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

Puerto Rico Convention Center District Authority

(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements, Required Supplementary Information, and Supplemental Schedules

June 30, 2013

(With Independent Auditors' Report Thereon)

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

JUNE 30, 2013

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LLM&D, PSC
165 Ponce de León Ave.,
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INDEPENDENT AUDITORS' REPORT

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

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Puerto Rico Convention Center District Authority ("the Authority") as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the Authority'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 basic 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority'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 basic financial statements.

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

Opinion

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2013, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, in 2013, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, Net Position.* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedule of net position information, the supplemental schedule of revenues, expenses and changes in net position information, and the supplemental schedule of operating loss—Puerto Rico Convention Center—(collectively referred as the supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

January 8, 2014
San Juan, Puerto Rico

License No – 90
Expiration Date: December 1st, 2016

Original stamp no. E87209 of the Puerto Rico Society of Certified Public Accountant was affixed to the file copy of this report.

As management of Puerto Rico Convention Center District Authority (the "Authority"), we offer readers of the Authority's basic financial statements our discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2013. Our discussion and analysis provide an assessment of how the Authority's financial position and results of operations have improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the Authority's basic financial statements, which follow this section.

The Authority is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth") and is responsible for developing, constructing, and operating the Puerto Rico Convention Center (the "Convention Center") and the Puerto Rico Convention District (the "District"). On August 3, 2004, Act No. 185 transferred the ownership interest of the Puerto Rico Coliseum José Miguel Agrelot (the "Coliseum") to the Authority to administer and supervise its operations. On May 15, 2013, the Authority acquired the project called Bahía Urbana to administer and supervise its operations.

Financial Highlights

- The Authority's total assets decreased by $11.5 million in 2013 or 1.40%
- The Authority's total liabilities decreased by $10.5 million in 2013 or 1.68%
- The Authority's net position decreased by $1.0 million in 2013 or 0.52%
- Operating revenues decreased by $2.6 million during 2013 or 9.18%
- Direct operating costs and expenses decreased by $1.3 million during 2013 or 14.78%
- Other operating expenses increased by $1.5 million during 2013 or 4.06%
- Nonoperating revenues— net decreased by $0.7 million during 2013 or 3.43%

Overview of the Financial Statements

This annual financial report consists of three parts: the management's discussion and analysis; the basic financial statements of the Authority, including notes that explain in more detail some of the information in the basic financial statements; and other supplemental schedules.

- The basic financial statements are designed to provide readers with a broad overview of the Authority's basic finances in a manner similar to a private sector business. These basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. Using the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which they are incurred.

- The statement of net position presents information regarding all of the Authority's assets and liabilities. The difference between the mentioned components is reported as net position. Increase and decrease in net position provide an indication of whether the Authority's financial health is improving or deteriorating.

- The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net assets changed during the most recent fiscal year.

- The statement of cash flows explains the sources and uses of cash during the fiscal year classified in operating, noncapital financing, capital and related financing, and investing activities.

Financial Analysis of the Authority

The following summarizes the Authority's financial position as of June 30, 2013 and 2012:

STATEMENTS OF NET ASSETS (in 000's)

	2013	2012	Variance
Assets:			
Current assets	$ 61,695	$ 72,066	$ (10,371)
Capital assets — net	701,231	696,556	$ 4,675
Other noncurrent assets	52,719	58,565	$ (5,846)
Total assets	$ 815,645	$ 827,187	$ (11,542)
Liabilities:			
Current liabilities	$ 39,914	$ 41,616	$ (1,702)
Noncurrent liabilities	577,005	585,813	$ (8,808)
Total liabilities	616,919	627,429	(10,510)
Net position:			
Invested in capital assets	128,221	104,204	24,017
Restricted	48,162	59,123	(10,961)
Unrestricted	22,343	36,431	(14,088)
Total net position	198,726	199,758	(1,032)
Total liabilities and net position	$ 815,645	$ 827,187	$ (11,542)

- **The Authority's total assets decreased by $11.5 million in 2013 or 1.40%**

The Authority has remained focused on its mission of promoting economic activities by providing outstanding venues and related services to the tourist sector and the general public. The Authority completed the construction of the Convention Center and currently is dedicated, along with overseeing the operations of the venues, to the development of the surrounding Convention Center District, which will accommodate hotels, commercial and residential facilities, and recreational areas.

The decrease in total assets is mainly due to a decrease in cash of $12.8 million and a decrease in accounts receivable of $3.4 million, which was partially offset by an increase in capital assets of $4.7 million. During 2013, the Authority used its cash for the development of the Bahia Urbana project and for other operational purposes. The decrease in accounts receivable is mainly due to a reduction of amounts due from Puerto Rico Tourism Company. The increase of $4.7 million in capital assets is directly related to Bahía Urbana development completed in May 2013.

- **The Authority's total liabilities decreased by $10.5 million in 2013 or 1.68%**

During the year ended June 30, 2013, the Authority increased the principal balance due on its lines of credit maintained with Government Development Bank for Puerto Rico ("GDB"), by $884 thousands. In addition, the Authority's bonds payable decreased by $10.6 million mainly due to current year principal payments of $9.8 million and interest payment of $800 thousands. The Authority's deferred revenues increased by approximately $1.8 directly related to Coliseum new sponsorship, club seat and suite agreements. The accounts payable and accrual expenses decreased by $2.6 million due to full payment of Bahía Urbana project to contractor.

- **The Authority's net position decreased by $1 million in 2013 or 0.52%**

As of June 30, 2013, the Authority had $198.7 million in net position. From such amount, $128.2 million are invested in capital assets, $48.2 million correspond to restricted net assets, and $22.3 million are unrestricted net assets. Investment in capital assets increased by approximately $24.0 million in 2013. Restricted net assets decreased by approximately $11 million. Unrestricted net position decreased by approximately $14 million in 2013. These fluctuations in net position are directly related to the Bahía Urbana development.

