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

INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

To the Board of Directors
Puerto Rico Public Broadcasting Corporation:

We have audited the accompanying statement of net assets of Puerto Rico Public Broadcasting Corporation (the "Corporation") (a component unit of the Commonwealth of Puerto Rico) as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year 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 audit. The Corporation's financial statements as of June 30, 2009, were audited by other auditors whose report dated September 23, 2009, expressed an unqualified opinion on those statements.

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. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 5, the Corporation's capital assets are stated net of accumulated depreciation at $18,370,165 at June 30, 2010. The Corporation is currently performing a formal reconciliation of its subsidiary ledgers to the physical assets. We were unable to satisfy ourselves about the completeness and accuracy of the capital assets records maintained by the Corporation.

In our opinion, except for the effect of the matter described in the preceding paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of Puerto Rico Public Broadcasting Corporation as of June 30, 2010, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010 on our consideration of the Corporation's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. This 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.

PO Box 363436, San Juan, PR 00936-3436 Tel. (787) 754-3999 Fax (787) 754-3105

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying management's discussion and analysis is not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. We did not audit such information and express no opinion on it.

Scherrer Hernández & Co.

San Juan, Puerto Rico

December 27, 2010

Certified Public Accountants
(of Puerto Rico)
License No. 53 expires December 1, 2012
Stamp 2511622 of the P.R. Society of
Certified Public Accountants has been
Affixed to the file copy of this report

This section of the financial report of the Puerto Rico Public Broadcasting Corporation (the "Corporation") presents the analysis of the Corporation's financial performance during the fiscal years ended June 30, 2010 and 2009. As management of the Corporation, we offer readers of these financial statements the following narrative overview and analysis of our financial activities. We recommend readers to consider the information herein presented in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Operating revenues for the fiscal year ended June 30, 2010 was $3,200,373 representing an increase of 92% over the fiscal year ended June 30, 2009, when it amounted $1,663,536.

- Operating expenses for fiscal years 2010 and 2009 amounted to $26,547,340 and $28,867,727, respectively. This represents a decrease of $2,320,387 or 8% for the fiscal year ended June 30, 2010.

- The Corporation's total expenses for fiscal years 2010 and 2009 exceeded total revenues before capital contributions by $3,534,158 and $3,204,028, respectively. Most of this fluctuation is attributed to a 17% decrease in 2010 contributions recorded as income from the Commonwealth of Puerto Rico.

- Capital contributions for 2009 amounted to $133,341. No Capital contributions were made for 2010. These contributions were primarily used for the acquisition of digital transmission equipment, as required by the Federal Communications Commission (FCC), local productions and other requirements of Law.

- Contributions from the Commonwealth of Puerto Rico for fiscal years 2010 and 2009 amounted to $16,544,578 and $20,026,465, respectively. In the same order, they represent 62% and 69% of total operating expenses.

- During the years ended June 30, 2010 and 2009, the Corporation recorded trade and barter transactions in the amount of $875,848 and $105,186, respectively. The 2010 transactions represent an increase of 733% in comparison with prior year. The increase was the result of the difficult economic situation of the Corporation, which required the Corporation to maximize the use of trade and barter transactions in order to obtain products and services at the least cost possible to public funds.

- Restricted net assets are assigned for the following purposes:

	2010	2009
Special dramatic project	$ 672,161	$ 793,400
Digital grant	394,832	-
CPB	242,131	271,219
PBS Ready to learn and other	-	39,255
ACUDEN grant	19,654	-
Others	5,000	-
Total restricted asserts	$ 1,333,778	$ 1,103,874

- For the fiscal year ended June 30, 2010, as compared to the fiscal year ended June 30, 2009, accounts receivable increased from $399,738 to $1,158,452 representing a 190%. This increase was mainly due to the invoicing of the Central American and Caribbean Games of 2010 ("Centroamericanos") celebrated in Mayagüez, which are included as deferred income in the accompanying Statement of Net Assets. Deferred revenue as of June 30, 2010 amounted to $707,975.

