

**COMPAÑIA PARA EL DESARROLLO INTEGRAL
DE LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

**COMPAÑIA PARA EL DESARROLLO INTEGRAL
PARA LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

JUNE 30, 2011

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION</i>	2-6
FINANCIAL STATEMENTS	
<i>Statement of Net Assets</i>	7
<i>Statement of Activities and Changes in Net Assets</i>	8
<i>Statement of Cash Flows</i>	9
<i>Notes to Financial Statements</i>	10-18



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Compañía para el Desarrollo Integral
de la Península de Cantera
San Juan, Puerto Rico

We have audited the accompanying statement of net assets of **COMPAÑIA PARA EL DESARROLLO INTEGRAL DE LA PENINSULA DE CANTERA** (a component unit of the Commonwealth of Puerto Rico) as of June 30, 2011 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

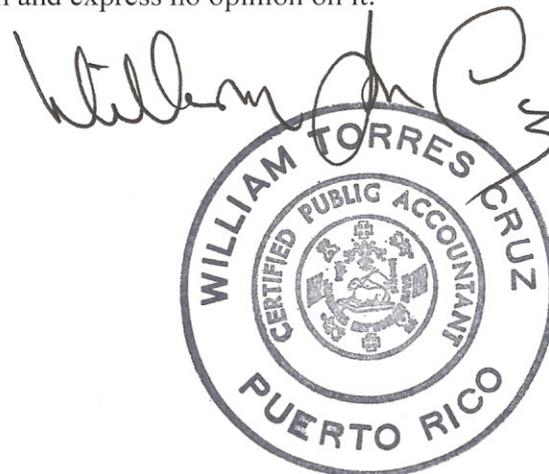
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration 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 Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compañía para el Desarrollo Integral de la Península de Cantera as of June 30, 2011, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, included in page 3 through 7, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquires to management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

September 19, 2011

Stamp No. 2610623 of the Puerto Rico
Society of Certified Public
Accountant was affixed to the
original of this report.



**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Our discussion and analysis of the Compañía para el Desarrollo Integral de la Península de Cantera (The Company) financial performance provides an overview of the Company's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Company's audited financial statements, beginning on page 8.

The Company is a public corporation and a governmental instrumentality of the Commonwealth of Puerto Rico, created by Law No. 20 of July 10, 1992, as amended. The main purpose of the Company is to establish and implement a comprehensive development plan for the Península of Cantera area. The main function of the Company is to supervise and coordinate governmental effort and also promote and manage private sector initiatives.

FINANCIAL HIGHLIGHTS:

1. Total assets of the Company as of June 30, 2011 were \$32,198,343, compare with \$23,051,265 at June 30, 2010. The net change, amounting to \$9,147,078, is mostly related to an increase in accounts receivable from Government amounted to \$9,361,551 regarding the contributions receivable for the repayment of the debt with the Government Development Bank.
2. The Company's assets exceed liabilities by \$8,304,629 as of June 30, 2011.
3. Total expenses decreased by \$3,142,038, basically due to the decrease in improvements and development costs.

USING THE ANNUAL REPORT:

This annual report consists of a series of basic financial statements. The Statement of Net Assets, the Statement of Activities and changes in net assets and the Statements of Cash Flows provide information about the activities of the Company's as a whole and present a view of the Company's finances. These statements show how these activities were financed in the short-term as well as what remains for future activities.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS:

The Company is a component unit of the Commonwealth of Puerto Rico and is presented in the Commonwealth's government wide financial statements as a public corporation.

The Company's basic financial statements are presented attached to this document and are accompanied by notes to the Financial Statements, which provide information essential to their full understanding.

Statement of Net Assets:

The statement of net assets presents the Company's financial position as of June 30, 2011, showing information that includes all of the Company's assets and liabilities, as well as the net assets.

Statement of Activities and Changes in Net Assets:

The statement of activities and changes in net assets shows how the Company's net assets changed during the fiscal year. All current fiscal year revenues and expenses are included regardless of when cash is received or paid.

Statement of Cash Flow:

The statement of cash flows presents the sources and uses of cash divided in three categories: operating activities, capital and related financial activities and investing activities. The statement reconciles net cash equivalents at the beginning and end of year and reconciles the change in net assets with the cash provided by operating activities to provide an explanation of cash and non-cash activities within the statement of activities.

