



Accountants &
business advisers

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

Financial Statements
for the years ended
June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of the Puerto Rico Public Broadcasting Corporation (a component unit of the Commonwealth of Puerto Rico) (the Corporation) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of the Puerto Rico Public Broadcasting Corporation (a component unit of the Commonwealth of Puerto Rico) as of June 30, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



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Board of Directors
Puerto Rico Public Broadcasting Corporation
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In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2009 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 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 of 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.



PKF, LLP

License No. 22
Expires on December 1, 2010

September 23, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009 and 2008

Our discussion and analysis for the Puerto Rico Public Broadcasting Corporation's financial performance provides an overview of our financial activities for the fiscal years ended June 30, 2009 and 2008. Please read it in conjunction with the Corporation's basic financial statements.

FINANCIAL HIGHLIGHTS:

The Corporation's total expenses for fiscal years 2009 and 2008 exceeded total revenues before capital contributions by \$3,204,028 and \$3,612,236, respectively. This resulted in a decrease in total net assets before capital contributions of 15% over the previous years. Most of this decrease is attributed to a decrease in contributions recorded as income from the Commonwealth of Puerto Rico. Capital contributions for both fiscal years amounted to \$133,341 and \$2,286,171, respectively. These contributions were primarily used for the acquisition of digital equipment, as required by the Federal Communications Commission (FCC), local productions and others. Net assets for fiscal years ended June 30, 2009 and 2008 decreased by \$3,070,687 and \$1,326,065, respectively.

Restricted assets are cash equivalents assigned for the following purposes:

	2009	2008
Special dramatic project	\$ 793,400	\$ 955,825
Permanent improvements	-	1,588,016
PBS Ready to learn and other	39,255	48,361
CPB	271,219	217,140
 Total restricted assets	 \$ 1,103,874	 \$ 2,809,342

Contributions from the Commonwealth of Puerto Rico for fiscal years 2009 and 2008 amounted to \$20,026,465 and \$20,826,950, respectively. These represent 69% and 68% of total operating expenses.

Unrestricted resources of \$156,610 and \$287,325 were used for the acquisition of property and equipment in 2009 and 2008, respectively.

As of June 30, 2009 and 2008, the Corporation's liabilities amounted to \$4,838,086 and \$6,571,031, respectively, (decreasing)/increasing by \$(1,732,945) and \$1,204,664 in 2009 and 2008, respectively. The decrease in 2009 is primarily due to the decrease in accounts payable and compensated absences during the fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009 and 2008

USING THIS ANNUAL REPORT

This annual report is consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB), following the new financial reporting requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, GASB Statement No. 37, an Omnibus Amendment to GASB Statements 21 and 34, GASB Statement No. 40, Deposit and Investment Risk Disclosures, and Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. These GASB statements are designed to enhance the usefulness of the Corporation's annual report.

REPORT COMPONENTS:

This Annual report consists of four parts, as follows:

Financial Statements: The Statements of net assets and Statements of revenues, expenses and changes in net assets and cash flows (on pages 8 - 11) provide information about the activities of our Corporation and present a long-term view of the Corporation's finances.

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

Required Supplementary Information: This Management's Discussion and Analysis represents financial information required to be presented by GASB Statement No. 34. Such information provides the users of this report with additional data that supplements the basic financial statements.

Basis of Accounting:

The Corporation uses the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

The Corporation reports deferred revenue on its statement of net assets. Deferred revenue arises when resources from operations are received before the Corporation has a legal claim to them. In subsequent periods, when the revenue recognition criteria is met, or when the Corporation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and the revenue is recognized.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009 and 2008

REPORTING THE CORPORATION AS A WHOLE:

Basis of Presentation:

The Corporation has established its financial activities as business-type. Business-type activities are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government is that the costs of providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges.

The business-type activities account for resources devoted to financing the general services that the Corporation provides to the general public. Contributions from the Legislature of the Commonwealth of Puerto Rico, contributions from the Corporation for Public Broadcasting (CPB) and other sources of revenues, used to finance the operations of the Corporation, are also included.

Governmental Contributions:

Governmental contributions are recorded in the year in which the funds are available to the Corporation. When their use is restricted for the acquisition or construction of capital assets and related studies they are recorded as capital contributions and restricted net assets.