- As of June 30, 2010 and 2009, the Corporation's liabilities amounted to $6,542,225 and $4,838,086, respectively, increasing by $1,704,139, or 35% in 2010. This increase is primarily due to the increase in deferred revenue and accrued expenses during the current fiscal year.

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.

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 Legislative Assembly 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:

Net Assets
(Comparative Financial Data)

	June 30 2010	June 30 2009
Capital assets	$ 18,370,165	$ 20,390,039
Current assets	4,683,117	4,757,506
Non-current assets	645,376	381,132
Total assets	23,698,658	25,528,677
Current liabilities	4,925,388	3,197,515
Non-current liabilities	1,616,837	1,640,571
Total liabilitites	6,542,225	4,838,086
Net assets invested in capital assets, net of related debt	18,251,518	20,220,675
Restricted net assets	1,333,778	1,103,874
Unrestricted net assets	(2,428,863)	(633,958)
Total net assets	$ 17,156,433	$ 20,690,591

Revenues, Expenses and Changes in Net Assets
(Comparative Financial Data)

	June 30 2010	June 30 2009
Operating revenues	$ 3,200,373	$ 1,663,536
Operating expenses	26,547,340	28,867,727
Loss from operations	(23,346,967)	(27,204,191)
Non-operating revenues	3,268,231	3,973,698
Loss before contributions from government and capital contributions	(20,078,736)	(23,230,493)
Contributions from government	16,544,578	20,026,465
Loss before capital contributions	(3,534,158)	(3,204,028)
Capital contributions	-	133,341
Decrease in net assets	(3,534,158)	(3,070,687)
Net assets, beginning of year	20,690,591	23,761,278
Net assets, end of year	$ 17,156,433	$ 20,690,591

FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS:

The Corporation reported revenues of $6,468,604 and $5,637,234 respectively, before contributions from government of $16,544,578 in 2010 and $20,026,465 in 2009, and capital contributions of $133,341 in 2009. Total expenses for the Corporation were $26,547,340 for 2010 and $28,867,727 for 2009, resulting in a decrease in net assets of $3,534,158 and $3,070,687, respectively.

Capital Assets: At the end of June 30, 2010 and 2009, the Corporation had $18,251,518 and $20,220,675, 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 2, 5 and 6 of the basic financial statements.

Capital Assets
(Net of Accumulated Depreciation)

	2010	2009
Land	$ 82,600	$ 82,600
Television and other equipment	15,971,787	17,002,288
Building and building improvements	1,671,683	2,388,683
Motor vehicles	73,579	227,312
Furniture and fixtures	478,237	596,893
Computers	92,279	92,263
Total capital assets, net	$ 18,370,165	$ 20,390,039

The more significant capital asset additions in 2010 and 2009 included $1,200,494 and $2,412,322, 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 funds 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
JUNE 30, 2010 AND 2009

Assets		2010		2009
Current assets:				
Cash and cash equivalents	$	1,667,190	$	2,361,701
Restricted cash		1,544,039		1,103,874
Accounts receivable:				
Trade, net of allowance for doubtful accounts of $151,849 and $103,616 in 2010 and 2009, respectively		1,158,452		399,738
Other		42,706		22,542
Due from:				
Corporation of Public Broadcasting (CPB)		233,123		539,651
Government entities		-		330,000
Other assets		37,607		-
Total current assets		4,683,117		4,757,506
Non-current assets:				
Licensed program rights and cost incurred for programs not yet telecasted		174,528		381,132
Other assets		470,848		-
Total non-current assets		645,376		381,132
Capital assets, net of accumulated depreciation and amortization		18,370,165		20,390,039
Total assets	$	23,698,658	$	25,528,677
Liabilities and Net Assets				
Current liabilities:				
Accounts payable, trade	$	1,731,487	$	1,570,327
Equipment financing, current portion		74,343		61,094
Acrued expenses, payroll taxes and withholdings		1,320,430		586,425
Deferred revenue		707,975		-
Compensated absences, current portion		1,091,153		979,669
Total current liabilities		4,925,388		3,197,515
Non-current liabilities:				
Equipment financing, long-term portion		44,304		108,269
Compensated absences, long-term portion		1,572,533		1,532,302
Total non-current liabilities		1,616,837		1,640,571
Total liabilities		6,542,225		4,838,086
Net assets:				
Invested in capital assets, net of related debt		18,251,518		20,220,675
Restricted net assets		1,333,778		1,103,874
Unrestricted net assets (deficit)		(2,428,863)		(633,958)
Total net assets		17,156,433		20,690,591
	$	23,698,658	$	25,528,677

