

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Compañía para el Desarrollo Integral de la Península de Cantera** (a component unit of the Commonwealth of Puerto Rico), which comprise the statement of net assets as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Jose L. Cardona & Co.
JOSÉ L. CARDONA & CO. P.S.C.

San Juan, Puerto Rico
October 14, 2015

The stamp number E183729 of the Puerto Rico Society of Certified Public Accountant was affixed to the original of this Report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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 of the fiscal year ended on June 30, 2015. Please read it in conjunction with the Company's audited basic financial statements, beginning on page 7.

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 Peninsula of Cantera area. The main function of Company is to supervise and coordinate governmental efforts and also promote and manage private sector initiatives.

FINANCIAL HIGHLIGHTS:

- 1) Total assets of Company as of June 30, 2015 were \$52,831,150, compared with \$52,664,064 at June 30, 2014. The net change, amounting to \$167,086, is mostly related to
 - Increase in cash by only \$11,069 due to repayments of prior year accounts and retainage payable to vendors.
 - increase in accounts receivable from Government by \$546,744, regarding the contributions receivable for the repayment of the debt with the Government Development Bank for Puerto Rico;
 - increase in properties held for development and rehabilitation by \$214,000, regarding the acquisition of four additional properties for these purposes.
- 2) The Company's assets exceed liabilities by \$11,772,394 as of June 30, 2015.
- 3) Total operating expenses decreased by \$1,568,593, mostly related to; decrease in salaries and related expenses by \$85,959, decrease in improvements and development costs by \$425,446, decrease in acquisition and relocation costs by \$797,909, decrease in provision for bad debts by \$310,853, decrease in other program expenses and utilities by \$157,850, and increase in debt service expenses of \$209,424, basically due to an increase in interest on lines of credit.

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 the Statement of Cash Flows provide information about the activities of the Company as a whole and present a view of the Company's finances. These statements show how these services were financed in the short-term as a well as what remains for future activities.

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.

COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED):

The Company's basic financial statements are presented attached to this document and are accompanied by notes to the Basic 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, 2015, 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 Company's net assets change during the fiscal year. All current fiscal year revenues and expenses are included regardless of when cash is received or paid.

Statement of Cash Flows:

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:

Net cash used by operating activities	\$ (519,047)
Net cash used in investing activities	(299,321)
Net cash provided by financing activities	<u>829,437</u>
Net increase in cash and cash equivalents	11,069
Cash and cash equivalents at beginning of year	<u>1,705,967</u>
Cash and cash equivalents at end of year	\$ <u>1,717,036</u>

The cash used in investing activities is related to the net changes in notes receivable and the acquisition of equipment and properties held for development and rehabilitation. On the other hand, the cash provided by financing activities is related to the borrowings from the Government Development Bank for Puerto Rico.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE COMPANY AS A WHOLE:

Our analysis presented below focuses on net assets (Table 1) and change in net assets (Table 2) for the Company's activities compared to prior year.

Table 1 – Statement of Net Assets, as of June 30, 2015 and 2014

	2015	2014	Change
Assets:			
Current assets	\$ 41,448,266	\$ 41,104,672	\$ 343,594
Non-current assets	<u>11,382,884</u>	<u>11,559,392</u>	<u>(176,508)</u>
Total assets	<u>\$ 52,831,150</u>	<u>\$ 52,664,064</u>	<u>\$ 167,086</u>
Liabilities – Current	<u>\$ 41,058,756</u>	<u>\$ 40,958,589</u>	<u>\$ 100,167</u>
Net Assets:			
Invested in capital assets	4,144,980	4,551,380	(406,400)
Restricted	497,338	497,338	-
Unrestricted	<u>7,130,076</u>	<u>6,656,757</u>	<u>473,319</u>
Total net assets	<u>11,772,394</u>	<u>11,705,475</u>	<u>66,919</u>
Total liabilities and net assets	<u>\$ 52,831,150</u>	<u>\$ 52,664,064</u>	<u>\$ 167,086</u>

As observed from table above, Company has experienced an increase in its current assets and decrease in its current liabilities of \$343,594 and \$100,167, respectively. This change was primarily due to an increase in accounts receivable, as more fully explained in Financial Highlights section, and the repayments of prior year accounts and retainage payable to vendors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

Table 2 – Statement of Activities

	2015	2014	Change
Operating expenses:			
Salaries, wages and benefits	\$ 779,533	\$ 865,492	\$ (85,959)
Improvements and development costs	374,467	799,913	(425,446)
Acquisition and relocation costs	1,352,532	2,150,441	(797,909)
Other program expenses	284,579	442,429	(157,850)
Provision for bad debts expense	-	310,853	(310,853)
Interest on debt	<u>2,555,498</u>	<u>2,346,074</u>	<u>209,424</u>
 Total operating expenses	 (5,346,609)	 (6,915,202)	 1,568,593
 Operating grants and contributions	 5,777,784	 10,724,840	 (4,947,056)
General revenues and interest income	110,677	62,182	48,495
Depreciation expense	<u>(474,933)</u>	<u>(23,202)</u>	<u>(451,731)</u>
 Changes in net assets	 <u>\$ 66,919</u>	 <u>\$ 3,848,618</u>	 <u>\$ (3,781,699)</u>

CAPITAL ASSETS

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

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, please contact the Administration and Finance Director at (787) 268-3138.