A financial analysis of the Corporation as a whole:

STATEMENTS OF NET ASSETS
(Comparative Financial Data)

	June 30	
	2009	2008
Net capital assets	\$ 20,390,039	\$ 20,723,052
Other assets	5,138,638	9,609,257
Total assets	<u>25,528,677</u>	<u>30,332,309</u>
Current liabilities	3,197,515	4,866,887
Non-current liabilities	1,640,571	1,704,144
Total liabilities	<u>4,838,086</u>	<u>6,571,031</u>
Net assets invested in capital assets, net of related debt	20,220,675	20,723,052
Restricted	1,103,874	2,809,342
Unrestricted	(633,958)	228,884
Total net assets	<u>\$ 20,690,591</u>	<u>\$ 23,761,278</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

(Comparative Financial Data)

	Years Ended	
	June 30	
	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 1,663,536	\$ 1,963,684
Operating expenses	<u>28,867,727</u>	<u>30,798,290</u>
(Loss) from operations	(27,204,191)	(28,834,606)
Non-operating revenues	<u>3,973,698</u>	<u>4,395,420</u>
(Loss) before contributions from the Commonwealth of Puerto Rico	(23,230,493)	(24,439,186)
Contributions from the Commonwealth of Puerto Rico	<u>20,026,465</u>	<u>20,826,950</u>
(Loss) before capital contributions	(3,204,028)	(3,612,236)
Capital contributions	<u>133,341</u>	<u>2,286,171</u>
(Decrease) in net assets	(3,070,687)	(1,326,065)
Total net assets, beginning of year	<u>23,761,278</u>	<u>25,087,343</u>
Total net assets, end of year	<u>\$20,690,591</u>	<u>\$ 23,761,278</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009 and 2008

A FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS:

The Corporation reported revenues of \$5,637,234 and \$6,359,104, respectively, before contributions from the Commonwealth of Puerto Rico of \$20,026,465 in 2009 and \$20,826,950 in 2008, and capital contributions of \$133,341 in 2009 and \$2,286,171 in 2008. Total expenses for the Corporation were \$28,867,767 for 2009 and \$30,798,290 for 2008, resulting in a (decrease) in net assets of \$(3,070,687) and \$(1,326,065), respectively.

During the year ended June 30, 2009, the Corporation received \$133,341 restricted for the acquisition or construction of capital assets. This represents a decrease of 94% when compared to the prior year, when the Corporation received \$2,286,171 restricted for the same purpose.

Capital Assets:

At the end of June 30, 2009 and 2008, the Corporation had \$20,220,675 and \$20,723,052, respectively, invested in capital assets, net of depreciation and related debt, including building and building improvements, motor vehicles, furniture and fixtures, television and other equipment, and leasehold improvements. For further details, refer Notes 1, 4 and g8 of the basic financial statements.

Capital Assets
(Net of Accumulated Depreciation)

	2009	2008
Land	\$ 82,600	\$ 82,600
Television and other equipment	17,002,288	16,821,345
Building and building improvements	2,388,683	3,073,609
Motor vehicles	227,312	252,966
Furniture and fixtures	689,156	492,532
Total capital assets, net	<u>\$ 20,390,039</u>	<u>\$ 20,723,052</u>

The more significant capital asset additions in 2009 and 2008 included \$2,412,322 and \$1,952,145, respectively related to the acquisition of digital television and production equipment.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT:

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's Finance Office at 570 Hostos Avenue, Baldrich, San Juan, PR or telephone at (787) 764-2036.

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

STATEMENTS OF NET ASSETS

ASSETS

	June 30	
	2009	2008
Current assets:		
Cash and cash equivalents	\$ 2,361,701	\$ 4,166,375
Restricted cash	1,103,874	2,809,342
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$103,616 in 2009 and 2008	399,738	887,737
Due from Corporation of Public Broadcasting (CPB)	539,651	456,313
Due from government entities	330,000	597,955
Other	22,542	5,592
Prepays	-	3,700
Licensed program rights	282,038	504,861
Costs incurred for programs not yet telecasted	99,094	177,382
Total current assets	5,138,638	9,609,257
Non-current assets:		
Net capital assets	20,390,039	20,723,052
Total assets	25,528,677	30,332,309
	LIABILITIES	
Current liabilities:		
Current portion of financing equipment	61,094	-
Accounts payable:		
Trade	1,570,327	3,283,775
Compensated absences, current	979,669	1,089,534
Accrued expenses, payroll taxes and withholdings	586,425	493,578
Total current liabilities	3,197,515	4,866,887
Non-current liabilities:		
Compensated absences, non-current	1,532,302	1,704,144
Financing equipment, net of current portion	108,269	-
Total liabilities	4,838,086	6,571,031
	NET ASSETS	
Invested in capital assets, net of related debt	20,220,675	20,723,052
Restricted net assets	1,103,874	2,809,342
Unrestricted net assets	(633,958)	228,884
Total net assets	\$ 20,690,591	\$ 23,761,278

