COMPAÑÍA PARA EL DESARROLLO INTEGRAL DE LA PENÍNSULA DE CANTERA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
(A COMPONENT UNIT OF THE COMMONWEALTH OF PUERTO RICO)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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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

We have audited the accompanying statement of net assets of **Compañía para el Desarrollo Integral de la Península de Cantera** (a component unit of the Commonwealth of Puerto Rico) as of June 30, 2010 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 Compañía para el Desarrollo Integral de la Península de Cantera'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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discuss in Note 1 to the financial statements, the Compañía para el Desarrollo Integral de la Península de Cantera's financial statements are intended to present the financial position, and changes in financial position and, where applicable, cash flows of only that portion of the governmental activities and the aggregate discretely presented component unit and remaining fund information of the Commonwealth of Puerto Rico that is attributable to the transaction of the Company. The do not purport to, and do not, present fairly the financial position, or, where applicable, its cash flows for the year the ended in conformity with accounting principles generally accepted in the United State of America.

As of June 30, 2010 the Company's accounting records did not follow the modified accrual basis of accounting as required by Governmental Auditing Standards, as such Governmental Fund Financial Statements were not presented.

In our opinion, except for the effects, if any, of the matters described in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of Compañía para el Desarrollo Integral de la Península de Cantera 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.

To the Board of Directors
Compañía para el Desarrollo Integral
de la Península de Cantera

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

San Juan, Puerto Rico
November 30, 2010

The stamp number 2549371 of the Puerto Rico Society of Certified Public Accountant was affixed to the original of this Report.

JOSE L. CARDONA & CO. P.S.C.
PUERTO RICO
LICENCIA 31
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010

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, 2010. 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, 2010 were $23,051,265, compared with $13,098,515 at June 30, 2009. The net change, amounting to $9,952,750, is mostly related to an increase in cash by $886,356 and accounts receivable from Government amounted to $7,522,782, regarding the contributions receivable for the repayment of the debt with the Government Development Bank for Puerto Rico; an increase in the account receivable from Municipality of San Juan amounted to $600,000, $542,000 of notes receivable related with the housing units granted in Condominium Paseo del Conde and an increase of $371,378 in construction in progress.

2) The Company's assets exceed liabilities by $7,613,956 as of June 30, 2010.

3) Total expenses increased by $9,890,428, basically due to the increase in 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 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. 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.

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED):

Statement of Net Assets:

The Statement of Net Assets presents the Company's financial position as of June 30, 2010, showing information that includes all of the Company's assets and liabilities, as well as the net assets.

Statement of Activities:

The statement of activities 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	$ (6,254,786)
Net cash used in investing activities	(404,248)
Net cash provided by financing activities	7,545,390
Net decrease in cash and cash equivalents	886,356
Cash and cash equivalents at beginning of year	2,562,505
Cash and cash equivalents at beginning of year	$ 3,448,861

The cash used in investing activities is related to increase in construction in progress by $371,378 and the acquisition of equipment, including a boat, amounted to $37,041, decreased by amounts received on notes receivable totaling $4,172. On the other hand, the cash provided by financing activities is related to the borrowings from the Government Development Bank for Puerto Rico.

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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

	June 30,		
	2010	2009	Change
Assets:			
Current assets	$ 14,995,441	$ 5,940,313	$ 9,055,128
Non Current Assets	8,055,824	7,158,202	8897,622
Total Assets	$ 23,051,265	$ 13,098,515	$ 9,952,750
Liabilities:			
Current liabilities	$ 15,437,309	$ 4,773,339	10,663,970
Net Assets:			
Invested in capital assets	191,986	228,874	(36,888)
Restricted	497,338	497,338	-
Unrestricted	6,924,632	7,598,964	(674,332)
Total net assets	7,613,956	8,325,176	(711,220)
Total liabilities and net assets	$ 23,051,265	$ 13,098,515	$ 9,952,750

As observed from table above, Company has experienced an increase in its current assets and current liabilities of $9,055,128 and $10,663,970 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.

Basically, the decrease in net assets (total expenses over total revenues) amounting to $711,220 was produced by an increase in acquisition, relocation and development costs.