A summary of the Company's cash flows is as follows:

	<u>2011</u>
Net cash used in operating activities	\$ (9,149,207)
Net cash used in investing activities	(184,694)
Net cash provided by financing activities	<u>9,396,582</u>
Net increase in cash and cash equivalents	62,681
Cash and cash equivalents at beginning of year	<u>3,448,861</u>
Cash and cash equivalents at ending of year	<u>\$ 3,511,542</u>

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The cash used in investing activities is related to the purchase of land and housing units by \$847,162, decreased by amounts received on notes receivable totaling \$669,584. On the other hand, the cash provided by financing activities is related to the borrowings from the Government Development Bank.

FINANCIAL ANALYSIS OF THE COMPANY AS A WHOLE:

Our analysis shown below focuses on net assets and change in net assets for Company's activities compared to the prior year:

STATEMENTS OF NET ASSETS

	<u>June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets:			
Current assets	\$ 24,346,856	14,995,441	\$ 9,351,415
Non current assets	<u>7,851,487</u>	<u>8,055,824</u>	<u>(204,337)</u>
Total assets	<u>\$ 32,198,343</u>	<u>23,051,265</u>	<u>9,147,078</u>
Liabilities:			
Current liabilities	<u>\$ 23,893,714</u>	<u>15,437,309</u>	<u>8,456,405</u>
Net Assets:			
Invested in capital assets	\$ 145,291	191,986	(46,695)
Restricted	497,338	497,338	-
Unrestricted	<u>7,662,000</u>	<u>6,924,632</u>	<u>737,368</u>
Total net assets	<u>8,304,629</u>	<u>7,613,956</u>	<u>690,673</u>
Total liabilities and net assets	<u>\$ 32,198,343</u>	<u>23,051,265</u>	<u>\$ 9,147,078</u>

As observed from the table above, the Company has experienced an increase in its current assets and current liabilities of \$9,147,078 and \$8,456,405, respectively. This change was primarily due to an increase in accounts receivable, as more fully explained in Financial Highlights section, and the borrowings obtained from the lines of credit with the Government Development Bank.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The increase in net assets (total revenue over total expenses) amounting to \$690,673 was produced by a decrease in acquisition, relocation and development costs.

During the year ended June 30, 2011 the Company received from the Municipality of San Juan the amount of \$400,000 corresponding to contributions pursuant to the provision of Law No. 20 of July 10, 1992. The Municipalities of San Juan owes the Company contributions amounting to \$400,000 that have not been made since fiscal year 2009-2010.

TABLE 2 – STATEMENTS OF ACTIVITIES

	<u>June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Expenses:			
Salaries, wages and benefit	\$ 946,527	859,542	86,985
Improvement and development cost	5,889,300	9,068,517	(3,179,217)
Other program expenses	3,014,503	3,701,145	(686,642)
Depreciation	81,226	73,930	7,296
Interest on debt	<u>1,055,660</u>	<u>426,120</u>	<u>629,540</u>
	\$ 10,987,216	14,129,254	(3,142,038)
Program revenues:			
Operating grants and contributions	<u>11,565,623</u>	<u>13,315,649</u>	<u>1,750,026</u>
Net programs revenues (expenses)	578,407	(813,605)	1,392,012
General revenues	<u>112,266</u>	<u>102,385</u>	<u>9,881</u>
Change in net assets	<u>\$ 690,673</u>	<u>(711,220)</u>	<u>1,401,893</u>

CAPITAL ASSETS

Capital assets mostly consist of land and structures, which were used to establish the Company's premises. Other capital assets include equipment and vehicles.

At June 30, 2011 the Company had \$145,291 invested in capital assets which represents a net decrease of \$46,695 over the prior year. This decrease is related to regular depreciation expense for the year.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

CURRENT AND NEXT YEAR BUDGET

During the fiscal year ended June 30, 2011 the Company's budget was \$2,216,093. Also, the Company has two credit lines with the Government Development Bank of Puerto Rico up to the maximum amounts of \$38 millions and \$40 millions.

For the fiscal year 2011-2012 a budget of \$2,416,711 was assigned to the Company.

