

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

FINANCIAL STATEMENTS WITH AUDITORS' REPORT

YEARS ENDED JUNE 30, 2009 AND 2008

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

YEARS ENDED JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Corporación del Centro de Bellas Artes-
Luis A. Ferré
San Juan, Puerto Rico

We have audited the accompanying basic financial statements of **Corporación del Centro de Bellas Artes - Luis A. Ferré (a component unit of the Commonwealth of Puerto Rico)** as of and for the years ended June 30, 2009 and 2008, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of **Corporación del Centro de Bellas Artes - Luis A. Ferré (a component unit of the Commonwealth of Puerto Rico)** as of June 30, 2009 and 2008, and the changes in net assets, and, where applicable, cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis included in pages 2 through 6, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

September 28, 2009

Stamp number 2460532 was affixed to the original of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of **Corporación del Centro de Bellas Artes - Luis A. Ferré** annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal years ended on June 30, 2009 and 2008.

FINANCIAL HIGHLIGHTS:

- 1) The Corporation's net assets decreased \$(775,062) or (3.27)% during the course of this year's operations.
- 2) During the year, the non-operating governmental grants decreased by \$(255,040) or (7.00)% in comparison with previous year.
- 3) During the year, the Corporation's expenses increased in overall by \$86,517 or 1.44%.
- 4) The operating loss increased by \$463,935 or 11.46% during the present year in comparison with the previous fiscal year.
- 5) The unrestricted net assets increased by \$63,083 or 0.99% during the present year in comparison with previous fiscal year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS:

Management's Discussion and Analysis introduces the Corporation's basic financial statements that include: 1) Statement of net assets, 2) Statement of revenues, expenses, and change in net assets, 3) Statement of cash flows, and 4) Notes to financial statements.

- 1) **Statement of net assets** - This statement includes all of the Corporation's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation as a whole is improving or deteriorating.
- 2) **Statement of revenues, expenses, and changes in net assets** - This statement reports how the Corporation's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.
- 3) **Statement of cash flows** - This statement provides information about transactions resulting in the flows of cash or equivalents.
- 4) **Notes to financial statements** - The accompanying notes to the financial statements provide information essential to a full understanding of the Corporation's financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION:

Net assets - The Corporation's net assets amounted to \$22,909,680 and \$23,684,742 for fiscal years 2009 and 2008, respectively. (See Table I below)

TABLE - I
CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>Total % Change</u>
Assets			
Current assets	\$ 8,160,227	\$ 8,214,169	(0.66)%
Capital assets	<u>16,459,180</u>	<u>17,164,552</u>	<u>(4.11)%</u>
Total assets	<u>24,619,407</u>	<u>25,378,721</u>	<u>(2.99)%</u>
Liabilities			
Current liabilities	1,067,857	1,098,351	(2.78)%
Non-current liabilities	<u>641,870</u>	<u>595,628</u>	<u>7.76 %</u>
Total liabilities	<u>1,709,727</u>	<u>1,693,979</u>	<u>0.93 %</u>
Net assets			
Invested in capital assets, net of related debt	15,944,308	16,649,680	(4.24)%
Restricted	546,229	679,002	(19.55)%
Unrestricted	<u>6,419,143</u>	<u>6,356,060</u>	<u>0.99 %</u>
Total net assets	<u>\$ 22,909,680</u>	<u>\$ 23,684,742</u>	<u>(3.27)%</u>

Operating Revenues - The Corporation's total revenues (excluding non-operating items) decreased by \$(377,418) due to the decrease in rental contracts during the fiscal year 2009. (See table II) Most of the Corporation's revenues during 2009 are from non-operating revenues, which represent 69.47% of the total revenues.