The following summarizes the Authority's changes in net position for the years ended June 30, 2013 and 2012 (in thousands):

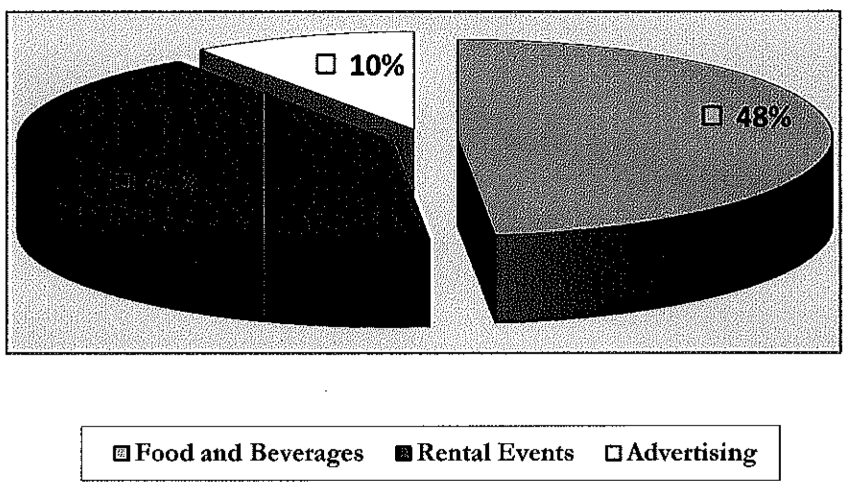
	2013	2012	Variance
Operating revenues	$ 25,500	$ 28,076	$ (2,576)
Direct operating costs and expenses	(7,249)	(8,506)	1,257
Other operating expenses	(39,962)	(38,402)	(1,560)
Nonoperating revenues — net	20,679	21,413	(734)
Change in net position	(1,032)	2,581	(3,613)
Net position — beginning of year	199,758	197,177	2,581
Net position — end of year	$ 198,726	$ 199,758	$ (1,032)

- **Operating revenues decreased by $2.6 million during 2013 or 9.18%**

Operating revenues are earned from rental of facilities and related support services, sale of food and beverages, suites and club seat rental, sponsorships, and ticket incentive rebates, among others. The decrease in the Authority's operating revenues during the year ended June 30, 2013, is substantially related to the suites and club seat rental and event services in the Coliseum. Decrease in suites and club seat rental and event services are directly related to thirty-two events less performed in the Coliseum during 2013.

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

2013 Operating Revenues



- **Direct operating costs and expenses decreased by $1.3 million during 2013 or 14.78%**

During the year ended June 30, 2013, operating expenses related to cost of food, beverages and novelty, decreased by approximately $712 thousands due to thirty-two less events performed in the Coliseum than prior year. Event costs, such as event setup, support, engineering, and labor directly related to the event, also decreased by approximately $545 thousands for the same reason related to lower volume of events in the Coliseum.

- **Other operating expenses increased by $1.6 million during 2013 or 4.06%**

The increase in other operating expenses of $1.6 million is mainly the result of the increase in salaries, professional services, advertising and repair and maintenance.

Increase in salaries of approximately $287 thousands is related to the productivity bonus paid at the end of 2012. The increase in professional services of approximately $681 thousands is related to new consultants hired to fix the airwalls of the Ballroom at the Convention Center. Also, the increase is related to consultants hired for remediation work at the Coliseum. The increase of approximately $182 thousands in advertising is related to the consumption of $200 thousands of the Primera Hora barter at the Convention Center. The increase of approximately $410 thousands in repair and maintenance is related to electrical work performed at the Convention Center and other repair and maintenance work performed at the Coliseum.

- **Nonoperating revenues (net of nonoperating expenses) decreased by approximately $734 thousand during 2013 or 3.43%**

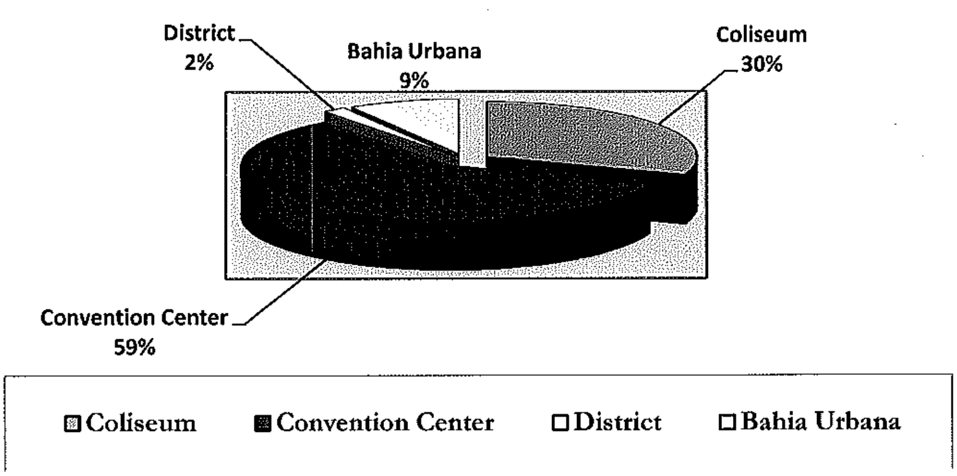
The Authority's nonoperating revenues are substantially comprised of funds allocated from the room tax law enacted by the Commonwealth of Puerto Rico and levied by the Puerto Rico Tourism Company and appropriations of the Legislature. The room tax revenues provided, among other things, for the debt service payment of the bonds issued for the financing of the Convention Center and to cover the Convention Center's administrative funds. The appropriations of the Legislature provided for the debt service payment of the line of credit used to finance the Coliseum.

The decreased of $734 thousands is the net effect of the increase in Other Income due to funds assignment of $2.5 million by the Department of Economic Development and Commerce for the Bahía Urbana Project during 2013, additional $580 thousands from other funds for Bahía Urbana Project, increase of $229 thousands in contributions from the Puerto Rico Tourism Company (Room Tax), $408 thousands related to increase in interest expense, increase of $200 thousands in rent income, decrease of $749 thousands directly related to the use in 2012 of part of the surplus of the line of credit of the Coliseum to perform improvements on the facility, that were not available in 2013, and the decrease of $5.4 million related to the funds assigned in 2012 from Puerto Rico Highway Authority that did not recur in 2013.

