

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

**ANNUAL FINANCIAL STATEMENTS AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2011 AND 2010**

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of **Corporación de las Artes Musicales de Puerto Rico** (a component unit of the Commonwealth of Puerto Rico), (the Corporation) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. The prior year summarized comparative information has been derived from **Corporación de las Artes Musicales de Puerto Rico's** 2010 financial statements and, in our report dated September 28, 2010, we expressed a qualified opinion on those financial statements. The qualified opinion was a result of certain funds advanced by the Puerto Rico Industrial Development Company to the Corporation that were not recognized as a liability in the June 30, 2010 statement of net assets. However, during the fiscal year ended June 30, 2011, a final determination established that such advances were not a liability of the Corporation. Accordingly, our report for the year ended June 30, 2011 express an unqualified opinion on the financial statements.

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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the **Corporación de las Artes Musicales de Puerto Rico** (a component unit of the Commonwealth of Puerto Rico), as of June 30, 2011 and 2010, and the respective changes in financial position, 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 accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries to management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on it.

September 29, 2011

Stamp number 2611993 was
affixed to the original of this
report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The subsidiaries of the Corporation are the Corporación de la Orquesta Sinfónica de Puerto Rico and the Corporación de las Artes Escénico-Musicales de Puerto Rico.

The principal purpose of the Corporation is to provide musical development in the island through the educational program Servicios Integrados a la Comunidad. In addition, the Corporation provides administrative services and management support necessary to its related companies.

The Corporation prepares an annual budget for its operations.

The Corporation and its affiliates have an organizational structure composed of the following work units:

- Executive Director
- Director of Finance

As management of the Corporation, we offer the readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the Corporation's basic financial statements that begin from pages 14 through 28.

USING THIS ANNUAL REPORT:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS:

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

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

The proprietary fund financial statements provide separate information for the Management Service Fund and Servicios Integrados a la Comunidad Fund. These are considered to be the major funds of the Corporation.

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

- **Statement of net assets** - This statement presents information on all the Corporation's assets and liabilities with the difference between the two reported as net assets or deficit. Over time, increase or decrease in the net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.
- **Statement of revenues, expenses, and changes in fund net assets** - This statement presents information showing how the government's net assets changed during the most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- **Statement of cash flows** - This statement provides information about transactions resulting in the flows of cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED):

- **Notes to the basic financial statements** - The notes provide additional information that is essential to the full understanding of the data provided in the Corporation's basic financial statements.
- **Required supplementary information** - The Management's Discussion and Analysis represents financial information required to be presented by the GASB Statement No. 34. Such information provides users of this report with additional data that supplements the basic financial statements.

This section of the Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during fiscal years ended June 30, 2011 and 2010.

FINANCIAL HIGHLIGHTS:

- The assets of the Corporation amounted to \$2,359,442 and exceeded the liabilities by \$677,252, which amounted to \$1,682,190 at the close of the current fiscal year.
- At the close of the fiscal year, the Corporation reported net assets amounting to \$677,252, this shows an decrease of \$204,568 in comparison with prior year net assets.
- Cash and accounts receivable represent 61.83% and 7.80% of total assets, respectively.
- The operating loss for the year was \$1,785,289. This loss is \$143,786 more than the prior year operating loss, principally due to an increase of 7.62% in operating expenses mostly due to a significant increase in salaries, payroll taxes, and fringe benefits..

FINANCIAL ANALYSIS OF THE CORPORATION:

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

- **Current assets** - The current assets decreased by 43.98% in comparison with prior year due to management's decision to eliminate outstanding balances from related companies and interfund transactions made to subsidize their own operations in previous years.
- **Cash** - The Corporation has a cash management account that supplies all funds for the operations of the Corporation and its related companies. The cash accounts are divided by programs or by funds. Each fund has a regular account, which receives all deposits, especially the monthly legislative funds, and generates payments to suppliers. In addition, the Corporation makes payments to professors of the educational programs in the Servicios Integrados a la Comunidad Fund. The Corporation and its related companies have only one payroll bank account, but the expenses are recorded in each individual corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

- **Capital assets** - The capital assets increased by \$21,316, mainly by the acquisition of equipment and softwares for the operations of the Corporation.
- **Current liabilities** - The current liabilities decreased by 39.08% in comparison with prior year due to management's decision to eliminate outstanding balances from related companies and interfund transactions made to subsidize their own operations in previous years.