CONTACTING THE ADMINISTRATION AND FINANCE DEPARTMENT

The financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of Company's finance and to show Company's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Administration and Finance Director at (787) 268-3138.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF NET ASSETS

JUNE 30, 2011

Assets

Current assets:

Cash (notes 1 and 2)	\$ 3,511,542
Accounts receivable (notes 1 and 3)	
Commonwealth of Puerto Rico	20,217,020
Grant receivable	518,465
Others	47,956
Notes receivable other, current portion (note 4)	9,600
Prepaid expenses	<u>42,273</u>
Total current assets	24,346,856

Noncurrent assets:

Note receivable related party (note 4 and 6)	5,051,428
Note s receivable other, long-term (note 4)	573,299
Account receivable related party (net) (notes 1 and 6)	731,968
Capital assets, net (notes 1 and 7)	145,291
Property held for development and rehabilitation (note 8)	847,162
Donated land (note 10)	497,338
Other assets	<u>5,000</u>
Total assets	<u>\$ 32,198,342</u>

Liabilities and Net Assets

Current liabilities:

Lines of credit (note 9)	20,175,460
Accounts payable	3,477,638
Current liabilities	<u>240,616</u>
Total current liabilities	<u>23,893,714</u>

Commitments and Contingencies (note 10)

Net assets (notes 1, 11 and 12):

Invested in capital assets	145,291
Restricted	497,338
Unrestricted	<u>7,662,000</u>
Total nets assets	<u>8,304,629</u>
Total liabilities and net assets	<u>\$ 32,198,343</u>

The accompanying notes are an integral part of these financial statements.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Administration</u>	<u>Improvements and Development</u>	<u>Debt Service</u>	<u>Total</u>
Expenses: (notes 1 and 2):				
Salaries, wages and benefits	\$ 673,492	273,035	-	\$ 946,527
Improvements and development cost	-	5,889,300	-	5,889,300
Other program expenses	233,397	2,781,106	-	3,014,503
Depreciation	81,226	-	-	81,226
Interest on debt	-	-	1,055,660	1,055,660
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	988,115	8,943,441	1,055,660	10,987,216
Program revenues (notes 1 and 2):				
Operating grants and contributions	<hr/> 848,110	<hr/> 9,661,853	<hr/> 1,055,660	<hr/> 11,565,623
Net program expenses	<hr/> <u>\$ (140,005)</u>	<hr/> <u>718,412</u>	<hr/> <u>-</u>	<hr/> <u>578,407</u>
General revenues (notes 1 and 2):				
Grants and contributions not restricted to specific programs				6,744
Interest income				<hr/> 105,522
Total general revenues				<hr/> 112,266
Change in net assets				690,673
Net assets, beginning of year				<hr/> 7,613,956
Net assets, end of year				<hr/> <u>\$ 8,304,629</u>

The accompanying notes are an integral part of these financial statements.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:

Cash received from grantors and contributors	\$ 1,987,598
Interest received	190,618
Interest paid	(1,090,691)
Cash paid to suppliers	(9,422,708)
Cash paid to employees	<u>(814,024)</u>
Net cash used in operating activities	<u>(9,149,207)</u>

Cash flows from investing activities:

Proceeds from notes receivable	669,584
Purchases of capital assets	(7,116)
Purchases of land and housing units	<u>(847,162)</u>
Net cash used in investing activities	<u>(184,694)</u>

Cash flows from financing activities:

Proceeds from short-term borrowings	9,612,078
Repayments of short-term borrowings	<u>(215,496)</u>
Net cash provided by financing activities	<u>9,396,582</u>

Net increase in cash and cash equivalents **62,681**

Cash and cash equivalents at beginning of year **3,448,861**

Cash and cash equivalents at end of year **\$ 3,511,542**

Reconciliation of changes in net assets to net cash provided by operating activities:

Change in net assets	\$ 690,673
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	53,811
Change in assets and liabilities:	
Increase in receivables	(9,357,636)
Increase in prepaid expenses	(426)
Decrease in other assets	366,378
Decrease in accounts payable and accrued expenses	<u>(902,007)</u>
Net cash provided by operating activities	<u>\$ (9,149,207)</u>

The accompanying notes are an integral part of these financial statements.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Nature of the Organization

Compañía para el Desarrollo Integral de la Península de Cantera (the “Company”) is a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the Commonwealth) created on July 10, 1992 pursuant to Act. No. 20 of the Legislature of Puerto Rico (the Act). The Company will exit during a period of 20 years, with a possible extension of 5 additional years by an executive order of the Governor of Puerto Rico. The Company was created to establish and implement a comprehensive development plan for the Peninsula de Cantera area. Its main function is to supervise and coordinate governmental efforts and also promote and manage private sector initiatives for the improvement and rehabilitation of the aforementioned area. Under the entity concept, the Company is a component unit of the Commonwealth’s financial statements.