Capital Assets

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

2013 Capital Assets



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

Long-Term Debt

The Authority's long-term debt consists of two lines of credit with GDB and bonds payable, which amounted to approximately \$146.8 million and \$436.1 million, respectively, as of June 30, 2013. The lines of credit were obtained for the construction of the Coliseum and the bonds were issued to finance the development of the Convention Center.

See Notes 6 and 7 to the basic financial statements for additional information on the Authority's long-term debt.

Contacting the Authority's financial management

This financial report is designed to provide to the general public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Puerto Rico Convention Center District Authority at P.O. Box 19269, San Juan, Puerto Rico, 00910-1269.

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PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF NET POSITION

June 30, 2013

ASSETS	
CURRENT ASSETS:	
Cash	$ 19,484,922
Accounts receivable — net	16,465,257
Prepaid expenses and other assets	1,548,730
Restricted assets:	
Cash	229,880
Investments	23,966,065
Total current assets	61,694,854
NONCURRENT ASSETS:	
Restricted assets:	
Cash	846,975
Investments	33,364,234
Long-term accounts receivable	3,714,198
Note receivable	1,717,587
Debt issuance cost — net	13,076,087
Capital assets:	
Nondepreciable	284,646,366
Depreciable — net	416,584,786
Total noncurrent assets	753,950,233
TOTAL	$ 815,645,087

(Continued)

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

STATEMENT OF NET POSITION
June 30, 2013

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:		
Current liabilities payable from unrestricted assets:		
Accounts payable and accrued expenses	$	10,000,732
Customer deposits payable		5,461,872
Deferred revenues		4,360,816
Total current liabilities payable from unrestricted assets		19,823,420
Current liabilities payable from restricted assets:		
Current portion of bonds payable		9,845,000
Interest payable on bonds		10,245,081
Total current liabilities payable form restricted assets		20,090,081
Total current liabilities		39,913,501
NONCURRENT LIABILITIES:		
Deferred revenues		3,994,802
Borrowings under line of credit		146,773,295
Bonds payable		426,237,350
Total noncurrent liabilities		577,005,447
Total liabilities		616,918,948
NET POSITION:		
Invested in capital assets		128,220,507
Restricted for debt services		48,162,073
Unrestricted		22,343,559
Total net position		198,726,139
TOTAL LIABILITIES AND NET POSITION	$	815,645,087

See notes to basic financial statements. (Concluded)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For The Year Ended June 30, 2013

OPERATING REVENUES:	
Food, beverage, and novelty	$ 12,345,848
Rental and event services	10,681,281
Advertising	2,472,441
Total operating revenues	25,499,570
DIRECT OPERATING COSTS AND EXPENSES:	
Food, beverage, and novelty	4,887,127
Rental and event services	2,361,882
Total direct operating costs and expenses	7,249,009
GROSS OPERATING PROFIT	18,250,561
ADMINISTRATIVE EXPENSES:	
Salaries and related benefits	1,249,204
Professional and contract services	8,941,326
Depreciation and amortization	11,001,088
Utilities and insurance	11,260,737
Advertising	2,418,167
Repairs and maintenance	3,557,785
Other — net	1,533,345
Total other operating expenses	39,961,652
OPERATING LOSS	(21,711,091)
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(30,463,867)
Contributions from Puerto Rico Tourism Company	34,554,935
Contributions from Commonwealth of Puerto Rico	12,105,001
Interest income	290,565
Other income	4,192,730
Total nonoperating revenues — net	20,679,364
CHANGES IN NET POSITION	(1,031,727)
NET POSITION — Beginning of year	199,757,866
NET POSITION — End of year	$ 198,726,139

See notes to basic financial statements.

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collections of operating revenues	$ 28,886,544
Payments to suppliers for operating expenses	(35,785,110)
Payments to employees	(1,249,205)
Net cash used in operating activities	(8,147,771)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contributions from Puerto Rico Tourism Company	42,094,634
Contributions from Commonwealth of Puerto Rico	12,105,001
Payments of bonds payable	(9,470,000)
Payments of lines of credit	(1,317,245)
Capital expenditures	(17,053,586)
Payment of interest:	
Bonds payable	(20,679,562)
Lines of credit	(10,781,896)
Net cash used in capital and related financing activities	(5,102,654)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Redemption of investments	(185,800)
Collection of note receivable	348,893
Collection of interest income	290,566
Net cash provided by investing activities	453,659
NET DECREASE IN CASH	(12,796,766)
CASH — Beginning of year	33,358,543
CASH — End of year	$ 20,561,777
RECONCILIATION TO STATEMENT OF NET ASSETS:	
Cash — unrestricted	$ 19,484,922
Cash — restricted	1,076,855
TOTAL CASH — End of year	$ 20,561,777

(Continued)

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENT OF CASH FLOWS

For The year Ended June 30, 2013

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (21,711,091)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	11,001,088
Collections of other nonoperating revenues	10,772,240
Payments for other nonoperating expenses	(10,022,884)
Changes in operating assets and liabilities:	
Decrease in assets:	
Accounts receivable	6,016,173
Prepaid expenses and other assets	355,157
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	5,737,941
Customer deposits payable	(3,135,709)
Deferred revenues	(7,160,686)
Total adjustments	13,563,320
NET CASH USED IN OPERATING ACTIVITIES	$ (8,147,771)

See notes to basic financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Puerto Rico Convention Center District Authority (the "Authority") is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth"); created by Act No. 142 of October 4, 2001, as amended. The Authority is responsible for developing, constructing, and operating the Puerto Rico Convention (the "Convention Center") and the Puerto Rico Convention District (the "District"). The Authority is also responsible for the development and operations of the Jose Miguel Agrelot Coliseum (the "Coliseum") and Bahía Urbana.

Summary of Significant Accounting Policies — The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to governmental entities. The Authority follows Governmental Accounting Standard Board ("GASB") pronouncements under the hierarchy established by GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* in the preparation of its financial statements.

The Authority adopted effective July 1, 2012, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement incorporated into the GASB's authoritative literature, including the hierarchy established by GASB Statement No. 55 referred to in the previous paragraph, certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements*: (i) FASB Statements an*d Interpretations; (ii) *Accounting Principles Board Opinions; and (iii) Accounting Research Bulletins of the American Institute of Certified Public* Accountants' (AICPA) Committee on Accounting Procedure. This Statement also superseded Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* which means that guidance on 29 topics has been brought into the GASB literature, allowing enterprise funds and business type activities (such as the Authority) to continue to apply, as other accounting literature ("level e" GAAP) post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncement.