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

STATEMENT OF NET ASSETS

JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash		\$ 1,717,036
Accounts receivables (Note 3):		
Commonwealth of Puerto Rico	\$ 39,188,335	
Grant receivable	479,195	
Others	<u>20,344</u>	39,687,874
Notes receivable other, current portion (Note 4)		13,287
Prepaid expenses		<u>30,069</u>
Total current assets		41,448,266

NON-CURRENT ASSETS

Note receivable related party (Notes 4 and 6)		5,146,183
Notes receivable other, long-term (Note 4)		533,221
Capital assets, net of accumulated depreciation of \$2,593,306 (Notes 1 and 7)		4,144,980
Properties held for development and rehabilitation (Note 8)		1,061,162
Other assets – donated land (Note 10)		<u>497,338</u>

TOTAL ASSETS **\$ 52,831,150**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Lines of credit (Note 9)		\$ 37,107,037
Accounts payable		1,755,787
Accrued interest		2,081,299
Accrued liabilities		<u>114,633</u>
Total current liabilities		<u>41,058,756</u>

NET ASSETS (NOTES 1 AND 10)

Invested in capital assets		4,144,980
Restricted		497,338
Unrestricted		<u>7,130,076</u>
Total net assets		<u>11,772,394</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 52,831,150**

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

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA, INC.
(A Component Unit of the Commonwealth of Puerto Rico)**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

	Administration	Improvements and Development	Debt Service	Total
Operating expenses:				
Salaries, wages and fringe benefits	\$ 779,533	\$ -	\$ -	\$ 779,533
Improvements and development costs	-	374,467	-	374,467
Acquisition and relocation costs	-	1,352,532	-	1,352,532
Other program expenses	284,579	-	-	284,579
Interests on debt	-	-	2,555,498	2,555,498
Total operating expenses	1,064,112	1,726,999	2,555,498	5,346,609
Program revenues (Notes 1, 2 and 9)				
Operating grants and contributions	990,518	2,231,768	2,555,498	5,777,784
Net program revenues (expenses)	\$ (73,594)	\$ 504,769	\$ -	431,175
General revenues and expenses (Notes 1 and 2)				
Grant and contributions not restricted to specific programs				55,983
Interest income				54,694
Depreciation expense				(474,933)
Total general revenues and expenses, net				(364,256)
Change in net assets				66,919
Net assets, beginning of year, as restated				11,705,475
Net assets at end of year				\$ 11,772,394

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

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets		\$ 66,919
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense		474,933
Changes in assets and liabilities:		
Increase in receivables	\$ (335,787)	
Decrease in prepaid expenses	4,158	
Decrease in accounts payable	(458,215)	
Decrease in accrued liabilities and interest payable	<u>(271,055)</u>	<u>(1,060,899)</u>
Net cash used by operating activities		<u>(519,047)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from notes receivable, net		(16,788)
Investment in properties held for development and rehabilitation		(214,000)
Purchase of capital assets		<u>(68,533)</u>
Net cash used in investing activities		<u>(299,321)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from short-term borrowings		1,199,832
Payments of short-term borrowings		<u>(370,395)</u>
Net cash provided by financing activities		<u>829,437</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 11,069

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 1,705,967

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,717,036

Supplementary Information:

Interest paid during the year amounted to \$2,838,190.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The Company will exits during a period of 20 years with, if granted by an executive order of the Governor of Puerto Rico, an extension of 5 additional years. The Company was created to establish and implement a comprehensive development plan for the Península de Cantera area. Its main function is to supervise and coordinate governmental efforts and also promote and manage private sector initiatives for the improvements and rehabilitation of the aforementioned area. Under the entity concept, the Company is a component unit of the Commonwealth's financial statements. On April 4, 2013, effective and from July 10, 2013, the Governor of Puerto Rico issued an executive order extending the life of the Company for three years. On July 5, 2013 was signed Law No. 53-2013 which amends Act No. 20 of 1992. This Law extends the life of the Company for a period of 20 years until 2033.