TABLE - I

CORPORACION DE LAS ARTES MUSICALES DE PUERTO RICO

FUND NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>% Changes</u>
Current and other assets	\$ 1,642,718	\$ 2,932,285	(43.98)%
Capital assets	716,724	695,408	3.07 %
Total Assets	2,359,442	3,627,693	(34.96)%
Current liabilities	1,632,533	2,679,647	(39.08)%
Long-term liabilities	49,657	66,226	(25.02)%
Total Liabilities	1,682,190	2,745,873	(38.74)%
Net assets:			
Invested in capital activities	716,724	695,409	3.07 %
Restricted	21	3,915	(99.46)%
Unrestricted	(39,493)	182,496	(121.64)%
Total Net Assets	\$ 677,252	\$ 881,820	(23.20)%

Changes in net assets - The Corporation's total revenues (excluding non-operating items) remain the same for 2011 and 2010. All of the Corporation's revenues for 2011 come from management services charged to related companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

- **Operating revenues** - The operating revenues of the Corporation are from administrative services which represent charges to programs and related companies. The administrative charge for the current and prior year was \$245,000.
- **Expenses** - The operating expenses in overall increased by 7.62% from prior year, mostly due to a significant increase on salaries, payroll taxes, and fringe benefits.

During the year, the Corporation donated \$95,000 to Teatro de la Opera and Ballets de San Juan, 79.25% more than in prior year.

Salaries, payroll taxes, and fringe benefits increased by 17.07% due to Act No. 70 enacted on July 2, 2010 by the Commonwealth to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined (See Note 7).

The Corporation established the second center for the program "Bandas en Marcha" in the municipality of Loiza. For the operation of this new center the Corporation contracted the professional services of a program coordinator, music teachers, assistant production coordinator, and supervisors resulting in a significant increase of 137.85% compared with prior year.

Depreciation expense decreased for fiscal year 2010-2011 by 30.53% due to a retirement of \$5,835 of library assets.

Other expenses decreased by 85.12% due to the effect of certain activities that took place in prior year, such as the loss on assets disposal and donations to other entities.

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

1 - **Legislative Grants:**

Management Service Fund	\$ 971,981
Servicios Integrados a la Comunidad	<u>442,226</u>
Total	<u>\$ 1,414,207</u>

- 2 - **Interest and other income** - The income decreased by 49.82% in 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

TABLE - II

CORPORACIÓN DE LAS ARTES MUSICALES DE PUERTO RICO

CHANGES IN FUND NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>% Changes</u>
Operating revenues:			
Charges to affiliates	\$ 245,000	\$ 245,000	- %
Operating expenses:			
Salaries, payroll taxes, and fringe benefits	1,413,326	1,207,233	17.07 %
Rent	93,281	76,372	22.14 %
Scholarships and financial aid	95,000	53,000	79.25 %
Travel and meals	23,717	26,166	(9.36)%
Publicity and advertisement	6,652	-	100.00 %
Professional, artistic and consulting services	213,353	89,702	137.85 %
Administrative services	65,000	65,000	- %
Utilities	8,452	12,677	(33.33)%
Depreciation	38,293	55,122	(30.53)%
Representation expenses	2,900	450	544.44 %
Repairs and maintenance	14,427	10,228	41.05 %
Insurance	14,172	10,253	38.22 %
Other, including funds distributed to related companies	<u>41,716</u>	<u>280,300</u>	<u>(85.12)%</u>
Total operating expenses	<u>2,030,289</u>	<u>1,886,503</u>	<u>7.62 %</u>
Operating loss	<u>(1,785,289)</u>	<u>(1,641,503)</u>	<u>8.76 %</u>
Non-operating revenue (Transfer):			
Legislative grants	1,414,207	1,371,108	3.14 %
Special assignment	-	1,700,000	(100.00)%
Transfer of special assignment to CBA	-	(1,700,000)	(100.00)%
Donations	89,840	48,255	86.18 %
Interest and other income	<u>76,674</u>	<u>152,789</u>	<u>(49.82)%</u>
Total non-operating income	<u>1,580,721</u>	<u>1,572,152</u>	<u>0.55 %</u>
Net loss before contributions	<u>(204,568)</u>	<u>(69,351)</u>	<u>194.97 %</u>
Total net assets , beginning, as previously reported	466,819	536,170	(12.93)%
Restatement , pertaining to year ended June 30, 2000	<u>415,001</u>	<u>415,001</u>	<u>- %</u>
Total net assets , beginning, as restated	<u>881,820</u>	<u>951,171</u>	<u>7.29 %</u>
Total net assets , ending	<u>\$ 677,252</u>	<u>\$ 881,820</u>	<u>(23.20)%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED):

CAPITAL ASSETS AND DEBT ADMINISTRATION:

Capital assets:

The total capital assets are as follows:

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

Refer to Note 4 of the basic financial statements.