The accompanying notes are an integral part of these 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, 2010 AND 2009

	2010	2009
Operating revenues:		
Sponsoring services	$ 1,957,685	$ 348.066
Production services	1.242,688	1.315.470
Total operating revenues	3.200.373	1,663.536
Operating expenses:		
Broadcasting and technical	3,612,401	3,990,088
Programming and production	11,212,123	13,435,901
General administration	7,310,682	6,812.089
Depreciation and amortization	4,252,705	4,620,107
Bad debt expense	159,429	9,542
Total operating expenses	26.547,340	28.867.727
Loss from operations	(23,346,967)	(27,204,191)
Non-operating revenues:		
Contributions from Corporation for Public Broadcasting and others	3.000.309	3.672.006
Rent and other income	250.894	236,836
Interest income	17.028	64.856
Total non-operating revenues	3.268.231	3.973.698
Loss before contributions from government and capital contribution	(20.078.736)	(23.230.493)
Contributions from government:		
Commonwealth of Puerto Rico - General Fund	8.521.578	20.026.465
Commonweatlh of Puerto Rico - Stabilization Fund	8.023.000	-
Total contributions from government	16.544.578	20.026.465
Loss before capital contributions	(3.534.158)	(3.204.028)
Capital contributions	-	133.341
Decrease in net assets	(3.534.158)	(3.070.687)
Net assets, beginning of year	20.690.591	23.761.278
Net assets, end of year	$ 17.156.433	$ 20.690.591

The accompanying notes are an integral part of these statements.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 2,205,389	$ 2,134,585
Payments to suppliers and contractors	(8,455,407)	(16,306,842)
Payments to employees	(11,794,678)	(9,838,126)
Net cash used in operating activites	(18,044,696)	(24,010,383)
Cash flows from non-capital financing activities:		
Contributions from the Commonwealth of Puerto Rico - General Fund	8,851,578	20,294,420
Contributions from the Commonwealth of Puerto Rico - Stabilization Fund	8,023,000	-
Operating grants received	3,195,641	3,588,668
Net cash provided by non-capital financing activities	20,070,219	23,883,088
Cash flows from capital and related financing activities:		
Capital contributions from the Commonwealth of Puerto Rico	-	133,341
Other assets	(470,848)	-
Acquisition of capital assets	(1,316,339)	(2,830,562)
Acquisition of licensed programs rights and cost incurred for programs not yet telecasted	(709,888)	(967,568)
Repayment of equipment financing	(50,716)	(19,750)
Net cash used in capital and related financing activities	(2,547,791)	(3,684,539)
Cash flows from investing activities:		
Interest income earned	17,028	64,856
Proceeds from rent and other income	250,894	236,836
Net cash provided by investing activities	267,922	301,692
Net decrease in cash, cash equivalents and other restricted cash	(254,346)	(3,510,142)
Cash, cash equivalents and other restricted cash, at beginning of year	3,465,575	6,975,717
Cash, cash equivalents and other restricted cash, at end of year	$ 3,211,229	$ 3,465,575

CONTINUES

The accompanying notes are an integral part of these statements.