Effective July 1, 2012, the Authority also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources, which are consumptions of net position by the government that is applicable to a future reporting period and deferred inflows of resources, which are acquisitions of net position by the government that is applicable to a future reporting period. Statement No. 63 amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of Statement No. 63 resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the basic financial statements. This Statement also amends the reporting of the "net investment in capital assets" component of net position. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are now required to be included in this component of net position. The Authority had no deferred outflows or deferred inflows of resources as permitted by Statement No. 63, at June 30, 2013.

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

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

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

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

- Invested in Capital Assets — This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets. Rather, the portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted — This component of net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted — This component of net position consists of net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted". Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

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

Allowance for Doubtful Accounts — The allowance for doubtful accounts receivable is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

Capital Assets — Capital assets consist of construction costs related to the development of the Convention Center and other improvements on the adjacent District, the Coliseum, and office furniture and equipment. Construction costs include project development costs, design and architecture, environmental studies and site improvements, capitalized interest, insurance, construction costs received in transfers, and other capitalized costs. Capital assets, other than construction costs or land, are defined by the Authority as assets which, have a cost of $1,000 or more at the date of acquisition and have an expected useful life of two or more years. Such assets are recorded at cost.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the building (50 years), vehicles (five years), and furniture and equipment (ranging from 3 to 10 years). The capital assets under construction are depreciated once they are placed in operations. At the time capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from books and the resulting gain or loss, if any, is credited or charged to operations. Expenditures for repairs and maintenance, which do not extend the useful lives of the assets, are charged to operations in the years incurred.

Land received as transfer from other governmental entities within the same financial reporting entity is accounted for under the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* GASB Statement No. 48 states that these type of transfers need to be recorded at the carrying value of the transferor.

Accounting for the Impairment of Capital Assets — The Authority accounts for asset impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its services utility has declined significantly and unexpectedly. This statement also establishes accounting requirements for insurance recoveries. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value.

The Authority evaluated its capital assets as required by GASB Statement No. 42, and no impairment was identified during the year ended June 30, 2013.

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

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

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

Statement of Cash Flows — The accompanying statement of cash flows is presented in accordance with the provisions of GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.* The provisions of GASB Statement No. 9 require that the direct method be used to present the cash inflows and outflows of the Authority.

Risk Management — The Authority purchases commercial insurance to cover for casualty, theft, tort claims, and other losses through the Treasury Department negotiated under a blanket agreement and then charged to the Authority. The current insurance policies have not been canceled or terminated. There have been no settlements of insurance claims that exceed coverage under such policies in any of the past three years.

Nonexchange Transactions — GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. Under the provisions of the GASB Statement No. 33, the provider and the recipient should recognize the nonexchange transaction as an expense and revenue when all eligibility requirements are satisfied. The Authority accounts for contributions from other governmental entities under the provisions of GASB Statement No. 33.

Restricted Assets and Liabilities from Restricted Assets — Restricted assets represent the amounts deposited by the Authority to provide for the amortization of bonds payable and related interest costs and cash available in the related construction fund.

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

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, or vice-versa. This Statement also provides other financial reporting guidance related to the impact on the financial statements of elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. In the case of the Authority, most of the impact will remain in the statement of net position; except for its existing deferred debt issue costs of approximately $13 million at June 30, 2013, which will require elimination against beginning net position upon adoption; and prospectively, new debt issue costs on bonds or debt issuance will require immediate expensing. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

- GASB Statement No. 66, *Technical Corrections 2012.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and State*ment No. 34, Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments.* This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Authority is in the process of analyzing the effects of this Statement, but no significant impact is expected upon adoption on July 1, 2013.

- GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25.* The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The major fundamental change, among others related to the application and determination of certain measurement assumptions in valuing pension plans, is switching from the existing "funding-based" accounting model, where currently the Annual Required Contribution (ARC) is compared to the actual payments made and that difference determines the Net Pension Obligation; to an "accrual basis" model similar to current FASB standards, where the Total Pension Obligation (Actuarially determined) is compared to the Net Plan Position and the difference represents the Net Pension Liability. This particular Statement will not be applicable to the Authority, as the Authority does not have its own pension plan; on the other hand, this will be applicable to the three Employees' Retirement Systems of the Commonwealth (the Retirement Systems). In simple terms, the impact of this Statement will be establishing its new Net Pension Liability to an amount resembling the existing actuarial deficiency in the aforementioned Retirement Systems which exceeded $36 billion at June 30, 2012. However, this change, applicable to only the Retirement Systems, will have an impact on the different government agencies and public corporations, including the Authority, when GASB Statement No. 68, discussed below, is adopted effective for fiscal year 2015. The provisions of this Statement are effective for the financial statements of the Retirement Systems for periods beginning after June 15, 2013.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement will bring the effect of Statement 67 summarized above, into the accounting records of the individual agencies, public corporations and municipalities, whose employees participate in the Retirement Systems. The Authority, as well as the other component units of the Commonwealth and the municipalities, are considered "cost-sharing" employers of the Retirement Systems; therefore, a government participating in the Retirement Systems, such as the Authority, would report the resulting Net Pension Liability from Statement 67 as follows:

- ✓ Based on the Authority's proportion of the collective net pension liability of all the governments participating
- ✓ The proportion should be consistent with the method used to assess contributions (percentage of payroll).

The impact of the effects of this Statement on the Authority's basic financial statements has not yet been determined. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfer of operations.

  The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

  A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* This Statement requires a governmental entity guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. Certain qualitative factors should be considered when evaluating the likelihood of a guaranty payment, such as: initiation of a bankruptcy process, breach of a debt contract in relation to the guaranteed obligation and indications of significant financial difficulty to pay agents or trustees. This Statement is not expected to have any impact on the Authority as the Authority has no financial guarantees outstanding at June 30, 2013. This Statement is effective for financial statements for periods beginning after June 15, 2013.