See notes to basic financial statements

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

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

	Years Ended	
	June 30	
	2009	2008
Operating revenues:		
Sponsoring services	\$ 348,066	\$ 524,153
Production services	1,315,470	1,439,531
Total operating revenues	1,663,536	1,963,684
Operating expenses:		
Broadcasting and technical	3,990,088	4,417,153
Programming and production	14,704,580	15,842,778
General administration	6,821,631	7,012,348
Depreciation and amortization	3,351,428	3,526,011
Total operating expenses	28,867,727	30,798,290
(Loss) from operations	(27,204,191)	(28,834,606)
Non-operating revenues:		
Contributions from Corporation for Public Broadcasting and others	3,672,006	3,637,046
Rent and other income	236,836	553,351
Interest income	64,856	205,023
Total non-operating revenues	3,973,698	4,395,420
(Loss) before contributions from the Commonwealth of Puerto Rico	(23,230,493)	(24,439,186)
Contributions from the Commonwealth of Puerto Rico	20,026,465	20,826,950
(Loss) before capital contributions	(3,204,028)	(3,612,236)
Capital contributions	133,341	2,286,171
(Decrease) in net assets	(3,070,687)	(1,326,065)
Net assets, beginning of year	23,761,278	25,087,343
Net assets, end of year	\$ 20,690,591	\$ 23,761,278

See notes to basic financial statements

PUERTO RICO PUBLIC BROADCASTING CORPORATION
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STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2009	2008
Cash flows from operating activities:		
Receipts from customers	\$ 2,134,585	\$ 1,993,138
Payments to suppliers and contractors	(17,274,410)	(16,378,752)
Payments to employees	(9,838,126)	(9,789,298)
Net cash (used in) operating activities	(24,977,951)	(24,174,912)
Cash flows from non-capital financing activities:		
Contributions from the Commonwealth of Puerto Rico	20,294,420	20,505,272
Operating grants received	3,588,668	2,982,590
Net cash provided by non-capital financing activities	23,883,088	23,487,862
Cash flows from capital and related financing activities:		
Capital contributions from the Commonwealth of Puerto Rico	133,341	2,286,171
Acquisition of property and equipment	(2,830,562)	(2,032,295)
Net cash provided by (used in) capital and related financing activities	(2,697,221)	253,876
Cash flows from investing activities:		
Interest income received	64,856	205,023
Rent and other income received	236,836	553,351
Net cash provided by investing activities	301,692	758,374
Cash flows from financing activities:		
Repayment of financing equipment	(19,750)	-
Net increase (decrease) in cash, cash equivalents and other restricted cash	(3,510,142)	325,200
Cash, cash equivalents, and other restricted cash, at beginning of year	6,975,717	6,650,517
Cash, cash equivalents, and other restricted cash, at end of year	\$ 3,465,575	\$ 6,975,717

See notes to basic financial statements

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

STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended June 30	
	2009	2008
Reconciliation of (loss) from operations to net cash used in operating activities:	<u>\$ (27,204,191)</u>	<u>\$ (28,834,606)</u>
Adjustments to reconcile (loss) from operations to net cash (used in) operating activities:		
Depreciation and amortization	3,351,428	3,526,011
Bad debts expense	9,542	418
Loss on disposal of capital assets	1,260	12,152
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	461,507	29,037
Prepays	3,700	-
Licensed program rights and costs incurred for programs not yet telecasted	301,111	(387,971)
Increase (decrease) in:		
Accounts payable	(1,713,448)	1,150,620
Accrued expenses and compensated absences	<u>(188,860)</u>	<u>329,427</u>
Total adjustments	<u>2,226,240</u>	<u>4,659,694</u>
Net cash (used in) operating activities	<u>(24,977,951)</u>	<u>(24,174,912)</u>
Reconciliation of cash and cash equivalents to the statements of net assets		
Cash and cash equivalents	2,361,701	4,166,375
Other restricted cash	<u>1,103,874</u>	<u>2,809,342</u>
Total cash, cash equivalents and other restricted cash	<u>\$ 3,465,575</u>	<u>\$ 6,975,717</u>