Other revenues - For 2009, other revenues decreased due to less penalty fees collected from the late cancellation of productions compared with prior fiscal year. Moreover, when compared with prior year there were two unusual events, an insurance claim received and revenues generated through the billboard rentals.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

The total expenses increased by \$86,517 or 1.44%. The most significant variances are explained as follows:

Professional and consulting services - The professional and consulting services expense increased by \$119,984 or 59.92% because the Corporation did not received the funds from the Administracion del Derecho al Trabajo (ADT) to cover part of the fees from these services. However, the Corporation decided to maintain those services without the ADT funds increasing the expenses of professional and consulting services for the year ended June 30, 2009.

Security - The security expense increased by \$12,663 or 11.52% due to the increase in the minimum salary federal rate and due to additional activities performed for the public in general.

Cultural contributions to producers - The cultural contribution to producers expense increased by \$28,855 or 742.92% during 2009 due to the distribution of courtesy tickets to various events and the use of facilities by experimental groups to practice their plays.

Litigation loss provision - The provision increased by \$5,443 or 181.43% due to claims and lawsuits arising in the ordinary course of business, which can be reasonable estimated by information provided by the legal attorney. (See note 9 for contingencies in the Notes to the Financial Statements)

Other - Other expenses increased by \$108,407 or 121.33% principally due to the celebration of two special events produced by the Corporation.

The non-operating revenues decreased by \$(384,492) or (9.64)%, because the Corporation received less governmental grants in 2009, as a result of an executive order from the central government, which decrees a Fiscal Emergency State for the Commonwealth of Puerto Rico. This order imposed a reduction of 10% in operational expenses between others. Certain legislative grants were deferred because capital projects are expected to be completed in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

TABLE - II
CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>Total % Change</u>
Operating revenues:			
Rental of facilities	\$ 576,428	\$ 693,040	(16.83)%
Bar	139,823	224,546	(37.73)%
Parking	426,387	405,807	5.07 %
Sale of tickets	362,572	508,418	(28.69)%
Services to producers	41,315	65,042	(36.48)%
Other	<u>36,979</u>	<u>64,069</u>	<u>(42.28)%</u>
Total operating revenues	<u>1,583,504</u>	<u>1,960,922</u>	<u>(19.25)%</u>
Operating expenses:			
Salaries, payroll taxes and fringe benefits	3,341,689	3,371,463	(0.88)%
Professional and consulting services	320,216	200,232	59.92 %
Water, electricity and telephone	785,184	802,607	(2.17)%
Repairs and maintenance	185,010	188,644	(1.93)%
Bar	50,398	70,169	(28.18)%
Security	122,608	109,945	11.52 %
Insurance	158,649	204,829	(22.55)%
Depreciation and amortization	875,981	928,373	(5.64)%
Bad debts	15,979	35,640	(55.17)%
Cultural contributions to producers	32,739	3,884	742.92 %
Litigation loss provision	8,443	3,000	181.43 %
Other	<u>197,759</u>	<u>89,352</u>	<u>121.33 %</u>
	<u>6,094,655</u>	<u>6,008,138</u>	<u>1.44 %</u>
Operating loss	<u>(4,511,151)</u>	<u>(4,047,216)</u>	<u>11.46 %</u>
Other non-operating revenues:			
Interest income	216,356	345,808	(37.43)%
Governmental grants	<u>3,386,960</u>	<u>3,642,000</u>	<u>(7.00)%</u>
Total other non-operating revenues	<u>3,603,316</u>	<u>3,987,808</u>	<u>(9.64)%</u>
Loss before contributions	<u>(907,835)</u>	<u>(59,408)</u>	<u>1,428.14 %</u>
Capital contributions	<u>132,773</u>	<u>128,698</u>	<u>3.17 %</u>
Changes in net assets	<u>(775,062)</u>	<u>69,290</u>	<u>(1,218.58)%</u>
Total net assets, beginning	<u>23,684,742</u>	<u>23,615,452</u>	<u>0.29 %</u>
Total net assets, ending	<u>\$ 22,909,680</u>	<u>\$ 23,684,742</u>	<u>(3.27)%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

Capital assets - During the current fiscal year, the Corporation acquired equipment and performed various improvements for a total amount of \$170,609. The net decrease in the capital assets corresponds to the effect of the depreciation expense. In addition, as mentioned in non-operating revenues, an amount was deferred for various projects, which will be performed during future years. See note 4 to the basic financial statements for additional information about changes in capital assets and commitments for capital projects to be completed with funds from the corporation during future fiscal years.