2. CASH AND INVESTMENTS

Cash — The Authority is authorized to deposit funds in Government Development Bank for Puerto Rico ("GDB"), a component unit of the Commonwealth, and/or in the custody of financial institutions approved by the Commonwealth. Commonwealth's regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount not less than 100% of the amounts in excess of federal insurance coverage. GDB is exempt from the collateral requirements established by the Commonwealth.

Based on these provisions, deposits either insured or collateralized are not considered to be subject to custodial risk, which is the risk that in the event of a bank's failure, the Authority's deposits may not be returned to it. As of June 30, 2013, the Authority had approximately $1,971,923 of deposits subject to custodial risk.

As of June 30, 2013, the Authority has interest-bearing demand deposits as follows:

Financial Institution	Carrying Amount	Interest	Depository Bank Balance	Uninsured or Uncollateralized
GDB	$ 1,971,923	0.1 %	$ 1,971,923	$ 1,971,923
Nongovernment banks	18,459,385	0.88%–1.63%	19,415,223	-
	$ 20,431,308		$ 21,387,146	$ 1,971,923

As of June 30, 2013, the Authority's cash-on-hand amounted to approximately $130,469.

Reconciliation to the statement of net assets as of June 30, 2013, is as follows:

Current assets — cash:	
Unrestricted	$ 19,484,922
Restricted	229,880
Total current assets — cash	19,714,802
Noncurrent assets — cash — restricted	846,975
	$ 20,561,777

Investments — Certain proceeds from the bonds issued on March 15, 2006 (see Note 7) were set aside for the repayment of the bonds, for capitalized interest, construction, and were classified as restricted assets in the accompanying statement of net position. Separate trust accounts were opened with the Bank of New York ("BNY" or the "Trustee"), under a trust agreement (the "Trust Agreement"), and Citigroup Financial ("CITG"), the latter, under an investment agreement (the "Investment Agreement"). The use of such balances is limited by applicable bonds covenants.

Investment Policy — The Trust Agreement between the Authority and BNY, and the Investment Agreement between the Authority and CITG, both dated March 24, 2006, provide general and specific guidance for the allowed investment alternatives and provide collateralization requirements based on the specified credit rating by nationally recognized credit agencies. The objective of these provisions is to maximize the yield, while having adequate liquidity to pay the obligation as they become due.

The Authority permits BNY and CITG to purchase and/or acquire the following investments:

- Governmental obligations
- General state obligation bonds rated within the three highest credit categories
- Collateralized banker's acceptance or certificates of deposits
- Obligations of the Commonwealth or any state of the United States of America, their agencies, municipalities, or instrumentalities rated within the three highest credit categories
- Shares of stock in corporations with the highest rating category, as defined
- Commercial paper rated P-1 or A-1 of U.S. banking institutions
- Money market accounts, with the highest credit categories

The description, credit rating, and balance of investments as of June 30, 2013 are shown in the table below:

Description	Rating	Amount
Money market fund (J.P. Morgan 100% U.S. Treasury Securities Money Market Fund)	AAAm	$ 53,454,385
Money market fund (Dreyfuss Cash Management — Investor Shares)	AAAm	3,875,914
		$ 57,330,299

Reconciliation to the statement of net position as of June 30, 2013, is as follows:

Restricted investments — current	$ 23,966,065
Restricted investments — noncurrent	33,364,234
	$ 57,330,299

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013, consists of:

Description	Current	Long Term	Total
Trade receivables	$ 7,681,684	$ -	$ 7,681,684
Due from Puerto Rico Tourism Company	4,177,947	-	4,177,947
Deferred receivable:			
Billable	4,090,054	3,689,198	7,779,252
Nonmonetary consideration	1,268,109	25,000	1,293,109
	17,217,794	3,714,198	20,931,992
Less allowance for bad debts	(752,537)	-	(752,537)
Accounts receivable — net	$ 16,465,257	$ 3,714,198	$ 20,179,455

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

The Authority enters in long-term multiservice agreements for advertising and corporate sponsorship, which provides, among others, deferred billing arrangements and nonmonetary consideration related to the sponsor's trade or business. The agreements can extend from one to five years and include a blend of advertising space and assignment of exclusive use of luxury corporate suites in the facilities, with event attendance, as defined. The revenues associated with the long-term agreements are deferred and recognized using the straight-line method over the term of the agreement. The nonmonetary consideration is measured at fair value based on the current rates applicable to the Authority.

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

Year Ending June 30	Billable	Non-monetary Consideration	Total
2014	$ 4,090,054	$ 1,268,109	$ 5,358,163
2015	2,507,333	25,000	2,532,333
2016	748,959	-	748,959
2017	342,906	-	342,906
2018	90,000	-	90,000
	$ 7,779,252	$ 1,293,109	$ 9,072,361

During the year ended June 30, 2013, the Authority received services and products used to reduce the deferred nonmonetary consideration for approximately $200,000.

As of June 30, 2013, the deferred revenues related to the long-term agreements were as follows:

Description	Current	Noncurrent
Deferred revenues	$ 4,360,816	$ 3,994,802

The deferred revenues will be earned in the following years:

Year Ending June 30	Amount
2014	$ 4,360,816
2015	2,422,753
2016	1,059,997
2017	299,999
2018	212,053
	$ 8,355,618

4. NOTE RECEIVABLE

On January 21, 2011, the Authority and CCHPR Hospitality LLC (the "Borrower") entered into a Subordinated Credit Agreement for the construction of Texas de Brazil and China Club restaurants at the Sheraton Hotel. Through this agreement, the Authority agreed to grant a non-revolving term loan in an aggregate principal amount not to exceed $2,500,000 to the Borrower. This agreement shall be payable in full on or before January 21, 2019. The outstanding and unpaid principal amount of each advance under the non-revolving term loan shall accrue interest monthly in arrears, from the date of each such advance until paid in full at a rate of 8% per annum. As of June 30, 2013, the outstanding principal of the note receivable amounted to $1,717,587.

5. CAPITAL ASSETS

Capital assets consist mainly of the cost incurred in the development of the Convention Center District, which will entail 113 acres of land positioned near the center of the San Juan metropolitan area, the Coliseum of Puerto Rico and Bahía Urbana. The board of directors adopted a master plan that calls for developments of the Convention Center and surrounding infrastructure, residential and office buildings, hotels and casinos, a complex for retail and entertainment, restaurants and walkways, and others. The development strategy is a combined effort from public and private investment, but ownership of the land will substantially remain with the Authority.