Long-term liabilities:

The total long-term debt is as follows:

- **Compensated absences** - Employees accrue vacations at a rate of 2.5 days per month, up to a maximum of 60 days and accumulate sick leave at a rate of 1.5 days per month, up to a maximum of 90 days. Accrued vacations and sick leave benefits as of June 30, 2011 and 2010 amounted to \$125,721 and \$158,449, respectively.

Refer to Note 5 of the basic financial statements.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT:

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

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

**STATEMENTS OF NET ASSETS - JUNE 30, 2011, WITH
SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>Management Service Fund</u>	<u>Servicios Integrados A la Comunidad Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
				<u>2011</u>	<u>2010</u>
ASSETS					
Current assets:					
Cash	\$ 1,068,520	\$ 390,214	\$ 21	\$ 1,458,755	\$ 1,292,820
Receivables:					
Individuals and private entities, net of allowance for doubtful accounts of \$3,213 in 2011 and 2010	67	-	-	67	67
Government entities, net of allowance for doubtful accounts of \$20,000 in 2011 and 2010	14,025	80,062	-	94,087	3,826
Related companies	77,242	-	-	77,242	865,823
Other funds	12,567	-	-	12,567	769,749
Total current assets	<u>1,172,421</u>	<u>470,276</u>	<u>21</u>	<u>1,642,718</u>	<u>2,932,285</u>
Long-term assets:					
Capital assets, net of accumulated depreciation	<u>709,550</u>	<u>7,174</u>	<u>-</u>	<u>716,724</u>	<u>695,408</u>
Total assets	<u>1,881,971</u>	<u>477,450</u>	<u>21</u>	<u>2,359,442</u>	<u>3,627,693</u>
LIABILITIES					
Current liabilities:					
Accounts payable:					
Individuals and private entities	43,614	58,504	-	102,118	97,061
Government entities	106,145	4,363	-	110,508	51,792
Related companies	378,529	-	-	378,529	1,139,055
Other funds	-	11,734	-	11,734	769,749
Other	48	205	-	253	45
Compensated absences, current portion	70,147	5,917	-	76,064	92,223
Accrued expenses and withholdings payable	350,278	5,575	-	355,853	6,608
Funds due to related companies	233,114	-	-	233,114	40,356
Deferred income	59,200	305,160	-	364,360	482,758
Total current liabilities	<u>1,241,075</u>	<u>391,458</u>	<u>-</u>	<u>1,632,533</u>	<u>2,679,647</u>
Long-term debt:					
Compensated absences, less current portion	<u>49,657</u>	<u>-</u>	<u>-</u>	<u>49,657</u>	<u>66,226</u>
Total liabilities	<u>1,290,732</u>	<u>391,458</u>	<u>-</u>	<u>1,682,190</u>	<u>2,745,873</u>
NET ASSETS					
Investment in capital assets	709,550	7,174	-	716,724	695,409
Restricted net assets	-	-	21	21	3,915
Unrestricted net assets	<u>(118,311)</u>	<u>78,818</u>	<u>-</u>	<u>(39,493)</u>	<u>182,496</u>
Total net assets	<u>\$ 591,239</u>	<u>\$ 85,992</u>	<u>\$ 21</u>	<u>\$ 677,252</u>	<u>\$ 881,820</u>

See accompanying notes to the basic financial statements.

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011, WITH
SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	Management Service Fund	Servicios Integrados A la Comunidad Fund	Other Enterprise Funds	Total Enterprise Funds	
				2011	2010
Operating revenues:					
Charges to affiliates	\$ 245,000	\$ -	\$ -	\$ 245,000	\$ 245,000
Operating expenses:					
Salaries, payroll taxes, and fringe benefits	1,281,892	131,434	-	1,413,326	1,207,233
Rent	61,642	31,639	-	93,281	76,372
Scholarships and financial aid	95,000	-	-	95,000	53,000
Travel and meals	1,858	21,859	-	23,717	26,166
Publicity and advertisement	6,128	524	-	6,652	-
Professional, artistic and consulting services	51,740	161,613	-	213,353	89,702
Administrative services	-	65,000	-	65,000	65,000
Utilities	8,452	-	-	8,452	12,677
Depreciation	34,423	3,870	-	38,293	55,122
Representation expenses	2,900	-	-	2,900	450
Repairs and maintenance	11,496	2,931	-	14,427	10,228
Insurance	3,866	10,306	-	14,172	10,253
Other	21,880	15,942	3,894	41,716	280,300
Total operating expenses	1,581,277	445,118	3,894	2,030,289	1,886,503
Operating loss	(1,336,277)	(445,118)	(3,894)	(1,785,289)	(1,641,503)
Non-operating revenues (Transfer):					
Legislative grants	971,981	442,226	-	1,414,207	1,371,108
Special assignment	-	-	-	-	1,700,000
Transfer of special assignment to CBA	-	-	-	-	(1,700,000)
Donations	-	89,840	-	89,840	48,255
Interest and other income	72,417	4,257	-	76,674	152,789
Total non-operating income	1,044,398	536,323	-	1,580,721	1,572,152
Net income (loss)	(291,879)	91,205	(3,894)	(204,568)	(69,351)
Total net assets, beginning, as previously reported	468,117	(5,213)	3,915	466,819	536,170
Restatement, pertaining to year ended June 30, 2000	415,001	-	-	415,001	415,001
Total net assets, beginning, as restated	883,118	(5,213)	3,915	881,820	951,171
Total net assets, ending	\$ 591,239	\$ 85,992	\$ 21	\$ 677,252	\$ 881,820