It is important to note that during the year ended June 30, 2010 the Municipality of San Juan accepted to pay the contributions amounting to $600,000 for 2007-2009 ($400,000) and 2009-2010 ($200,000), pursuant to the provision of Law No. 20 of July 10, 1992.

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TABLE 2 – STATEMENT OF ACTIVITIES

	June 30, 2010	June 30, 2009	Change
Expenses:			
Salaries, wages and benefit	$ 859,542	$ 1,200,753	$ (341,211)
Improvements & development cost	9,068,517	2,157,791	6,910,726
Depreciation	73,930	173,371	(99,4410)
Interest on debt	426,120	82,732	343,388
Other program expenses	3,701,145	624,179	3,076,966
	14,129,254	4,238,826	9,890,428
Program revenues:			
Operating grants and contributions	13,315,649	2,907,095	10,408,554
Net programs expenses	(813,605)	(1,331,731)	518,126
General revenues	102,385	828,422	(726,037)
Change in net assets	$ (711,220)	$ (503,309)	$ (207,911)

CAPITAL ASSETS

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

CURRENT AND NEXT YEAR BUDGET

During the fiscal year ending June 30, 2010 Company's budget amounted to $1,966,158. Also, the Company has two credit lines with the Government Development Bank for Puerto Rico up to the amounts of $38 and $40 millions, each.

For the fiscal year 2010-2011 a budget of $ 2,216,093 was assigned to the Company.

CONTACTING ADMINISTRATION FINANCIAL INFORMATION

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.

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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, 2010

ASSETS

CURRENT ASSETS		
Cash		$ 3,448,861
Accounts receivables (Note 3):		
Commonwealth of Puerto Rico	$ 10,855,469	
Grant receivable	625,271	
Others	15,065	11,495,805
Notes receivable other, current portion (Note 4)		8,928
Prepaid expenses		41,847
Total current assets		14,995,441
NON-CURRENT ASSETS		
Note receivable related party (Notes 4 and 6)		5,801,254
Notes receivable other, long-term (Note 4)		531,900
Account receivable related party (net) (Notes 5 and 6)		661,968
Capital assets net of accumulated depreciation of $1,984,332 (Notes 1 and 7)		191,986
Construction in progress		371,378
Other assets – donated land (Note 10)		497,338
TOTAL ASSETS		$ 23,051,265

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Lines of credit (Note 8)	$ 10,778,878
Accounts payable	4,383,106
Accrued liabilities	275,325
Total current liabilities	15,437,309
COMMITMENTS AND CONTINGENCIES (NOTE 9)	
NET ASSETS (NOTES 1, 10 AND 11)	
Invested in capital assets	191,986
Restricted	497,338
Unrestricted	6,924,632
Total net assets	7,613,956
TOTAL LIABILITIES AND NET ASSETS	$ 23,051,265

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

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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, 2010

	Administration	Improvements and Development	Debt Service	Total
Expenses:				
Salaries, wages and fringe benefits	$ 439,939	$ 419,603	$ -	$ 859,542
Improvements and development cost	-	9,068,517	-	9,068,517
Other program expenses	3,284,862	416,283	-	3,701,145
Depreciation	73,930	-	-	73,930
Interests on debt	-	-	426,120	426,120
Total expenses	3,798,731	9,904,403	426,120	14,129,254
Program revenues (Notes 1, 2 and 9)				
Operating grants and contributions	1,358,844	11,530,685	426,120	13,315,649
Net program expenses	2,439,887	(1,626,282)	-	813,605
General revenues (Notes 1 and 2)				
Grant and contributions not restricted to specific programs				19,013
Interest income				83,372
Total general revenues				102,385
Change in net assets				(711,220)
Net assets, beginning of year				8,325,176
Net assets at end of year				$ 7,613,956

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

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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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors and contributors		$ 4,636,285
Interests received		50,431
Interests paid		(448,727)
Cash paid to suppliers		(9,620,140)
Cash paid to employees		(872,635)
Net cash used by operating activities		(6,254,786)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from notes receivable		4,172
Purchases of capital assets		(408,420)
Net cash used in investing activities		(404,248)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings		10,986,080
Repayments of short-term borrowings		(3,440,690)
Net cash provided by financing activities		7,545,390
NET INCREASE IN CASH AND CASH EQUIVALENTS		886,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,562,505
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 3,448,861
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Change in net assets		$ (711,220)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense		73,930
Changes in assets and liabilities:		
Increase in receivables	$ (8,731,318)	
Increase in prepaid expenses	(4,758)	
Increase in accounts payable	3,168,222	
Decrease in accrued liabilities	(49,642)	(5,617,496)
Net cash used by operating activities		$(6,254,786)

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

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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 Corporation is a component unit of the Commonwealth's financial statements.