Basis of Accounting

The accounting and reporting policies of the Company conform with accounting principles generally accepted of the United States of America. The financial statements have been prepared on the accrual method of accounting. Following a description of the more significant accounting policies followed by the Company:

Revenues Recognition

Operating Purposes

Funds restricted by the government, donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Company has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as restricted deferred revenues. Unrestricted donations subject to matching requirements are deemed earned when the matching requirements are met.

Capital Expenditures

Donations received to finance capital projects are recorded as contributed capital and not as revenues.

**COMPañIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICES (continued)**

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all unrestricted highly liquid investment with an initial maturity of three months or less to be cash equivalents.

Receivables

Future donations are recorded as revenues when the written commitment from the donor is received. The notes and accounts receivable are stated at net realizable value.

Disclosure About Fair Value of Financial Instruments

The carrying amount of cash approximates fair values due to the short term maturities of these instruments. The carrying amount of the pledges and accounts receivables, accounts payable and accrued liabilities approximate fair market values based on similar instruments negotiated in the marketplace.

Capital Assets

All capital assets are carried at cost. Provision for depreciation and amortization is computed on the straight-line method based on the estimated useful lives of the respective assets. Maintenance and repair expenses are charged to operations in the year in which they are incurred. Expenditures which result in the enhancement of the value of the facilities involved are capitalized. Upon retirement or other disposition of property, cost and the related allowances for depreciation and amortization are removed from the accounts and any gains or losses are included in income. Depreciation and amortization is provided using the straight-line method over their estimated useful life as follows:

	<u>Useful Life</u>
Building	10 years
Equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	5 years

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICES (continued)**

The Company's capital assets are reviewed for impairment in accordance with FASB ASC 360 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", (formerly SFAS No. 144), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment losses for the year ended June 30, 2011.

Liabilities for Compensated Absences

The employees of the Corporation are entitled to 2.5 days per month for vacation and 1.5 days per month for sick leave. Vacation and sick leave can be accumulated up to a maximum of 60 and 90 days, respectively. Any excess over these amounts is paid to the employees during March of the next fiscal year and accrued as a current liability and expenditure in the financial statements as of June 30, 2011. Sick leave is payable to the employee upon retirement.

Employees' Retirement Benefits

The employees of the Corporation are not entitled to participate in the Commonwealth's retirement plan, but any employee transferred to the Corporation from an other government entity who is covered by the Commonwealth's plan will retain all benefits vested until that moment and may continue participating in the Commonwealth's retirement plan while in the service of the Corporation. Total pension expense for the year ended June 30, 2011 amounted to \$11,348.

Pervasiveness of Estimates

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

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

2. RISK CONCENTRATION

Financial instruments that potentially expose the Company to certain concentration of credit include cash in bank accounts. The Company maintains cash on deposit with higher rated financial institution. While the Company attempts to limit any financial exposure, its deposits balances may, at time, exceed federally insured limits. The Company has not experienced any losses on such account.

3. ACCOUNT RECEIVABLE

At June 30, 2011 the receivable from Government consist of contributions receivable from the Public Improvement Fund of the Commonwealth of Puerto Rico, to repay the outstanding balances of the non revolving lines of credit with the Government Development Bank. At June 30, 2011, the accounts receivable balance from Government amounted to \$20,217,020.

4. NOTES RECEIVABLE

Related Party

Effective on July 5, 2007 the Company subscribed a promissory note in the amount of \$5,711,935 due from a related party, Peninsula Housing Investment Associates, SE (the Partnership), to formalize the outstanding balances of receivables and accrued interests. The note shall be collected in one installment, not later than July 12, 2032. The note bears interest at 5% per annum compounded semi-annually. The accrued interest shall be paid by the partnership within seventy-five (75) days of the close of each calendar year. In connection with the transaction the Company entered into a Deed of Second Mortgage with the Partnership, to create a mortgage on the Partnership's property to guaranteed and secure the full and complete payment of the principal and interest on the note. As of June 30, 2011 the balance of the note amounted to \$5,051,428, including accrued interests amounting to \$30,104.