Capital asset activity for the year ended June 30, 2013, is as follows:

Description	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 172,432,997	$ -	$ -	$ 172,432,997
Land improvements	109,288,493	-	-	109,288,493
Construction in progress	19,364,417	15,618,920	(32,058,461)	2,924,876
Total capital assets not being depreciated	301,085,907	15,618,920	(32,058,461)	284,646,366
Capital assets being depreciated:				
Building	442,279,952	31,951,887	-	474,231,839
Improvements — other than land	13,482,219	-	-	13,482,219
Furniture and fixture	22,026,273	146,586.00	-	22,172,859
Equipment	251,808	1,906.00	-	253,714
Vehicles	43,790	15,747.00	-	59,537
Total capital assets being depreciated	478,084,042	32,116,126		510,200,168
Less accumulated amortization and depreciation	(82,614,294)	(11,001,088)	-	(93,615,382)
Capital assets being depreciated — net	395,469,748	21,115,038	-	416,584,786
Capital assets — net	$ 696,555,655	$ 36,733,958	$ (32,058,461)	$ 701,231,152

Ground Lease — On August 31, 2005, the Authority, as lessor, entered into a development ground lease agreement with a third party as a lessee. The agreement involved the construction of a hotel with a minimum of 500 guest rooms, a casino, meeting facilities, and business and fitness center, among others. The original term of the lease is for eighty-five years and the minimum rent is $100 thousands per year to be adjusted every year in proportion to the average CPI escalation. The additional rent is ten percent, multiplied by the Adjusted Net Operating Income of such year in excess of the minimum rate of return (Hurdle Rate).

On October 22, 2012, the Authority, as a lessee, entered into another development ground lease agreement with District Hotel Co., LLC, as a lessee. This agreement involves the construction of a minimum of 126 room hotel under the Hyatt House brand at Parcel D of the Authority. The lease agreement has a fifty years term which shall expire on the fiftieth anniversary of the commencement of operations (October 2014) and could be extended for two terms of ten additional years. The lessee will pay rent during the first year prior to commencement of operations in the amount of $50 thousands, then after commencement of operations, the first year rent will be $50 thousands, during the second year $75 thousands, during the third year $100 thousands, during the fourth year $125 thousands, during the fifth year through the ninth year $150 thousands and from the tenth year and every five years thereafter the minimum rent shall increase 15% or the CPI over the previous five years, and the additional rent of two percent of gross receipts beginning with the commencement of operations.

Construction in Progress — The Authority has been designated by the Commonwealth as the governmental entity in charge of the development of the Bahia Urbana project (the "Project"). The Authority has invested approximately $32.1 million in the development of the Project as of June 30, 2013. Bahía Urbana project was completed May 15, 2013, and as a result all Construction in Progress has being capitalized as of June 30, 2013.

On July 15, 2012, the Authority entered into a development Agreement with Lighthouse Group, LLC for the development of a mixed-use urban project named the "Trocadero Diverplex Complex". This agreement includes the development and operation of a food, beverage, entertainment venue, and the construction of a hotel in the final phase. The amount in construction in progress related to Trocadero as of June 30, 2013 is $2,924,877.

6. BORROWINGS UNDER LINES OF CREDIT

As of June 30, 2013, the Authority had two interim nonrevolving lines of credit with GDB that were used for the construction of the Coliseum. The maximum credit limit on these facilities amounted to $157,847,302. The nonrevolving lines of credit mature on June 30, 2027 and bear interest at a fixed rate of 7%. As of June 30, 2013, the accrued interest on the lines of credit amounted to $85,597 and has been included as part of accounts payable and accrued expenses in the accompanying statement of net position.

On June 29, 2012, the Authority entered into a new nonrevolving line of credit with GDB mainly to fund certain improvements to the Coliseum. The maximum credit limit on this facility amounted to $10,000,000 and matures on December 31, 2014. This line of credit will bear interest at the highest of 150 basis points over the prime rate or 6%. During 2013, the Authority did not withdraw any amounts from this line of credit.

The activity of the lines of credit for the year ended June 30, 2013, is as follows:

Description	Beginning Balance 2012	Additions/ Transfer Borrowings	Payments Repayments	Ending Balance 2013
Borrowings under lines of credit — Coliseum	$ 145,889,364	$ 2,251,175	$ (1,367,245)	$ 146,773,295

During the year ended June 30, 2013, the Commonwealth contributed approximately $12,105,001 for the payment of principal and interest of the nonrevolving lines of credit with GDB. This contribution has been presented as part of nonoperating revenues in the accompanying statement of revenues, expenses and changes in net assets.

7. BONDS PAYABLE

On March 15, 2006, the Authority authorized the issuance of bonds amounting to $468,800,000 to finance any outstanding loans, or any construction project associated with the Convention Center construction project. The revenue bonds are direct obligations of the Authority and are secured by a pledge of a specific percentage of the hotel room tax levied by PRTC to be received by the Authority until all bonds payments have been paid in full. These bonds were issued with a maturity of 20 years for serial bonds and 30 years for the term bonds, with different amounts of principal maturing each year. Certain bonds may be subject to optional redemption, with the first possible date of redemption being July 1, 2016. Interest on the bonds is payable semiannually on January 1 and July 1, and is calculated based on a 360-days year.