Non-current liabilities - See note 5 to the basic financial statements for additional information about changes in non-current liabilities during the fiscal year.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT:

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Corporación Centro de Bellas Artes - Luis A. Ferré, PO Box 41287 Minillas Station, San Juan, Puerto Rico 00940-1287.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF NET ASSETS - JUNE 30, 2009 AND 2008

ASSETS

	2009	2008
Current assets:		
Cash and cash equivalents	\$ 7,928,880	\$ 7,967,498
Accounts receivable	132,778	119,272
Other assets, principally prepaid insurance	98,569	127,399
Total current assets	8,160,227	8,214,169
Non-current assets:		
Property and equipment	15,944,308	16,649,680
Artwork	514,872	514,872
Total non-current assets	16,459,180	17,164,552
	24,619,407	25,378,721

LIABILITIES

Current liabilities:		
Accounts payable	71,276	127,355
Accrued expenses	164,537	101,519
Litigation loss provision	8,443	3,000
Deposits from clients	162,731	131,365
Collections on behalf of producers	114,641	17,917
Deferred income, mainly governmental grants	546,229	679,002
Current portion of non-current liabilities	-	38,193
Total current liabilities	1,067,857	1,098,351
Non-current liabilities:		
Compensated absences	641,870	595,628
Total liabilities	1,709,727	1,693,979

NET ASSETS

Investment in capital assets, net of related debt	15,944,308	16,649,680
Restricted for capital acquisitions	546,229	679,002
Unrestricted	6,419,143	6,356,060
	\$ 22,909,680	\$ 23,684,742

See notes to financial statements.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Rental of facilities	\$ 576,428	\$ 693,040
Bar	139,823	224,546
Parking	426,387	405,807
Sale of tickets	362,572	508,418
Services to producers	41,315	65,042
Other	<u>36,979</u>	<u>64,069</u>
Total operating revenues	<u>1,583,504</u>	<u>1,960,922</u>
Operating expenses:		
Salaries, payroll taxes and fringe benefits	3,341,689	3,371,463
Professional and consulting services	320,216	200,232
Water, electricity and telephone	785,184	802,607
Repairs and maintenance	185,010	188,644
Bar	50,398	70,169
Security	122,608	109,945
Insurance	158,649	204,829
Depreciation and amortization	875,981	928,373
Bad debts	15,979	35,640
Cultural contributions to producers	32,739	3,884
Litigation loss provision	8,443	3,000
Other	<u>197,759</u>	<u>89,352</u>
Total operating expenses	<u>6,094,655</u>	<u>6,008,138</u>
Operating loss	<u>(4,511,151)</u>	<u>(4,047,216)</u>
Non-operating revenues:		
Interest income	216,356	345,808
Governmental grants	<u>3,386,960</u>	<u>3,642,000</u>
Total non-operating revenues	<u>3,603,316</u>	<u>3,987,808</u>
Loss before contributions	(907,835)	(59,408)
Capital contributions	<u>132,773</u>	<u>128,698</u>
Change in net assets	(775,062)	69,290
Total net assets, beginning	<u>23,684,742</u>	<u>23,615,452</u>
Total net assets, ending	<u>\$ 22,909,680</u>	<u>\$ 23,684,742</u>

