De Angel & Compañía
COMPAÑÍA DE RESPONSABILIDAD LIMITADA
CONTADORES PÚBLICOS AUTORIZADOS

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September 29, 2020

To the Board of Directors of
Corporación del Conservatorio de Música
de Puerto Rico and Related Company
951 Ponce de León Ave.
San Juan, PR 00907-3373

We have audited the financial statements of **Corporación del Conservatorio de Música de Puerto Rico and Related Company** (the Corporation), as of and for the year ended June 30, 2019, and have issued our report thereon dated September 29, 2020, in accordance with auditing standards generally accepted in the United States of America. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended on June 30, 2019. We noted no transaction entered by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- *Allowance for Uncollectible Accounts* – the methodology used by management is based on review of outstanding receivables, historical collection information, economic conditions, and prior credit loss experience.

- *Depreciation of Property and Equipment* – the depreciation is provided using the straight-line method over estimated useful lives of several years depending on the classification of the assets.

We evaluated the key factors and assumptions used to develop the accounting estimates described above in determining that they are reasonable in relation to the financial statements taken as whole.

Difficulties Encountered in Performing the Audit

During our audit procedures for the year ended June 30, 2019, everything went as expected, and when an issue comes up the Management resolved promptly. In our judgment, we received full cooperation of the Corporation's management and staff and had unrestricted access to the Corporation's senior management in the performance of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purpose of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated September 29, 2020.

Consultations with Other Independent Accountant

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings and Issues

Each year we generally discuss a variety of matters, including the applications of accounting principles and auditing standards, with management each year prior the retention as the Corporation's independent auditors. However, these discussions occurred in normal course of our professional relationship and our response were not a condition to our retention.

Emphasis-of-Matter

As described in the notes to the financial statements, the Corporation's financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note 14 to the financial statements, the Corporation is highly dependent on the Commonwealth of Puerto Rico (the Commonwealth) appropriations to finance its operations. The financial difficulties experienced by the Commonwealth, including the uncertainty as to its ability to fully satisfy its obligations, raises substantial doubt the Corporation's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Control-Related Matters

We have identified, and included in Appendix A, certain matters involving the Corporation's internal control over financial reporting that we consider to be material weakness, significant deficiency and/or other matters of not such significance under standards established by the American Institute of Certified Public Accountants. The definitions of a deficiency and a material weakness are also set forth in Appendix A.

This information is intended solely for the use of the Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very Truly Yours,

Carlos De Angel, CPA
President

Appendix A

Section I– Definitions

A *deficiency* in internal control over financial reporting 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 and correct misstatements on a timely basis.

A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *other matter* is other situation that (a) have not been communicated to management by other parties and in the auditors' professional judgement are of sufficient importance to merit management attention and/or (b) other matters that the auditor believes to be of potential benefit to the entity.

Section II–Other Matters

Unsecured Cash Balance

While conducting the audit of cash we noted that the Corporations had cash on deposits in excess of the federally insured limit in a Financial Institution. This present a potential for losses to the Corporation in the event of bank or institutional failure. We strongly suggest that management closely monitor cash balances and transfer excess cash balance to other banks, where possible, to reduce the potential for loss of monetary amounts in excess of the federally insured level.

GASB No. 73 and No. 75

As described in Note 6 to the basic combined financial statements, the Corporation has not implemented the requirements of Statement No. 73 of the Governmental Accounting Standard Board, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, because the final audited pension information from the Employee Retirement System of the Government of the Commonwealth of Puerto Rico is not available. Therefore, the Corporation does not have nor record its proportionate share of total pension liability, deferred inflows of resources, deferred outflows of resources and pension expense, and the Corporation has not recognized the effect of current period changes in the net pension liability as it relates to, deferred outflows of resources, deferred inflows of resources and pension expense for the year ended June 30, 2019.

Also, the Corporation has not implemented the requirements of Statement No 75 of the Governmental Accounting Standard Board, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, because the Corporation has not been provided the actuarial information required for the implementation of such statement. Therefore, the Corporation has not recorded the total post-employment benefits liability, deferred inflows of resources, deferred outflows of resources and other post- employment expense, and the Corporation has not recognized the effect of current period changes in the total post-employment benefits obligation as it related to, deferred outflows of resources, deferred inflows of resources and other post-employment expense for the year ended June 30, 2019.

Unduplicated Head Count (CEPR)

The Corporation did not update nor review new changes made on the Scholarship Program for students with Academic Talent and other economic assistance initiatives for post-secondary students (BETA) to assure that the unduplicated recorded number on the Corporation student database is the same as the one, the Corporation certified to the Board of Education of Puerto Rico in the Petition for Universal Funds for the fiscal year that is audited. We suggest that the management of the Corporation made those changes and performed training to the Register Office, and Finance Department to monitor changes to the student data base.