Serial bonds maturing through 2025, with interest rates ranging from 4% to 5%	$ 209,155,000
Term bonds maturing through 2036, with interest rates ranging from 4-1/2% to 5%	219,495,000
Total bonds outstanding	428,650,000
Add bonds premiums — net	7,432,350
Total bonds payable	$ 436,082,350

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

Year Ending June 30	Principal	Interest
2014	9,845,000	20,276,363
2015	10,275,000	19,805,688
2016	10,790,000	19,279,063
2017	11,325,000	18,782,813
2018	11,780,000	18,261,813
2019–2023	68,315,000	81,689,900
2024–2028	86,825,000	62,705,806
2029–2033	110,665,000	38,311,863
2034–2037	108,830,000	10,063,578
	$ 428,650,000	$ 289,176,887

The activity of bonds payable for the year ended June 30, 2013, is as follows:

Description	2012	Issuances	Payments/ Amortization	2013	Current Portion
Serial bonds	$218,625,000	$ -	$ (9,470,000)	$209,155,000	$9,845,000
Term bonds	219,495,000	-	-	219,495,000	-
Total bonds outstanding	438,120,000	-	(9,470,000)	428,650,000	9,845,000
Add bonds premium	8,342,263	-	(909,913)	7,432,350	-
Bonds payable — net	$446,462,263	$ -	$ (10,379,913)	$436,082,350	$9,845,000

8. DEBT ISSUANCE COSTS

The activity of debt issuance cost for the year ended June 30, 2013, is as follows:

Description	Beginning Balance	Additions	Ending Balance
Bonds insurance expense	$ 13,128,793	$ -	$ 13,128,793
Underwriter's fee	3,094,921	-	3,094,921
Issuance cost	1,018,193	-	1,018,193
Total debt issuance costs	17,241,907	-	17,241,907
Less accumulated amortization	(3,591,089)	(574,731)	(4,165,820)
Debt issuance costs — net	$ 13,650,818	$ (574,731)	$ 13,076,087

9. CONTRIBUTIONS FROM PUERTO RICO TOURISM COMPANY

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

Based on the provisions of Act No. 23, the Puerto Rico Tourism Company must contribute to the Authority specific amounts and percentages from the collection of the hotel room taxes for the following purposes:

- To provide the funding for the debt service related to Authority's bonds payable described in note 7.
- To cover the operating deficit of the Convention Center, if any, in excess of $2.5 million for a period of 10 years, PRTC will contribute five percent of collections of the hotel room taxes.
- To cover the operating deficit, if any, of the Convention Center up to $2.5 million during the first 10 years of the Convention Center's operations. This will expire in 2015, although future legislation may extend this period.

During the year ended June 30, 2013, the Authority's revenues related to the contribution from Puerto Rico Tourism Company related to the collection of hotel room taxes amounted to approximately $34,554,935. This contribution has been included as part of nonoperating revenues in the accompanying statement of revenues, expenses, and changes in net assets.

10. DEFINED CONTRIBUTION PLAN

During the fiscal year ended June 30, 2004, the Authority approved and established the Puerto Rico Convention Center Retirement Money Purchase Plan (the "Plan"), a contributory deferred money purchase plan covering all the employees of the Authority, with benefits for the employees effective January 1, 2003. All employees become vested, once they entered into the Plan, in accordance with the eligibility requirements. The Authority acts as the Plan administrator and, subject to certain limitations, can amend the Plan. Contributions to the Plan have been determined to be equivalent to 9% of the employees' normal annual salary, as defined. Total contributions made by the Authority for the year ended June 30, 2013, amounted to approximately $61,000.

11. COMMITMENTS

Consulting and Management — As of June 30, 2013, the Authority had entered into various consulting services and management agreements with third parties for the management of the operations of the Convention Center, Coliseum and Bahía Urbana. The agreements covered the daily operations that include scheduling of activities, pricing of rental and advertising, and food and beverages, among others. The contracts have several provisions that, at the option of the Authority, could extend the management period.

Litigation — On January 18, 2011, the Authority received notice of demand for arbitration in a supplier's claim for payment for alleged delays and additional work performed at the Authority premises between 2004 and 2005. The supplier is claiming approximately $7,200,000 for this matter. The case is currently undergoing the mandatory remediation procedure. However, at this stage, no material progress toward a settlement can be asserted.

The Authority is also involved in various labor-related claims and legal actions.

Management of the Authority, with the advice of their legal counsel, understands that the ultimate disposition of these matters will not have a material adverse effect on the Authority's financial positions and/or results of operations.

12. SUPPLEMENTAL DISCLOSURE FOR STATEMENT OF CASH FLOWS

During the year ended June 30, 2013, the Authority paid approximately $31,461,458, in interest. For cash flow statement purposes such amount was considered as a noncash transaction

13. SUBSEQUENT EVENTS

Line of Credit — On October 1, 2013, the Authority entered into a $6.675 million line of credit with GDB for payments to expropriate the structure currently existing in Parcel C. Borrowings under this line of credit bears interest at 6% through 2013 and are due at September 30, 2014. This line of credit will be paid with the sale of Parcel C or any other income generated from the Parcel.

* * * * * *

SUPPLEMENTAL SCHEDULES

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF NET POSITION INFORMATION

June 30, 2013

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
ASSETS					
CURRENT ASSETS:					
Cash	$ 12,064,075	$ 1,660,557	$ 4,503,139	$ 56,728	$ 18,284,499
Accounts receivable — net	2,744,581	6,085,057	7,408,424	227,195	16,465,257
Prepaid expenses and other assets	115,244	533,968	760,339	139,179	1,548,730
Restricted assets:					
Cash	229,878	561,419	563,529	75,477	1,430,303
Investments	-	23,966,065	-	-	23,966,065
Total current assets	15,153,778	32,807,066	13,235,431	498,579	61,694,854
NONCURRENT ASSETS:					
Restricted assets:					
Cash	846,975	-	-	-	846,975
Investments	-	33,364,234	-	-	33,364,234
Long-term accounts receivable	490,720	2,955,375	243,103	25,000	3,714,198
Note receivable	1,717,587	-	-	-	1,717,587
Debt issuance cost — net	-	13,076,087	-	-	13,076,087
Capital assets:					
Nondepreciable:					
Land	-	115,710,572	28,556,461	28,165,964	172,432,997
Land improvements	-	101,666,019	-	7,622,473	109,288,492
Construction in progress	80,704	-	2,844,173	-	2,924,877
Depreciable:					
Building	13,482,219	244,400,428	197,879,524	31,951,885	487,714,056
Improvements — other than land					
Furniture and fixtures	385,134	8,565,340	13,080,792	141,593	22,172,859
Equipment and vehicles	297,504	-	15,748	-	313,252
Accumulated depreciation	(2,113,856)	(43,765,906)	(47,643,116)	(92,503)	(93,615,381)
Total noncurrent assets	15,186,987	475,972,149	194,976,685	67,814,412	753,950,233
TOTAL	$ 30,340,765	$ 508,779,215	$ 208,212,116	$ 68,312,991	$ 815,645,087
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	$ 2,813,458	$ 4,630,287	$ 2,218,860	$ 338,126	$ 10,000,732
Customer deposits payable	83,302	500,231	4,861,388	16,951	5,461,872
Deferred revenues	-	1,458,859	2,728,957	173,000	4,360,816
Current liabilities payable from restricted assets:					
Current portion of bonds payable	-	9,845,000	-	-	9,845,000
Interest payable on bonds	-	10,245,081	-	-	10,245,081
Total current liabilities	2,896,760	26,679,458	9,809,206	528,077	39,913,501
NONCURRENT LIABILITIES:					
Deferred revenues	-	528,636	3,219,832	246,334	3,994,802
Borrowings under line of credit	-	-	146,773,295	-	146,773,295
Bonds payable	-	426,237,350	-	-	426,237,350
Total noncurrent liabilities	-	426,765,986	149,993,128	246,334	577,005,447
Total liabilities	2,896,760	453,445,444	159,802,334	774,411	616,918,949
NET POSITION:					
Invested in capital assets	12,131,705	339,103	47,960,285	67,789,414	128,220,507
Restricted	-	47,085,218	-	1,076,855	48,162,073
Unrestricted	12,191,445	6,487,904	3,671,939	(7,729)	22,343,559
Total net position	24,323,151	53,912,224	51,632,224	68,858,539	198,726,138
TOTAL	$ 27,219,911	$ 507,357,668	$ 211,434,558	$ 69,632,950	$ 815,645,087