See notes to financial statements.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,533,019	\$ 1,934,088
Payments to suppliers	(1,235,320)	(1,714,125)
Payments to employees	(3,333,640)	(2,678,496)
Other receipts	65,809	97,245
Other payments	<u>(501,193)</u>	<u>(678,488)</u>
Net cash used in operating activities	<u>(3,471,325)</u>	<u>(3,039,776)</u>
Cash flows from non-capital financing activities; governmental grants for operations	<u>3,386,960</u>	<u>3,642,000</u>
Cash flows from capital and related financing activities; capital expenditures	<u>(170,609)</u>	<u>(225,650)</u>
Cash flows from investing activities:		
Interest received	216,356	345,808
Net purchase of certificates of deposit	<u>-</u>	<u>3,730,329</u>
Net cash provided by investing activities	<u>216,356</u>	<u>4,076,137</u>
Net increase (decrease) in cash and cash equivalents	(38,618)	4,452,711
Cash and cash equivalents, at beginning of year	<u>7,967,498</u>	<u>3,514,787</u>
Cash and cash equivalents, at end of year	<u>\$ 7,928,880</u>	<u>\$ 7,967,498</u>

Continued.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$(4,511,151)	\$(4,047,216)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	875,981	928,373
Contribution of artwork	-	(8,000)
Bad debt	15,979	35,640
Change in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(29,485)	37,235
Other assets	28,830	33,177
Increase (decrease) in:		
Accounts payable	(56,079)	(22,250)
Accrued expenses	63,018	39,966
Litigation loss provision	5,443	3,000
Deposits from clients	31,366	5,820
Collections on behalf of producers	96,724	(45,521)
Compensated absences	8,049	-
Total adjustments	<u>1,039,826</u>	<u>1,007,440</u>
Net cash used in operating activities	<u>\$(3,471,325)</u>	<u>\$(3,039,776)</u>

See notes to financial statements.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

1. ORGANIZATION:

The Corporación del Centro de Bellas Artes - Luis A. Ferré (the Corporation) was created by Law No. 43 of May 12, 1980 of the Commonwealth of Puerto Rico to manage the Centro de Bellas Artes. The Corporation is a public corporation and an instrumentality of the Commonwealth of Puerto Rico. The Corporation commenced operations in April 1981, as part of the Arts and Cultural Development Administration. On July 1, 1985, the Corporation was transferred to the Instituto de Cultura Puertorriqueña under Law No. 1 of July 31, 1985, which amended Law No. 43 of May 12, 1980.

Financial reporting entity:

The Corporation is a component unit of the Commonwealth of Puerto Rico.

Financial independence:

The Corporation is responsible for its debts and has the right to its surplus. No governmental agency receives the benefit nor can impose financial strains on the Corporation.

Board of Directors:

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

Designation of management:

The Board of Directors appoints a General Manager. The General Manager selects the other members of management. The powers and functions of management reside within the legal limits of the Corporation, and they are responsible to the Board of Directors.

Capacity to manage operations:

The Corporation has the legal capacity to make significant decisions in the management of its operations. This legal capacity includes, but not limited, to the control of the assets, which include facilities and properties, make short-term loans, and contract and develop programs.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Measurement focus, basis of accounting and financial statement presentation:

The financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States applicable to an enterprise fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Legislative grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The legislative grants and donations for permanent betterments or for any specific activity not used in the fiscal year are credited to a deferred income account and income when used.

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

The Governmental Accounting Standard Board (GASB) issued in September 1993 Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Procedures issued on or before November, and ARBs issued on or before November 30, 1989, a proprietary activity may also elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The Corporation has elected to apply FASB Statements and Interpretations issued after November 30, 1989.

Use of estimates in the preparation of financial statements:

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

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Concentration of credit risk:

The Corporation maintains cash on deposit with a high credit and federally insured financial institution. The laws of the Commonwealth of Puerto Rico require that public funds deposited in commercial banks be collateralized when funds exceed the amount insured by the Federal Government. The securities pledged by the banks as collateral for those deposits are under the custody of the Secretary of the Treasury in the name of the Commonwealth of Puerto Rico.

Cash and cash equivalents:

Represent petty cash, checking and savings accounts, and certificates of deposit with original maturities of less than three months. At June 30, 2009 and 2008, the amounts of \$546,229 and \$679,002, respectively, were restricted for the realization of permanent work and betterments.