The significant accounting policies consistently applied in the preparation of the accompanying financial statement follows:

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting.

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 Corporation 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.

Receivables

Future donations are recorded as revenues when the written commitment from donor is received.

The notes and accounts receivable are stated at their net realizable value.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

**1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and Cash Equivalents

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

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, accounts receivables, accounts payable and accrued liabilities approximate fair market values based on similar instruments negotiated in the marketplace.

Capital Assets

The Company defines capital assets, which include land, building, furniture and fixtures and equipment, as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Building	10 years
Equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	5 years

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, 2015.

Liability for Compensated Absences

Employees are allowed to accrue monthly 2.5 days for vacation and 1.5 days for sick leave with a limit, not to exceed 60 days for vacation and 90 days for sick leave. Any excess over these amounts is paid to the employees during March of the next fiscal year and recorded as a current liability and expenditure in the financial statements as of June 30, 2015. Employees with ten year or more of service are entitled to receive sick leave accrued upon retirement.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

**1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Employees Retirement Benefits

The employees of the Company are not entitled to participate in the Commonwealth's retirement plan, but any employee transferred to the Company 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 Company. On September 20, 2011 the Company adopted a bonus plan for the retirement and retention of its employees (See Note 13).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CONCENTRATION OF RISK

Compañía para el Desarrollo Integral de la Península de Cantera maintains its cash accounts in higher rated commercial banks located in Puerto Rico. Commercial bank accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2015 the significant concentration of credit risk for the insured cash amounted to \$1,962,195.

3. RECEIVABLES

At June 30, 2015 the receivable from Government (Commonwealth of Puerto Rico) consists 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. The balance includes the principal amount amounting to \$37,107,037 and accrued interests of \$2,081,299.

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, Península Housing Investment Associates, SE (the Partnership), to formalize the outstanding balances of receivables and accrued interests. The note shall be collected in an installment, not later than July 12, 2032. The note bears interest at .5% per annum compounded semi-annually and 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 interests on note. As of June 30, 2015 the balance of the note amounted to \$5,146,183, including accrued interests amounting to \$90,623.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

4. NOTES RECEIVABLE (CONTINUED)

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 30, 2036. Principal contractual maturities are as follows:

<u>Year ending June, 30,</u>		
2016	\$	13,287
2017		14,301
2018		15,225
2019		16,300
2020		16,450
Thereafter		<u>470,945</u>
		546,508
Less current portion		<u>(13,287)</u>
		<u>\$ 533,221</u>

5. LONG-TERM ACCOUNTS RECEIVABLE

The long-term accounts receivable 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, 2015 the net balance of long-term accounts receivable amounted to \$0 (\$972,821 less allowance for doubtful account amounted to \$972,821).

6. RELATED PARTY

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 to improve the quality of live 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, SE (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 Company entered into an agreement with the Partnership to make advances from time to time in aggregate amount not to exceed \$11.5 millions.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

6. RELATED PARTY (CONTINUED)

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 installment thirty years from the date of receipt of a certificate of occupancy from 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.

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, 2001 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 project.

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

Description	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 80,300	\$ -	\$ -	\$ 80,300
Building, facilities and infrastructures	5,656,121	61,902	-	5,718,023
Furniture and fixtures	211,802	-	-	211,802
Equipment	338,464	6,631	-	345,095
Software	52,937	-	-	52,937
Vehicles	327,480	-	-	327,480
Leasehold improvements	<u>2,649</u>	<u>-</u>	<u>-</u>	<u>2,649</u>
Total capital assets	<u>6,669,753</u>	<u>\$ 68,533</u>	<u>\$ -</u>	<u>6,738,286</u>
Less: Accumulated depreciation:				
Building	\$ 1,229,041	\$ 448,898	\$ -	\$ 1,677,939
Furniture and fixtures	211,802	-	-	211,802
Equipment	315,331	10,223	-	325,554
Software	52,875	62	-	52,937
Vehicles	306,675	15,750	-	322,425
Leasehold improvements	<u>2,649</u>	<u>-</u>	<u>-</u>	<u>2,649</u>
Total accumulated depreciation	<u>2,118,373</u>	<u>\$ 474,933</u>	<u>\$ -</u>	<u>2,593,306</u>
Capital assets, net	<u>\$ 4,551,380</u>			<u>\$ 4,144,980</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

7. CAPITAL ASSETS (CONTINUED)

The Company has active construction projects as of June 30, 2015. Total accumulated commitments for ongoing capital projects are composed as follows:

Acquisition, improvements and demolition of housing units	\$ 1,549,400
Rehabilitation of housing units	663,542
Social and economic development	2,626,380
Conservation and maintenance projects	<u>1,483,480</u>
	<u>\$ 6,322,802</u>