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION

For The Year Ended June 30, 2013

	Convention Center District Authority	Convention Center	Coliseum	Bahía Urbana	Total
OPERATING REVENUES:					
Food, beverage, and novelty	$ -	$ 9,188,728	$ 2,996,732	$ 160,388	$ 12,345,848
Rental and event services	-	3,326,989	7,363,262	(8,970)	10,681,281
Advertising	-	166,669	2,251,105	54,667	2,472,441
Total operating revenues	-	12,682,386	12,611,099	206,085	25,499,570
DIRECT OPERATING COSTS AND EXPENSES:					
Food, beverage, and novelty	-	3,630,707	1,205,437	50,982	4,887,127
Rental and event services	-	1,078,931	1,215,738	67,213	2,361,882
Total direct operating costs and expenses	-	4,709,638	2,421,176	118,195	7,249,009
GROSS OPERATING PROFIT	-	7,972,748	10,189,923	87,890	18,250,561
OTHER OPERATING EXPENSES:					
Salaries and related benefits	1,249,204	-	-	-	1,249,204
Professional and contract services	1,120,814	4,083,436	3,098,556	638,520	8,941,326
Depreciation and amortization	310,729	5,700,612	4,901,357	88,390	11,001,088
Utilities and insurance	1,314,244	4,962,821	4,739,921	243,750	11,260,737
Advertising	188,270	1,676,272	508,817	44,808	2,418,167
Repairs and maintenance	602,504	1,502,991	1,240,857	211,433	3,557,785
Other	475,166	550,113	456,687	51,379	1,533,345
Allocation of administrative expenses	(1,692,333)	874,104	818,229	-	-
Total other operating expenses	3,568,600	19,350,349	15,764,424	1,278,280	39,961,653
OPERATING LOSS	(3,568,600)	(11,377,601)	(5,574,501)	(1,190,390)	(21,711,091)
NONOPERATING REVENUES (EXPENSES):					
Interest expense	-	(20,154,980)	(10,308,887)	-	(30,463,867)
Contributions from Puerto Rico Tourism Company	-	34,554,935	-	-	34,554,935
Contribution from Commonwealth of Puerto Rico	-	-	12,105,001	-	12,105,001
Interest income	272,545	10,734	5,553	1,733	290,565
Other income	4,052,641	123,471	16,618	-	4,192,730
Total nonoperating revenues — net	4,325,186	14,534,160	1,818,285	1,733	20,679,364
INCOME (LOSS) BEFORE TRANSFERS	756,586	3,156,559	(3,756,216)	(1,188,657)	(1,031,727)
TRANSFERS IN (OUT)	(64,177,105)	(6,719,262)	849,151	70,047,216	-
CHANGE IN NET POSITION	(63,420,518)	(3,562,703)	(2,907,064)	68,858,558	(1,031,727)
NET POSITION — Beginning of year	87,743,669	57,474,927	54,539,270	-	199,757,866
NET POSITION — End of year	$ 24,323,151	$ 53,912,224	$ 51,632,206	$ 68,858,558	$ 198,726,139

PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY

(A Component Unit of the Commonwealth of Puerto Rico)

SCHEDULE OF OPERATING LOSS - PUERTO RICO CONVENTION CENTER

FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES:	
Food, beverage, and novelty	$ 9,188,728
Rental and event services	3,326,989
Advertising	166,669
Total operating revenues	12,682,386
DIRECT OPERATING COSTS AND EXPENSES:	
Food, beverage, and novelty	3,630,707
Rental and event services	1,078,931
Total direct operating costs and expenses	4,709,638
GROSS OPERATING PROFIT	7,972,748
OTHER OPERATING INCOME:	
Interest income	10,734
Other income	123,471
Total other operating income	134,205
OTHER OPERATING EXPENSES:	
Professional and contract services	3,967,231
Utilities and insurance, (excluding incentive fee)	4,962,821
Advertising	1,676,272
Repairs and maintenance	1,502,991
Other	550,113
Allocation of administrative expenses	874,104
Total other operating expenses	13,533,532
OPERATING LOSS	$ (5,426,579)

RECONCILIATION OPERATING LOSS TO INCOME (LOSS) BEFORE TRANSFERS

OPERATING LOSS	$ (5,426,579)
ADJUSTMENTS TO RECONCILE TO INCOME (LOSS) BEFORE TRANSFERS	
Depreciation Expense	(5,700,612)
Incentive Fee	(116,205)
Interest expense	(20,154,980)
Contributions from Puerto Rico Tourism Company	34,554,935
Total Adjustments	8,583,138
INCOME (LOSS) BEFORE TRANSFERS	$ 3,156,559