PUERTO RICO PUBLIC BROADCASTING CORPORATION
(A Component Unit of the Commonwealth of Puerto Rico)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

CONTINUED

	2010	2009
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	$(23,346,967)	$(27,204,191)
Adjustments to reconcilie loss from operations to net cash used in operating activities:		
Depreciation and amortization	4,252,705	4,620,107
Bad debt expense	159,429	9,542
Loss on disposal of capital assets	-	1,260
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(806,947)	461,507
(Increase)/decrease in accounts receivable other	(20,164)	-
Decrease in prepaids	-	3,700
Increase in other assets	(37,607)	-
Increase/(decrease) in accounts payable trade	161,160	(1,713,448)
Increase in accrued expenses, payroll taxes and withholdings	734,005	92,848
Increase in deferred revenues	707,975	-
Increase/(decrease) in compensated absences	151,715	(281,708)
Total adjustments	5,302,271	3,193,808
Net cash used in operating activities	$(18,044,696)	$(24,010,383)
Reconciliation of cash and cash equivalents to the statements of net assets:		
Cash and cash equivalents	$ 1,667,190	$ 2,361,701
Restricted cash	1,544,039	1,103,874
Total cash, cash equivalents and other restricted cash	$ 3,211,229	$ 3,465,575
Non - Cash Transaction:		
Trade and barter transactions	$ 875,848	$ 105,186

The accompanying notes are an integral part of these statements.

1. NATURE OF THE CORPORATION

On September 12, 1996, the Legislative Assembly of the Commonwealth of Puerto Rico approved Act Number 216. This Act created and transferred all existing assets and broadcasting facilities from a subsidiary of the Puerto Rico Telephone Authority to the Puerto Rico Public Broadcasting Corporation (the "Corporation" or "PRPBC"). On December 13, 1996, the Federal Communications Commission (FCC) approved the transfer. The Corporation 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 Commonwealth provides financial support to PRPBC through legislative appropriations.

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

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

The Corporation operates with funding 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 the following television and radio stations:

San Juan (WIPR)	Mayagüez (WIPM)
PRTV (6.1)	PRTV (3.1)
Best TV (6.2)	Best TV (3.2)
Kids TV (6.3)	Kids TV (3.3)
Vme (6.4)	Vme (3.4)
Noticias 24/7 (6.5)	Noticias 24/7 (3.5)
FM Allegro (91.3)	
FM Jazz (91.3HD2)	
FM Noticias (91.3HD3)	
AM (940)	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

Use of Estimates - The preparation of the accompanying 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. The difference between assets and liabilities are classified as net assets of the Business-type activities.

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

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.

Cash and Cash Equivalents - Cash and cash equivalents include 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.

Accounts Receivables – Accounts receivables are stated at their net realizable value.

The Corporation provides for estimated losses on accounts receivables, upon an evaluation of the risk characteristics, loss experience, economic conditions and other pertinent factors. Losses are charged to the allowance for doubtful accounts and recoveries are taken into income.

Licensed Program Rights and Costs Incurred for Programs not yet Telecasted – Costs incurred in the acquisition or development of licensed program rights relate to programs or program series that will be aired during subsequent periods and are stated at cost. Amortization is computed based on the estimated number of future showings, except that licenses providing for unlimited showings of cartoons and programs with similar characteristics may be amortized over the period of the agreement because the estimated number of future showings may not be determinable. Amortization expense amounted to $916,492 and $1,268,679, for the fiscal year ended June 30, 2010 and 2009, respectively.

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

The Corporation periodically reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management determined that there were no impairment losses during the fiscal years ended June 30, 2010 and 2009.

Depreciation and Amortization – Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets, which are as follows:

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

Other Assets – Other assets consists of advances for the purchases of capital assets not yet received as of June 30, 2010.

Deferred Revenue – The Corporation reports deferred revenue on its statement of net assets. Deferred revenue arises when potential revenues do not meet either the "measurable" or the "available" criteria for revenue recognition in the current period. Deferred revenue also arises when resources are received before the Corporation has a legal claim to them, as when grant moneys are received prior to incurring the qualifying expenditures. 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 in such period.