Other

During the year 2010, the Company entered into financing agreements with residents of housing units granted by the Company. The notes bear interest at 7% and are guaranteed by real properties, located in Condominium Paseo del Conde. Interests and principal payments on notes are due monthly until maturity at June 1, 2035.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS RECEIVABLE FROM RELATED PARTY

At June 30, 2011 accounts receivable from related party consist of advances or payments made by the Company on behalf of Apoyo Empresarial para la Península de Cantera, Inc. (a related party) in the ordinary course of business. As of June 30, 2011 the net balance of the accounts receivable amounted to \$731,968 (\$1,393,936 less allowance for doubtful account amounted to \$661,968).

6. RELATED PARTIES TRANSACTIONS

Apoyo Empresarial para la Península de Cantera

Apoyo Empresarial para la Península de Cantera, Inc. (Apoyo) a not-for-profit corporation incorporated in April 1992, is dedicated to promoting programs and projects which will improve the quality of life of the Península de Cantera area. Its main function is to bring resources, support and funding available to it and will complement the work of the Company in regard to this area.

Península Housing Investment Associates, S.E.

Península Housing Investment Associates, S.E. (the "Partnership") is a limited partnership organized on December 15, 1998 as a real estate development partnership, to develop and manage a low income housing tax credit development located in San Juan, Puerto Rico, known as Parque Victoria (the "Project"). The Project consists of six multi-story building containing one hundred two (102) residential apartment units and provides affordable housing to eligible low income tenants. The units are rented to residents of the area where the Project is located.

Costs incurred for the development and construction of the housing project have been financed principally through advances from the Company. On December 20, 2001, the Corporation entered into an agreement with the Partnership to make advances from time to time in aggregate amount not to exceed \$11.5 millions.

Approximately \$9 million of this loan will be repaid from capital contributions to be made by limited investors once the construction of the project is completed and certain conditions are met. The remaining balance of the loan, (expected to reach approximately \$2.5 million at project completion) plus accrued interest at the rate of one half percent (.005) per year starting January 1, 2002 shall be payable in one installments thirty years from the date of receipt of a certificate of occupancy form the Regulations and Permits Administration, but in no event later than December 31, 2032. This loan is also secured by a mortgage over the rental units.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA**
(A Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

6. RELATED PARTIES TRANSACTIONS *(continued)*

The original partners of the entity were Peninsula Housing, Inc, (the Managing Partner), a corporation organized under the laws of the Commonwealth of Puerto Rico (with .01% ownership), as managing general partner and Apoyo as limited partner (with 99.99% ownership). The Company's actual Executive Director is also the President of the Board of Director of the Managing Partner.

Effective December 20, 2011 the partnership agreement was amended to go into effect the admission of ESIC Citigroup CCDE Investment Fund LP as limited partnership, and the withdrawal of Apoyo as limited partner, and set forth more fully the rights and obligations of the general and limited partners. Apoyo became the developer, administrator and social services providers of the projects.

7. CAPITAL ASSETS

The following schedule summarizes capital assets held by the Corporation at June 30, 2011.

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements Adjustments</u>	<u>Ending Balance</u>
Land	\$ 80,300	-	-	80,300
Buildings	1,229,041	-	-	1,229,041
Furnitures and fixtures	211,802	-	-	211,802
Equipment	294,549	6,291	-	300,840
Software	52,112	825	-	52,937
Motor vehicles	305,865	-	-	305,865
Leasehold improvements	<u>2,649</u>	<u>-</u>	<u>-</u>	<u>2,649</u>
Total capital assets	<u>\$ 2,176,318</u>	<u>7,116</u>	<u>-</u>	<u>2,183,434</u>
Less accumulated depreciation:				
Building	\$ 1,229,041	-	-	1,229,041
Furniture and fixtures	184,798	17,519	-	202,317
Equipment	265,430	18,886	-	284,316
Software	44,543	4,052	-	48,595
Motor vehicles	257,871	13,354	-	271,225
Lease hold improvements	<u>2,649</u>	<u>-</u>	<u>-</u>	<u>2,649</u>
Total accumulated depreciation	<u>1,984,332</u>	<u>53,811</u>	<u>-</u>	<u>2,038,143</u>
Capital assets, net	<u>\$ 191,986</u>			<u>145,291</u>