Capital assets:

Capital assets, which include land, building, betterments, and equipment donated to the Corporation by agencies of the Commonwealth of Puerto Rico are stated at estimated fair market value at the date those assets were donated; other purchased assets are stated at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets, renewals, and betterments are capitalized. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and betterments	50
Furniture and equipment	10
Musical instruments	20
Recording equipment	5
Motor vehicles	5
Computer equipment	5
Telephone equipment	5

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Artwork:

The Corporation records donated artwork at its fair market value at donation date, or at cost when it is purchased and is a non-depreciable capital asset.

Accounting for pension costs:

The Corporation accounts for pension costs under the provision of GASB No. 27, Accounting for Pensions by State and Local Government Employers, as amended by GASB No. 50, Pension Disclosures. This statements established standards for measurement, recognition, and display of pension expense and related liabilities in financial statements of state and local governmental employers.

Compensated absences:

The Corporation's employees accrue vacation benefits of 2.5 days per month, up to a maximum of 60 days, and sick leave benefits of 1.5 days per month, up to a maximum of 90 days. Accumulated vacations and sick leave amounted to \$641,870 and \$633,821 at June 30, 2009 and 2008, respectively. However, during 2009 the Government changed the compensated absences policies for a period of approximately two years or until they decide. The law established the liquidation requirements for vacation and sick leave benefits. The Corporation must liquidate up to 18 days over the limit of sick leave and full annual liquidation of the excess vacation.

Cultural contributions:

As part of the commitment of the Corporation for the development of the arts, the Corporation grants cultural contributions. During the years ended June 30, 2009 and 2008, the Corporation granted to producers contributions in the amount of \$32,739 and \$3,884, respectively.

3. ACCOUNTS RECEIVABLE:

	2009	2008
Trade	\$ 213,794	\$ 184,309
Governmental entities	1,300	1,300
	215,094	185,609
Less allowance for doubtful accounts	(82,316)	(66,337)
	\$ 132,778	\$ 119,272

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

4. CAPITAL ASSETS:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,593,000	\$ -	\$ -	\$ 2,593,000
Capital assets, being depreciated:				
Building and betterments	26,605,016	142,547	-	26,747,563
Construction in progress	18,196	-	18,196	-
Furniture and equipment	1,042,529	46,258	-	1,088,787
Musical instruments	301,040	-	-	301,040
Recording equipment	213,621	-	-	213,621
Illumination equipment	551,984	-	-	551,984
Motor vehicles	30,316	-	-	30,316
Total capital assets, being depreciated	<u>28,762,702</u>	<u>188,805</u>	<u>18,196</u>	<u>28,933,311</u>
Less accumulated depreciation for:				
Building and betterments	13,129,512	711,326	-	13,840,838
Furniture and equipment	842,937	98,958	-	941,895
Musical instruments	268,115	7,062	-	275,177
Recording equipment	213,621	-	-	213,621
Illumination equipment	236,417	55,198	-	291,615
Motor vehicles	15,420	3,437	-	18,857
Total accumulated depreciation	<u>14,706,022</u>	<u>875,981</u>	<u>-</u>	<u>15,582,003</u>
Total capital assets, being depreciated, net	<u>14,056,680</u>	<u>(687,176)</u>	<u>18,196</u>	<u>13,351,308</u>
Business-type activities capital assets, net	<u>\$ 16,649,680</u>	<u>\$(687,176)</u>	<u>\$ 18,196</u>	<u>\$ 15,944,308</u>

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

5. NON-CURRENT LIABILITIES:

Changes in non-current liabilities:

Non-current liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Compensated absences	\$ 633,821	\$ 395,230	\$ 387,181	\$ 641,870	\$ -

6. PENSION PLAN:

The Corporation is a participant of the Retirement System of the Commonwealth of Puerto Rico and its instrumentalities, a cost sharing multiple-employer defined benefit pension plan sponsored by, and reported as a component unit of the Commonwealth of Puerto Rico. All regular full time employees of the Corporation under age 55 at the date of employment become members of the System as a condition for their employment.