See accompanying notes to the basic financial statements.

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

STATEMENTS OF CASH FLOWS

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011, WITH
SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	Management Service Fund	Servicios Integrados A la Comunidad Fund	Other Enterprise Funds	Total Enterprise Funds	
				2011	2010
Cash flows from operating activities:					
Receipts from customers and users:					
Interfund services provided	\$ 234,739	\$ -	\$ -	\$ 234,739	\$ 242,005
Payments to suppliers for goods or services	(207,127)	(280,846)	-	(487,973)	(528,396)
Payments to employees, payroll taxes and other fringe benefits	(1,311,159)	(141,234)	-	(1,452,393)	(1,208,816)
Payments for interfund services used	-	(65,000)	-	(65,000)	(65,000)
Other	328,128	(10,371)	-	317,757	(179,312)
Net assets transferred	-	-	-	-	19,979
Net cash used in operating activities	<u>(955,419)</u>	<u>(497,451)</u>	<u>-</u>	<u>(1,452,870)</u>	<u>(1,719,540)</u>
Cash flows from non-capital financing activities:					
Repayments from (advances to) related companies	21,753	351	-	22,104	208,860
Legislative appropriations	971,981	442,226	-	1,414,207	1,371,108
Special assignment	-	-	-	-	1,700,000
Transfer of special assignment to CBA	-	-	-	-	(1,700,000)
Contributions and donations	-	89,840	-	89,840	48,255
Other income, including interest income	231,605	4,261	-	235,866	152,789
Deferred income	(343,558)	225,160	-	(118,398)	290,000
Net cash provided by non-capital financing activities	<u>881,781</u>	<u>761,838</u>	<u>-</u>	<u>1,643,619</u>	<u>2,071,012</u>
Cash flows used in capital related financing activities:					
Purchase of property and equipment	(59,609)	-	-	(59,609)	(62,347)
Advances from related companies	192,758	(157,963)	-	34,795	-
Net cash provided by (used in) capital related financial activities	<u>133,149</u>	<u>(157,963)</u>	<u>-</u>	<u>(24,814)</u>	<u>(62,347)</u>
Increase in cash	59,511	106,424	-	165,935	289,125
Cash, beginning of year	<u>1,009,009</u>	<u>283,790</u>	<u>21</u>	<u>1,292,820</u>	<u>1,003,695</u>
Cash, end of year	<u>\$ 1,068,520</u>	<u>\$ 390,214</u>	<u>\$ 21</u>	<u>\$ 1,458,755</u>	<u>\$ 1,292,820</u>

Continues.

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

STATEMENTS OF CASH FLOWS (CONTINUED)

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011, WITH
SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	Management Service Fund	Servicios Integrados A la Comunidad Fund	Other Enterprise Funds	Total Enterprise Funds	
				2011	2010
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$(1,336,277)	\$(445,118)	\$(3,894)	\$(1,785,289)	\$(1,641,503)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	34,423	3,870	-	38,293	55,122
Loss on donated assets	-	-	-	-	100,967
Net asset transferred	-	-	-	-	19,979
Gain (loss) on eliminatrion of related companies and interfund transactions	-	-	3,894	3,894	-
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Accounts receivable	(10,261)	(80,000)	-	(90,261)	(2,995)
Increase (decrease) in:					
Accounts payable	35,955	28,026	-	63,981	(37,243)
Accrued expenses and withholdings payable	320,741	(4,229)	-	316,512	(213,867)
	380,858	(52,333)	3,894	332,419	(78,037)
Net cash used in operating activities	\$(955,419)	\$(497,451)	\$ -	\$(1,452,870)	\$(1,719,540)
 Supplementary schedule of non-cash non-capital financing activities:					
Fully depreciated furniture and equipment disposed durring the year	\$ -	\$ 5,835	\$ -	\$ 5,835	\$ -

See accompanying notes to the basic financial statements.