See notes to basic financial statements

PUERTO RICO PUBLIC BROADCASTING CORPORATION
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Notes to Basic Financial Statements
June 30, 2009 and 2008

Note 1 - Summary of significant accounting policies

Reporting entity

On September 12, 1996, the Legislature of the Commonwealth of Puerto Rico approved Act Number 216. This Act created and transferred all existing assets and broadcasting facilities to the Puerto Rico Public Broadcasting Corporation (the Corporation) and ceased to operate as a subsidiary of the Puerto Rico Telephone Authority. On December 13, 1996, the Federal Communications Commission (FCC) approved the transfer. The Corporation was created with the purpose of integrating, developing and operating the radio, television and electronic communication facilities belonging to the Commonwealth of Puerto Rico. The Corporation is a component unit of the Commonwealth of Puerto Rico.

The Corporation is governed by an eleven-member board of directors comprised of the Secretary of Education of the Commonwealth, the President of the UPR, the Executive Director of IPRC, and eight private citizens, appointed by the Governor with the advice and consent of the Senate. At least three of these private citizens must have proven interest, knowledge, and experience in education, culture, art, science, or radio and television. PRPBC was created for the purpose of integrating, developing, and operating the radio, television, and electronic communication facilities that belong to the Commonwealth. The Commonwealth provides financial support to PRPBC through legislative appropriations.

The Corporation is obligated under existing laws to use its broadcasting facilities exclusively for educational, cultural and public interest purposes, and not for private purposes nor for partisan politics or sectarian propaganda.

The Corporation operates with fund sources through appropriations from the Commonwealth of Puerto Rico, grants from the Corporation for Public Broadcasting (CPB), and funds internally generated. It is the public policy and commitment of the Commonwealth of Puerto Rico to annually appropriate financial resources to cover the operations of the Corporation.

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

Operations

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

<u>Area</u>	<u>Station</u>
San Juan	WIPR-TV6
Mayagüez	WIPM-TV3
San Juan	WIPR-FM(91.3)
San Juan	WIPR-AM(940)

PUERTO RICO PUBLIC BROADCASTING CORPORATION
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Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Basis of presentation

The Corporation has established its financial activities as business-type. Business-type activities are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

The business-type activities account for resources devoted to finance the general services that the Corporation provides to the general public. Contributions from the Legislature of the Commonwealth of Puerto Rico, contributions from the Corporation for Public Broadcasting and other sources of revenues, used to finance the operations of the Corporation, are also included.

Measurement focus and basis of accounting

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

The Corporation utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Business-type activities' difference between assets and liabilities classified as net assets.

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

The Corporation reports deferred revenue on its statement of net assets. Deferred revenue arises when resources from operations are received before the Corporation has a legal claim to them. In subsequent periods, when the revenue recognition criteria is met, or when the Corporation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and the revenue is recognized.

Based on Governmental Accounting Standards Board (GASB) Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", as amended, by GASB No. 34, the Corporation has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
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Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Cash and cash equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. The Corporation classifies as cash equivalents certificates of deposit purchased with original maturities of three months or less.

Capital assets

Capital assets are stated at cost. The donated capital asset received is accounted for at the fair value at the donation date. Certain capital assets were valued at estimated historical costs with the assistance provided by independent outside appraisers. The Corporation's policy is to capitalize all asset acquisitions of \$200 or more. All other assets are expensed in the period of acquisition.

The Corporation periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No evidence of impairment is evident as a result of such review.

Depreciation

Total depreciation expense for the years ended June 30, 2009 and 2008 amounted to \$3,351,428 and \$3,526,011, respectively. Depreciation is provided using the straight-line method, over the estimated useful life of the respective assets, which are as follows:

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

Governmental contributions

Governmental contributions are recorded in the year in which the funds are available to the Corporation. When their use is restricted for the acquisition or construction of capital assets and related studies, they are recorded as capital contributions. Funds not used at the end of the year are reported as restricted net assets and restricted cash.

Revenues and expenses

Operating revenues and expenses for business-type activities are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. Non-exchange revenues, including contributions received for purposes other than capital assets acquisition, are reported as non-operating revenues.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
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Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Functional allocation of expenses

The costs of providing broadcasting and production have been summarized on a functional basis in the statement of revenues, expenses and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on total personnel costs or on other systematic basis.