8. PROPERTY HELD FOR DEVELOPMENT AND REHABILITATION

As of June 30, 2015, the property held for development and rehabilitation is summarized as follows:

Land	\$ 399,225
Housing units	<u>661,937</u>
	<u>\$ 1,061,162</u>

9. NOTES PAYABLE

On December 26, 2000, the Company entered into a Non Revolving Line of Credit Agreement (the Loan Agreement) with the Government Development Bank (the Lender), 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 Península de Cantera area. The Loan Agreement provides for borrowings through June 30, 2040 (the Maturity Date) up to an amount of \$38,000,000, the maximum amount of borrowings that may be outstanding under the Loan Agreement.

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 a result the Company entered into an additional non revolving line of credit agreement with the lender. The Loan Agreement provides for borrowings through June 30, 2040 (the Maturity Date) 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 the Lender and the Office of Management Budget. The interest rate was 7% during the year ended June 30, 2015.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

9. NOTES PAYABLE (CONTINUED)

The changes in notes payable were as follows:

	Beginning Balance	Borrowings	Repayments	Ending Balance
\$38 millions line of credit	\$ 9,167,409	\$ -	\$ 370,395	\$ 8,797,014
\$40 millions line of credit	<u>27,110,191</u>	<u>2,231,768</u>	<u>1,031,936</u>	<u>28,310,023</u>
Total	<u>\$ 36,277,600</u>	<u>\$ 2,231,768</u>	<u>\$ 1,402,331</u>	<u>\$ 37,107,037</u>

10. CONTRIBUTED CAPITAL

In 1999 the Company received grants from the Commonwealth of Puerto Rico for the development of low cost residential housing projects in the area known as Península 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.

11. SUBSEQUENT EVENTS

Management of Company has evaluated subsequent event through October 14, 2015, the date which the financial statements were available to be issued.

12. RESTATEMENT

During the last two years, the Company recognized in the Statement of Activities, under the operating expense account "Improvement and Development Costs", costs incurred in the construction of the "Paseo Lineal". The Company's management decides to capitalize these costs as part of the capital assets of the organization. Therefore, the 2014 financial statement have been restated. The effects of this restatement on the financial statements at June 30, 2014, and for the year then ended were as follows:

	Capital Assets	Net Assets and Invested in Capital Assets	Change in Net Assets
Balance at June 30, 2014, as previously reported	\$ 124,300	\$ 124,300	\$ 449,204
Prior period adjustment – Capitalization of Paseo Lineal	<u>4,427,080</u>	<u>4,427,080</u>	<u>3,399,414</u>
Balance at June 30, 2014, as restated	<u>\$4,551,380</u>	<u>\$4,551,380</u>	<u>\$3,848,618</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

13. BONUS PLAN FOR RETIREMENT AND RETENTION OF EMPLOYEES

On September 20, 2011 the Company adopted a Bonus Plan for the Retirement and Retention of Employees (The Plan). The purpose of the Plan is to act as an incentive for the employees to stay with the Company until the end of its legal life span or cease of operations. To be eligible to participate in the Plan, employees must be working for the Company as of September 20, 2011, and remain working for the same until the end of its legal life and cease of operations, as stated by the Act.

Those employees that resign voluntarily or that terminated for reasons established in the Plan will not be eligible to participate. Employees that start working for the Company after September 20, 2011 will also not be eligible.

Eligible employees will receive the following benefits, among others:

- (a) The Company's initial contribution to establish a defined contribution plan (1165 (c)), which is equivalent to 9.275% of eligible employees' salary over the years of service in the Company. Additionally, beginning on July 1, 2012, employees shall receive a Company contribution of a maximum of 3% of their annual salary up to \$10,000, while the Company exists.

Eligible executive and management employees shall receive a discretionary bonus according the defined contribution plan approved by the Board of Directors, which is equivalent to 8.275% of the total compensation paid over the eligible employees' year of service in the Company from July 2002 to July 10, 2012.

The Company's total contribution to the defined contribution plan amounted to approximately \$20,944 in 2012. No contribution was made during 2013, 2014 and 2015.

- (b) At the time to complete and terminate their functions, those eligible employees shall receive a bonus equivalent to one month salary plus one week for each full year of service, not to exceed three months salary.

Eligible employees that performed essential functions in the Company shall receive a discretionary bonus in accordance to the parameters established in Sections 8.2 (4) (b) and 8.3 under Act No. 184, of August 3, 2004, as amended, not to exceed 25% of their salary.

- (c) Eligible employees are entitled to other benefits, such as, Christmas bonus and the contribution to a health insurance plan for one year.