the normal course of operations. Some claims have been brought against the Corporation by employees and others. Legal counsel and management are contesting the cases vigorously. As of June 30, 2015 and 2014, management has accrued a contingency reserve amounting to $192,039 and $200,000, respectively, in relation to these cases. This contingency has been included as part of accrued expenses, payroll taxes and withholdings, in the accompanying statements of net position.

b. Risk Management
The Corporation is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, extra expense, errors and omissions, employee injuries and illnesses, natural disasters, and other losses. Commercial insurance coverage is obtained for claims arising from such matters.

The commercial insurance coverage and premium are negotiated by the Corporation and the Treasury Department. The cost is paid by the Treasury Department, and reimbursed by the Corporation.

c. Concentration of Credit Risk
The only financial instrument that potentially subjects the Corporation to concentration of credit risk consists of accounts receivable. The accounts receivable balance at June 30, 2015 and 2014 were from customers mainly located in Puerto Rico. The Corporation generally does not require collateral and credit losses are provided for periodically through an allowance for doubtful accounts. Management believes it is not exposed to any significant credit risk on these accounts receivable.

d. Commissions
The Corporation has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for a payment of commissions to the consultants based on varying percentages of funds received.

10. SUBSEQUENT EVENTS

At December 31, 2015, the Corporation has received $5.4 million out of a total of $11.7 million related to the approved appropriations by the Commonwealth – General Fund for the fiscal year ended June 30, 2016.

The Corporation has evaluated subsequent events and transactions for potential recognition or disclosure through February 12, 2016, the date in which the basic financial statements were available to be used.