Licensed program rights and programs not yet telecasted

Acquisition costs incurred for licensed program rights and programs not yet telecasted relate to programs that will be aired principally during the following year. As the programs are telecasted, the cost incurred will be included as operating expenses based on the estimated number of future airings.

Estimates

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

Restricted assets

Resources received from operations, if any, which are restricted by the donors and resources restricted for the acquisition or construction of capital assets are recorded as deferred revenue until that the Corporation has legal claim in these resources.

Compensated absences

The employees of the Corporation are granted thirty (30) days of vacation and eighteen (18) days of sick leave annually. Vacation time accumulated is fully vested to the employees from the first day of work. In the event of resignation, an employee is reimbursed from accumulated vacation days up to the maximum accumulated. Separation of employment prior to the use of all or part of the sick leave terminates all rights for compensation except that, in the event of retirement, an employee is reimbursed for accumulated sick leave days.

As per Law Number 156 of August 20, 1996, for fiscal years beginning on July 1, 1997, the excess of 60 days in vacation and 90 days in sick leave until December 31st of each year should be paid to the employee before March 31st of the following year. Also, accrued vacations in excess of 60 days are paid on June 30th of the following year if, for extraordinary circumstances, the employee is unable to enjoy the vacation days.

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

On December 31st of each year, the Corporation will pay their employees the excess of 36 days for union employees (45 days for management employees) of their accumulated balance for sick leave based on their number of absences during that year up to a maximum of 18 days. This is done in an attempt to encourage employees to be absent from work less frequently. This payment will be made during the first 15 days of the month of June of the next year. If the employee does not have 90 days accumulated for sick leave, he or she can choose not to receive this payment and maintain his or her accumulation of sick leave.

Accounting for pension costs

The Corporation accounts for pension costs in accordance with the provisions of Governmental Accounting Standards Board Statement (SGAS) No. 27 "Accounting for Pensions by States and Local Governmental Employers".

The SGAS No. 27 establishes standards of accounting and financial reporting for pension expenditures/expenses and related pension liabilities, pension assets, note disclosures, and required supplementary information in the financial reports of state and local governmental employers. The statement defines that the pension expense is equal to the statutory required contribution to the employees' retirement system. A pension liability or asset is reported equal to the cumulative difference between statutory required and actual contributions.

Accounting standards

The Corporation complies with accounting principles generally accepted in the United States of America (GAAP), and with all relevant Governmental Accounting Standards Board (GASB) pronouncements. For proprietary funds, such as the Corporation, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pursuant to Governmental Accounting Standards Board Statement (SGAS) No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting", the Corporation has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 20, 1989.

Risk management

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

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

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

Net assets

Net assets are the difference between assets and liabilities. Net assets are reported in three categories:

- Invested in capital assets – consist of capital assets, less accumulated depreciation.
- Restricted – these result when constraints placed on net assets use are either externally imposed by grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constrains on resources that are imposed by management, but can be removed or modified.

Concentration of credit risk

The only financial instrument that potentially subjects the Corporation to concentration of credit risk consists of accounts receivable. The accounts receivable balance at June 30, 2009 and 2008 were from customers mainly located in Puerto Rico. The Corporation generally does not require collateral and credit losses are provided for currently through the allowance for doubtful accounts. Management believes it is not exposed to any significant credit risk on its financial instruments.

Note 2 - Cash and cash equivalents - custodial credit risk deposits

The Corporation is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico, and such deposits should be kept in separate accounts in the name of the Corporation. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. The Corporation's policy, regarding deposits consist in which all opening of bank accounts are approved by its Board of Directors. At June 30, 2009 and 2008 cash and certificates of deposit were maintained in institutions approved by the Department of the Treasury.

Custodial credit risk is the risk that, in an event of a bank failure, the Corporation's deposit might not be recovered. The Commonwealth requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth of Puerto Rico.