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS *(continued)*

The Company has active construction projects as of June 30, 2011. Total accumulated commitments for ongoing capital projects are composed as follows:

Constructions of new housing units	\$ 5,956,924
Acquisition, improvements and demolition of old housing units	3,203,737
Rehabilitation of housing units	3,175,918
General infrastructure projects	8,379,029
Social and economic development	4,399,223
Conservation and maintenance projects	<u>549,515</u>
	<u>\$ 25,664,346</u>

8. PROPERTY HELD FOR DEVELOPMENT AND REHABILITATION

Property held for development and rehabilitation as of June 30, 2011 is summarized as follows:

Land	\$ 399,225
Housing units	<u>447,937</u>
	<u>\$ 847,162</u>

9. NOTE PAYABLE

On December 26, 2000, the Company entered into a non revolving line of credit agreement with the Government Development Bank (GDB), as authorized by the Joint Resolution No. 20 approved on February 16, 2000 by the Legislature of the Commonwealth of Puerto Rico, to finance the development and construction of low cost residential housing projects at the Peninsula de Cantera area. The loan agreement provides for borrowings through July 31, 2012 up to an amount of \$38,000,000.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

9. NOTE PAYABLE *(continued)*

On October 12, 2004 the Legislature of the Commonwealth of Puerto Rico approved a Joint Resolution No. 2199 to authorized the Company to incur in obligations in an amount not to exceed \$40,000,000 for the payments of costs incurred or to be incurred for the permanent improvements projects in the communities and sectors that constitute the Community of the Cantera Peninsula. As resulted the Company enters into an additional non revolving line of credit agreement with GDB. The agreement provides for borrowings through the maturity date, December 31, 2011, up to a maximum amount of \$40,000,000.

Under both agreements, borrowings bear interest at a variable rate and will be repaid, including the outstanding balance of borrowings, from appropriations from the Public Improvements Fund of the Commonwealth of Puerto Rico and as agreed by GDB and the Office of Management Budget. The interest rate was 7% during the year ended June 30, 2011. The changes in notes payable were as follows:

	<u>Beginning Balance</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Ending Balance</u>
\$38 millones line of credit	\$ 7,237,654	2,264,149	143,641	9,358,162
\$40 millions line of credit	<u>3,541,224</u>	<u>7,347,929</u>	<u>71,855</u>	<u>10,817,298</u>
	<u>\$ 10,778,878</u>	<u>9,612,078</u>	<u>215,496</u>	<u>20,175,460</u>

10. CONTINGENCIES

The Company is a defendant in a case that is in the Puerto Rico Court in San Juan. The case arose from claims by a former employee alleging that she was subjected to a hostile work environment and that she was discriminated because she was a woman. She also sustains that she was dismissed without just cause from her employment and request the severance provided by Law No. 80. The suit seeks damage totaling \$4,021,0000, approximately. The Company believes that the claims are without merit and intends to vigorously defend its position. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion, the likelihood of the material adverse outcome is remote. Accordingly, adjustments, if any, that might result from the resolution of this matter, have not been reflected in the financial statements.

**COMPAÑIA PARA EL DESARROLLO INTEGRAL DE
LA PENINSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)**

NOTES TO FINANCIAL STATEMENTS

11. CONTRIBUTED CAPITAL

In 1999 the Company received grants from the Commonwealth of Puerto Rico for the development of a low cost residential housing projects in the area known as Peninsula de Cantera, San Juan, Puerto Rico. The grants were in cash (\$2,000,000) and various tracts of land (\$591,890). The Company did not consider practical to perform an appraisal of the land. The land value was estimated at \$15.52 square meter based on a potential transaction for real estate in a tract of land close to the site of the donated land. Approximately \$589,000 of the funds received were used to complete the "Centro Comunitario" including the acquisition of office equipment and perform other payments. This amount will be reimbursed from future unrestricted funds.

12. SUBSEQUENT EVENTS

Management of the Company has evaluated subsequent event through September 19, 2011, the date which the financial statements were available to be issued.