Compensated Absences - The employees of the Corporation are granted thirty (30) days of vacation and eighteen (18) days of sick leave annually. Accrued vacation time 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 amount accumulated. Separation of employment prior to the use of all or part of the accrued 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 or after July 1, 1997, the excess of 60 days in vacation and of 90 days of 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.

On December 31st of each year, the Corporation will determine the monetary compensation for their employees, with regards to 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.

Net Assets - Net assets are the difference between assets and liabilities. In the statement of net assets, net assets are reported in three categories:

- Invested in capital assets, net of related debt – This is the component of net assets that reports, the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that are directly attributable to the acquisition, construction or improvement of those assets. At June 30, 2010 and 2009, the Corporation's net assets invested in capital assets, net of related debt amounted to $18,251,518 and $20,220,675, respectively.

- Restricted net assets – This is the component of net assets that discloses the constraints placed on the use of net assets by externally imposed conditions, by grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions and/or enabling legislation. Restricted net assets at June 30, 2010 and 2009, amounted to $1,333,778 and $1,103,874, respectively.

- Unrestricted net assets – This is the difference between the assets and liabilities that are not reported as invested in capital assets, net of related debt and as restricted net assets. 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. At June 30, 2010 and 2009, the unrestricted net assets carried a deficit of ($2,428,863) and ($633,958), respectively.

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.

Trade and Barter Transactions – The Corporation recognizes trade and barter transactions as revenue and expense based on the estimated fair value of goods and services received. During the years ended June 30, 2010 and 2009, the Corporation recorded trade and barter transactions in the amount of $875,848 and $105,186, respectively, which are included as part of sponsorship services revenues and as part of programming and productions and general and administrative expenses in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

Corporation for Public Broadcasting Community Service Grant – The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grants funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

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 activities, they are recorded as capital contributions. Funds not used at the end of the year are reported as restricted net assets and restricted cash.

Governmental contributions represent the primary source of income of the Corporation.

Operating Activities – The Corporation's policy for defining operating activities as reported in the statement of revenues, expenses, and changes in net assets are those that generally results from the provisions of public broadcasting and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for, capital improvement grants, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

Advertising Costs – Advertising costs are expensed in the period in which they are incurred. During the years ended June 30, 2010 and 2009, the Corporation incurred in advertising costs amounting to $231,238 and $216,178, respectively.

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

Operating Leases – The Corporation leases building facilities and transmission tower space for certain repeater stations from third parties under lease agreements, accounted for as operating leases for various terms ranging from 5 to 10 years, with additional renewal options.

The Corporation leases space on certain towers that it owns, to various third parties using five-year lease agreements with renewal options, which is included as rental and other income in the accompanying statements of revenues, expenses and changes in net assets.

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.

Accounting for Pension Costs - The Corporation accounts for pension costs in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 27 *Accounting for Pensions by States and Local Governmental Employers*, as amended by GASB No. 50, *Pension Disclosures*.

GASB No. 27 establishes standards of accounting and financial reporting for pension expenditures/expenses and related pension liabilities, pension assets, financial statement 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.

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, which may arise during the normal course of business. Commercial insurance coverage is obtained for claims arising from such matters.

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.

Concentration of Credit Risk - Financial instruments that potentially subjects the Corporation to concentration of credit risk consists of accounts receivable. The accounts receivable balance at June 30, 2010 and 2009 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.

Reclassifications – Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation.

3. 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 requires for all opening of bank accounts to be approved by its Board of Directors. At June 30, 2010 and 2009, cash and certificates of deposit were maintained in institutions approved by Puerto Rico's Department of the Treasury.

Custodial credit risk is the risk that, in an event of a bank failure, the Corporation's deposits 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.

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	June 30, 2010	June 30, 2009
Insured by FDIC	$ 500,000	$ 480,728
Bank balances:		
Cash in banks held in the Corporation's name	2,735,659	3,116,799
Total deposits	$ 3,235,659	$ 3,597,527

The securities pledged to the PR Treasury by the financial institutions are sufficient to cover the Corporation's deposits.