The System provides retirement, death, and disability benefits pursuant to Law No. 447 of May 15, 1951, as amended, and became effective on January 1, 1952. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited services. Benefits vest after ten years of plan participation.

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

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

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

6. PENSION PLAN (CONTINUED):

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

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

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

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

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

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

6. PENSION PLAN (CONTINUED):

Commonwealth legislation requires employees to contribute 5.775% for the first \$6,600 of their annual gross salary and 8.275% for the salary in excess of \$6,600 for employees hired on or before April 1, 1990. For employees hired on or after April 1, 1990 the required contribution is 8.275% of gross salary. The Corporation's contribution is 9.275% of gross salary. For the years ended June 30, 2009, 2008, and 2007, the total payroll of all the administrative employees amounted to \$2,428,402, \$2,369,397, and \$2,333,710 respectively. The payroll covered by the System amounted to \$2,272,312, \$2,500,157, and \$2,237,916, for the years ended June 30, 2009, 2008, and 2007, respectively. Those amounts are the compensation paid by the Corporation to all active employees covered by the System, which is the base for the contribution.

The pension expense for the years ended June 30, 2009, 2008, and 2007 was \$211,181, \$210,411, and \$208,620, respectively.

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

- The most recent actuarial valuation is as of June 30, 2007.
- Interest rate 7.5% a year
- Salary increases 3.0% a year
- Pre-retirement mortality RP-2000 Employee Mortality Rates for males and females projected on a generational basis using Scale AA.
- Pre-retirement health mortality Projected on generational basis using Scale AA.
- Pre-retirement disabled mortality RP-2000 Disabled Annuitant Mortality Rates, without projection.

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

6. PENSION PLAN (CONTINUED):

- Termination Medium Turnover Table commensurate with anticipated experience
- Disability 75% of the highest salary maximum benefit.
- Retirement age Graded scale of retirement ages commensurate with anticipated experience
- Proportion of Participants with Spouses 50% of participants assumed to be married, with wives assumed to be four years younger than husbands
- Number of Employees Electing Higher Contributions 15% of retiring employees assumed to pay retroactive contributions at retirement
- Cost-of-Living adjustment 3% every third year

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Required and realized contribution by the employees	\$ 186,089	\$ 184,784	\$ 184,092
% that represents the total of payroll covered	7.10 %	6.87 %	8.41 %
Required and realized contribution by the employer	\$ 211,181	\$ 209,641	\$ 208,840
% that represents the total of payroll covered	8.00 %	7.80 %	7.41 %

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

CORPORACIÓN DEL CENTRO DE BELLAS ARTES - LUIS A. FERRÉ
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

7. LEGISLATIVE GRANTS:

The legislative grants represent the budgeted amounts approved by the Legislature of Puerto Rico for the operations of the Corporation. The governmental grants received and recorded as non-operating revenues are \$3,386,960 and \$3,642,000 for June 30, 2009, and 2008, respectively.

8. AGREEMENT FOR THE "SALA SINFÓNICA":

On March 2004, the Corporation entered into an agreement with the "Autoridad para el Financiamiento de la Infraestructura de Puerto Rico" (AFI) for the construction of the "Sala Sinfónica del Centro de Bellas Artes-Luis A. Ferré. The estimated cost of the project is \$33,000,000. This amount will be contributed by the Corporation, but will be transferred to AFI through direct contributions from the Office of Management and Budget. The first \$2,608,784 will be incurred by AFI according to Law No. 111 of August 7, 2002. At the completion of the project, the building will be operated by the Corporation.

9. CONTINGENCIES:

The Corporation is currently subject to claims and lawsuits arising in the ordinary course of its business, the claims and litigation in which the Corporation is currently involved are not reasonably likely to have a material adverse effect on the Corporation's financial position. However, no assurance can be given as to the ultimate outcome with respect to such claims and litigations.