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Although the Corporation is not exposed to custodial credit risk, the following disclosure is made for reader's convenience. The Corporation had the following depository accounts in commercial banks. All deposits are carried at cost plus accrued interest:

Depository Account	Bank Balance at June 30, 2009	Bank Balance at June 30, 2008
Insured	\$ 480,728	\$ 201,164
Collateralized:		
Collateral held in the Corporation's name	3,116,799	7,155,558
Total deposits	<u>\$ 3,597,527</u>	<u>\$ 7,356,722</u>

The carrying amounts of deposits at June 30, as shown in the balance sheets follows:

	2009	2008
Cash on hand	\$ 2,800	\$ 2,750
Unrestricted cash	2,358,901	4,163,625
Restricted cash	<u>1,103,874</u>	<u>1,221,326</u>
	3,465,575	5,387,701
Other restricted cash	-	1,588,016
	<u>\$ 3,465,575</u>	<u>\$ 6,975,717</u>

Note 3 - Restricted assets

Restricted assets in the accompanying financial statements as of June 30, 2009 and 2008 include certain cash and cash equivalents to be used for the following purposes:

	2009	2008
P.B.S. Ready to learn and other	\$ 39,255	\$ 48,361
Special dramatic project	793,400	955,825
CPB	<u>271,219</u>	<u>217,140</u>
	1,103,874	1,221,326
Permanent improvements	-	1,588,016
	<u>\$ 1,103,874</u>	<u>\$ 2,809,342</u>

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Note 4 - Capital assets

2009

	Ending June 30, 2008	Increases	Decreases	Ending June 30, 2009
Capital assets not being depreciated				
Land	\$ 82,600	\$ -	\$ -	\$ 82,600
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>82,600</u>	<u>-</u>	<u>-</u>	<u>82,600</u>
Capital assets being depreciated				
Television, radio and other equipment	45,148,670	2,412,322	-	47,560,992
Building and building improvements	11,935,793	83,175	-	12,018,968
Motor vehicles	1,582,279	146,013	-	1,728,292
Furniture and fixtures	2,243,170	351,224	(8,345)	2,586,049
Computers	434,572	26,941	-	461,513
Total capital assets being depreciated	<u>61,344,484</u>	<u>3,019,675</u>	<u>(8,345)</u>	<u>64,355,814</u>
Less: accumulated depreciation and amortization for				
Television, radio and other equipment	28,327,325	2,231,379	-	30,558,704
Building and building improvements	8,862,184	768,101	-	9,630,285
Motor vehicles	1,329,313	171,667	-	1,500,980
Furniture and fixtures	1,872,102	124,139	(7,085)	1,989,156
Computers	313,108	56,142	-	369,250
Total accumulated depreciation and amortization	<u>40,704,032</u>	<u>3,351,428</u>	<u>(7,085)</u>	<u>44,048,375</u>
Total capital assets, net	<u>\$ 20,723,052</u>	<u>\$ (331,753)</u>	<u>\$ (1,260)</u>	<u>\$ 20,390,039</u>

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

2008

	<u>Ending June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending June 30, 2008</u>
Capital assets not being depreciated				
Land	\$ 82,600	\$ -	\$ -	\$ 82,600
Construction in progress	<u>625,418</u>	<u>-</u>	<u>(625,418)</u>	<u>-</u>
Total capital assets not being depreciated	<u>708,018</u>	<u>-</u>	<u>(625,418)</u>	<u>82,600</u>
Capital assets being depreciated				
Television, radio and other equipment	43,212,196	1,952,145	(15,671)	45,148,670
Building and building improvements	11,335,219	600,574	-	11,935,793
Motor vehicles	1,557,435	24,844	-	1,582,279
Furniture and fixtures	2,186,136	63,154	(6,120)	2,243,170
Computers	<u>417,576</u>	<u>16,996</u>	<u>-</u>	<u>434,572</u>
Total capital assets being depreciated	<u>58,708,562</u>	<u>2,657,713</u>	<u>(21,791)</u>	<u>61,344,484</u>
Less: accumulated depreciation and amortization for				
Television, radio and other equipment	25,913,370	2,417,474	(3,519)	28,327,325
Building and building improvements	8,029,681	832,503	-	8,862,184
Motor vehicles	1,217,392	111,921	-	1,329,313
Furniture and fixtures	1,757,933	120,289	(6,120)	1,872,102
Computers	<u>269,284</u>	<u>43,824</u>	<u>-</u>	<u>313,108</u>
Total accumulated depreciation and amortization	<u>37,187,660</u>	<u>3,526,011</u>	<u>(9,639)</u>	<u>40,704,032</u>
Total capital assets, net	<u>\$ 22,228,920</u>	<u>\$ (868,298)</u>	<u>\$ (637,570)</u>	<u>\$ 20,723,052</u>