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

	2010	2009
Cash on hand	$ 2,750	$ 2,800
Unrestricted cash	1,664,440	2,358,901
Restricted cash	1,544,039	1,103,874
	$ 3,211,229	$ 3,465,575

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the allowance for doubtful accounts during the years ended June 30, 2010 and 2009, follow:

	2010	2009
Allowance for doubtful accounts, beginning of year	$ 103,616	$ 103,616
Plus: Provision for doubtful accounts	159,429	9,542
Less: Write-offs	(111,196)	(9,542)
Allowance for doubtful accounts, end of year	$ 151,849	$ 103,616

5. CAPITAL ASSETS

Capital assets at June 30, 2010 and 2009, consisted of the following:

	2010			
	Beginning balance July 1, 2009	Increases	Decreases	Ending balance June 30, 2010
Capital assets not being depreciated:				
Land	$ 82,600	$ -	$ -	$ 82,600
Construction in progress	-	-	-	-
Total capital assets not being depreciated	82,600	-	-	82,600
Capital assets being depreciated:				
Television, radio and other equipment	47,560,992	1,200,494	-	48,761,486
Building and building improvements	12,018,968	35,590	-	12,054,558
Motor vehicles	1,728,292	-	-	1,728,292
Furniture and fixtures	2,586,049	14,445	-	2,600,494
Computers	461,513	65,810	-	527,323
Total capital assets being depreciated	64,355,814	1,316,339	-	65,672,153
Less: accumulated depreciation and amortization:				
Television, radio and other equipment	30,558,704	2,230,995	-	32,789,699
Building and building improvements	9,630,285	752,590	-	10,382,875
Motor vehicles	1,500,980	153,733	-	1,654,713
Furniture and fixtures	1,989,156	133,101	-	2,122,257
Computers	369,250	65,794	-	435,044
Total accumulated depreciation and amortization	44,048,375	3,336,213	-	47,384,588
Total capital assets, net	$ 20,390,039	$ (2,019,874)	$ -	$ 18,370,165

	2009			
	Beginning balance July 1, 2008	Increases	Decreases	Ending balance June 30, 2009
Capital assets not being depreciated:				
Land	$ 82,600	$ -	$ -	$ 82,600
Construction in progress	-	-	-	-
Total capital assets not being depreciated	82,600	-	-	82,600
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	61,344,484	3,019,675	(8,345)	64,355,814
Less: accumulated depreciation and amortization:				
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	40,704,032	3,351,428	(7,085)	44,048,375
Total capital assets, net	$ 20,723,052	$ (331,753)	$ (1,260)	$ 20,390,039

The Corporation is currently performing a formal reconciliation of its capital assets subsidiary ledgers to the physical assets, mostly as a result of the high volume of transactions recorded during the last six years related to the National Digital Conversion Project. As of the date of issuing these financial statements, the reconciliation procedures have not being completed. These financial statements do not include the effect, if any, that the completion of the reconciling procedures may have in the Company's capital assets and accumulated depreciation balances as of June 30, 2010. Management expects that this reconciliation procedure should be completed during the next fiscal year.

6. EQUIPMENT FINANCING

A detail of equipment financing obligation as of June 30, 2010 and 2009, follows:

	2010	2009
Payable in monthly installments of $5,634, including principal and interest, bearing interest at 4.6%, due on February 2012. Collateralized by the equipment under financing.	$ 118,647	$ 169,363

Scheduled repayments on financing equipment are as follows:

Year ended June 30,	Amount
2011	$ 78,876
2012	45,071
Total minimum payments	123,947
Less: amount representing interest	(5,300)
Present value of future minimum payments	118,647
Less: current portion	74,343
Financing equipment, long-term portion	$ 44,304

7. **RESTRICTED NET ASSETS**

Restricted net assets in the accompanying financial statements as of June 30, 2010 and 2009 are for the following purposes:

	2010	2009
Special dramatic project	$ 672,161	$ 793,400
Digital grant	394,832	-
CPB	242,131	271,219
PBS Ready to learn and other	-	39,255
ACUDEN grant	19,654	-
Others	5,000	-
	$ 1,333,778	$ 1,103,874

8. **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 (10) 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 the provisions of "System 2000" (as defined in page 23). The Corporation's contributions are 9.275% of gross salary. Total employee and employer contributions contributed for the year ended June 30, 2010 amounted to $577,173 and $693,782, respectively. Total employee and employer contributions contributed for the year ended June 30, 2009 amounted to $659,277 and $822,488, respectively. Total payroll covered for the years ended June 30, 2010 and 2009 was $7,993,635 and $8,602,800, respectively.

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.

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 most recent actuarial valuation is as of June 30, 2009. The significant actuarial assumptions used to determine the standardized measure of the pension benefits obligation are summarized below:

• Investments Rate of Return	7.5% a year
• Payroll growth	3.0% per year
• Mortality	RP 2000 Mortality Rates
• Disability	Adjusted 1987 Commissioners Group Disability Table
• Retirement age	Graded scale of retirement ages
• Proportion of participants with spouses	50% of participants assumed to be married, with wives assumed to be 4 years younger than husbands
• Cost-of-living adjustment	3% every third year

The financial statements and required supplementary information for the pension plan are available at the administration office of the Employees' Retirement System (ERS) of the Government of Puerto Rico, PO 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 for the purpose of establishing the system as of December 31, 1999. Persons joining the government on or after January 1, 2000, will only be allowed to become members of System 2000, the pension plan currently in use.

System 2000 reduced 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.

9. COMMITMENTS

The Corporation entered into various lease agreements as lessee for certain properties, until the year 2013. Also, as lessor, the Corporation leases certain facilities under various operating leases.

Future commitments under existing operating lease and other agreements as of June 30, 2010, are as follows:

Year Ending June 30	As Lessee minimum lease payment	As Lessor minimum lease revenue receivable
2011	$ 131,160	$ 104,655
2012	28,788	89,957
2013	11,335	87,010
2014	-	90,055
2015	-	93,207
Thereafter	-	145,534
	$ 171,283	$ 610,418

Total rental expense under operating leases amounted to $109,057 and $124,991, for the years ended June 30, 2010 and 2009, respectively, and are disclosed as part of broadcasting expenses in the accompanying statements of revenues, expenses and changes in net assets.

10. LITIGATIONS

Some claims have been brought against the Corporation by employees and others. Legal counsel and management are contesting the cases vigorously. Management has recorded a provision for losses amounting to $288,753 for potential payments related to two claims against the Corporation. Management believes, based on the opinion of legal counsel, that provision for losses are appropriate at June 30, 2010.

11. 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 Fifty-year old analog transmission-reception 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 was estimated at $30 million dollars during a period from three to five years for the two television stations, WIPR and WIPM.

In order to acquire the equipment necessary to comply with the FCC orders. The Commonwealth of Puerto Rico approved an appropriation of $30 million dollars to the Corporation. This amount was received since 1999 and was expended until 2009.

In 2009, the Corporation obtained a special permit from the FCC "Nightlight analog transmission" by which the FCC allowed the Corporation to operate with the analog and digital transmitters. This was started on June 12, 2009 and was extended until July 12, 2009. During that period the Corporation oriented the public to the process of digital changes. On July 12, 2009, at midnight, the Corporation turned off its analog transmission-reception system and since that date, has maintained the operation of its digital transmission.

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

To the Board of Directors of
Puerto Rico Public Broadcasting Corporation:

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, 2010, and have issued our report thereon dated December 27, 2010. 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 the 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.

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. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above. Significant deficiencies and material weaknesses are listed in a separate letter dated December 27, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the Corporation's management in a separate letter dated December 27, 2010.

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.

Scherrer Hernández & Co.

San Juan, Puerto Rico

December 27, 2010

Certified Public Accountants
(of Puerto Rico)
License No. 53 expires December 1, 2012
Stamp 2511623 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report