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Note 5 - Long-term debt

Equipment financing

At June 30, 2009 equipment financing obligation consists of the following:

Financing, at interest rate of .04% collateralized by equipment through February 2012.	\$ 169,363
Less: current installments	<u>61,094</u>
	<u>\$ 108,269</u>

Scheduled principal repayments on equipment financing are as follows:

Year Ended June 30	Amount
2010	\$ 67,608
2011	67,608
2012	<u>45,072</u>
Total minimum payments	180,288
Less: amount representing interest	<u>10,925</u>
Equipment financing, net	<u>\$ 169,363</u>

Compensated absences

Activity for the years ended June 30, 2009 and 2008 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Year ended June 30, 2009</u>				
Compensated absences	<u>\$ 2,793,678</u>	<u>\$ 255,893</u>	<u>\$ (537,600)</u>	<u>\$ 2,511,971</u>
<u>Year ended June 30, 2008</u>				
Compensated absences	<u>\$ 2,464,534</u>	<u>\$ 1,515,671</u>	<u>\$ (1,186,527)</u>	<u>\$ 2,793,678</u>

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Note 6 - Pension plan

The Employee's Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS) is 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 employees of the Corporation under age 55 at the date of employment become members of the System as a condition to their employment.

The System provides retirement, death and disability benefits pursuant to Act 447, approved on May 15, 1951, as amended, and became effective on January 1, 1952. Disability retirement benefits are available to members for occupational and non-occupational disabilities. Retirement benefits depend upon age at retirement and number of years of credited service. 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 (1 1/2%) of the average compensation multiplied by the number-of-years of creditable service up to twenty (20) years, plus two percent (2%) of the average compensation multiplied by the number of years of creditable service in excess of twenty (20) years. In no case will the annuity be less than \$200 per month.

Participants who have completed at least thirty (30) 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 have 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.

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. After December 31, 1999, the employee contribution is based on System 2000. The Corporation's contributions are 9.275% of gross salary. Total employee and employer contributions required and realized for the year ended June 30, 2009 amounted to \$659,277 and \$822,488, respectively. Total employee and employer contributions required and realized for the year ended June 30, 2008 amounted to \$621,402 and \$732,404, respectively. Total payroll covered for the years ended June 30, 2009 and 2008 was approximately \$8,602,800 and \$9,938,200, respectively. The pension expense for the years ended June 30, 2009 and 2008 was \$823,711 and \$732,404, respectively.

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Act number 1 of February 16, 1990, made certain amendments applicable to new participants joining the System effective on April 1, 1990. Changes mainly consisted of an increase of the retirement age to 65 years, the elimination of the Merit Annuity and a reduction of the percentage for disability and death benefits.

On July 28, 1998, the Legislature of the Commonwealth of Puerto Rico approved Law No. 182. This law, as amended, provided to certain employees of the Commonwealth of Puerto Rico the option for early retirement. To qualify, the employee had to make an election between August 1, 1998 and November 2, 1998 and, among other requirements, must have twenty-five (25) years of creditable service or fifty-five (55) years or more of age. After December 31, 1998, the Corporation has a period of 60 days to determine the feasibility to implement the Early Retirement Plan.

The amount of the total pension benefits obligation is based on a standardized measurement established by accounting principles generally accepted in the United States of America 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.
- The present value of the future pension payments was computed by using a discount rate of 7.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
- Future pension payments reflect a salary increase assumption of 3%.
- Increase in cost of living of 3% every third year.

The required and realized contribution by the employees and employer of the Corporation for the years ended June 30, 2009 and 2008 is as follows:

	2009	2008
Realized and required contribution by the employees	\$ 659,277	\$ 621,402
Employee realized and required contributions as a percentage of payroll	8.28%	8.28%
Realized and required contribution by the employer	\$ 822,488	\$ 732,404
Employer realized and required contributions as a percentage of payroll	9.275%	9.275%

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

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.

On September 24, 1999, the Legislative Assembly of the Commonwealth of Puerto Rico amended the Act No. 447. This amendment was enacted with the purpose of establishing the system as of December 31, 1999, the election to stay in the defined benefit plan or to transfer to the new program. Persons joining the government on or after January 1, 2000, will only be allowed to become members of System 2000.

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

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 ERS, 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 ERS'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 employer's contribution (9.275% of the employee's salary) will be used to fund the current plan.

On August 12, 2000 the legislature of Puerto Rico approved Law 174. This law, as amended, provides the option for early retirement. To qualify, the employee had to make an election between July 1, 2000 and September 30, 2000 and, among other things, must have 25 years of creditable service and 55 or more of age. Under certain circumstances an employee with less than 55 years can qualify for early retirement. On December 26, 2000, Law 422 amended Law 174 to extend the employee election period until January 31, 2001 and the period to determine the eligibility through February 28, 2001.

Note 7 - Commitments

The Corporation leases certain facilities under various leases treated as operational lease agreements. The Corporation has also entered into various lease agreements as lessor for certain properties, principally consisting of building facilities, until the year 2017.

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Future commitments under existing operating lease and other agreements as of June 30, 2009 are as follows:

Year Ending June 30,	As Lessee Minimum Lease Payments	As Lessor Minimum Lease Payments Receivable
2010	\$ 45,557	\$ 119,520
2011	45,557	119,286
2012	15,186	94,012
2013	-	87,010
2014	-	90,055
Thereafter	-	238,741
Totals	<u>\$ 106,300</u>	<u>\$ 748,624</u>

Total rental expense under operating leases amounted to \$124,991 and \$132,294 for the years ended June 30, 2009 and 2008, respectively.

Note 8 - Litigation

Contingencies

Some claims have been brought against the Corporation by employees and others. Legal counsel and management are contesting the cases vigorously. However, based on their current status, the final outcome or a reasonable estimate of loss, if any, is not presently determinable. Accordingly, no provision for losses has been recognized in the accompanying financial statements, if any.

Note 9 - Federal Communications Commission (FCC) requirement

The FCC issued an order to all broadcast television stations to implement a digital television transmission system (known as Advance Television or ATV) designed to replace the current 50 years old analog system. This new system provides a larger, wide screen display, high quality picture and sound, simultaneously with a substantial data delivery service.

The ATV station is, in effect, a duplicate transmitter operating in a second channel assigned by FCC specifically for ATV use. After a designated period from 8 to 10 years (to be established by the FCC) the old analog transmitter will be turned off leaving only the ATV signal.

Digital television broadcast facilities for non-commercial television stations that comply with FCC Digital Television Standard shall be constructed by May 1, 2003. The cost of new equipment capable of displaying the ATV signal and producing digital programs are estimated in 30 million dollars during a period from three to five years for the two television stations, WIPR and WIPM. The Commonwealth of Puerto Rico approved an appropriation of 30 million dollars for the fiscal years 1999 to 2005 for this project. Of this amount, a total of \$30,560,000 has been received as of June 30, 2009. From the appropriations received, the amount of \$185,640 has been expended as of June 30, 2009.

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

Notes to Basic Financial Statements (continued)
June 30, 2009 and 2008

Note 10 - Permanent improvement fund

For fiscal year 2000-2001, the Commonwealth of Puerto Rico approved appropriations of \$2,400,000 for the construction of a parking lot and office facilities, and \$1,400,000 for the acquisition of digital radio transmitting equipment, to expand the signal in the western region of the Island for the FM radio station.

As of June 30, 2009, a total of \$279,899 has been received and \$234,914 has been disbursed related to the preliminary design of the parking lot and office facilities. Therefore, an amount of \$44,985 has been included as restricted, cash in the financial statements. Currently the Corporation is in negotiations with the Puerto Rico Department of the Treasury, in order to use this cash in the Corporation's operations during next fiscal year.

Related with the acquisition of the digital radio equipment, as of June 30, 2009, a total of \$1,377,935 has been received and disbursed.

Note 11 - Reclassifications

At June 30, 2009 certain reclassifications have been made to the 2008 financial statements to conform them to the 2009 presentation.

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Puerto Rico Public Broadcasting Corporation (a component unit of the Commonwealth of Puerto Rico) (the Corporation) as of June 30, 2009, and have issued our report thereon dated September 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

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Board of Directors
Puerto Rico Public Broadcasting Corporation
San Juan, Puerto Rico
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Corporation in a separate letter dated September 23, 2009.

This report is intended solely for the information and use of the audit committee, management and the Legislature and the Comptroller of the Commonwealth of Puerto Rico, and is not intended to be and should not be used by anyone other than these specified parties.

2461145



PKF, LLP

License No. 22
Expires on December 1, 2010

September 23, 2009