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.

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

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.

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

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, of 60 and 90 days, respectively. 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, 2010. Sick leave is payable to the employee upon retirement.

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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. Total pension expense for the year ended June 30, 2010 amounted to $12,066.

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 CREDIT RISK

Compañía para el Desarrollo Integral de la Península de Cantera maintains its cash accounts in 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, 2010 the significant concentration of credit risk for the insured cash amounted to $5,169,585.

3. RECEIVABLES

At June 30, 2010 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. The balance includes the principal amount totaling $10,778,878 and accrued interests totaling $76,591.

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, 2010 the balance of the note amounted to $5,801,254, including accrued interests amounting to $89,319.

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4. NOTES RECEIVABLE (CONTINUED)

Other

During the year, 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. Principal contractual maturities are as follows:

Year	
2011	$ 8,928
2012	9,086
2013	9,742
2014	10,444
2015	11,205
Thereafter	491,424
	$ 540,828

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, 2010 the net balance of long-term accounts receivable amounted to $661,968 ($1,323,936 less allowance for doubtful account amounted to $661,968).

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 which will 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.

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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 Península 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, 2010, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 80,300	-	-	$ 80,300
Building	1,229,041	-	-	1,229,041
Furniture and fixtures	211,802	-	-	211,802
Equipment	344,477	2,184	-	346,661
Vehicles	271,008	-	-	271,008
Boat	-	34,857	-	34,857
Leasehold improvements	2,649	-	-	2,649
Total	2,139,277	37,041	-	2,176,318
Less: Accumulated depreciation:				
Building	$ 1,208,556	20,485	-	$ 1,085,652
Furniture and fixtures	166,606	18,192	-	150,221
Equipment	286,675	23,298	-	260,849
Vehicles	245,916	8,256	-	237,660
Boat	-	3,699		
Leasehold improvements	2,649	-	-	2,649
Total accumulated depreciation	1,910,402	73,930	-	1,984,332
Capital assets, net	$ 228,875			$ 191,986

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7. CAPITAL ASSETS (CONTINUED)

The Company has active construction projects as of June 30, 2010. Total accumulated commitments for ongoing capital projects are composed as follows:

Construction of new housing units	$ 7,643,338
Acquisition, improvements and demolition of old housing units	10,765,265
Rehabilitation of housing units	4,306,106
General infrastructure projects	24,497,437
Social and economic development	5,167,327
Conservation and maintenance projects	1,076,527
	$ 53,456,000

8. 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 July 31, 2012 (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 Península. As resulted the Company enters into an additional Non Revolving Line of Credit Agreement with the Lender. The Loan Agreement provides for borrowings through December 31, 2011 (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 ranging from 3.78% to 6.25% during the year ended June 30, 2010. The changes in notes payable were as follows:

	Beginning Balance	Borrowings	Repayments	Ending Balance
$38 millions line of credit	$ 812,192	$ 6,425,462	$ -	$ 7,237,654
$40 millions line of credit	2,421,296	4,560,618	3,440,690	3,541,224
Total	$ 3,233,488	$ 10,986,080	$3,440,690	$10,778,878

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9. COMMITMENT AND CONTINGENCIES

Operating lease commitment

The Company leases its administrative offices in Cantera Plaza located at 608 Barbosa Avenue from Apoyo Empresarial para la Península de Cantera Inc., a related party. The lease provides for monthly payments of $800, expired in December 31, 2008 with a renewal option. The total rent expense for the year ended June 30, 2010 amounted to $11,986.

Litigations

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 Court set a transactional hearing for May 10, 2011. 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.

10. 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 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 November 30, 2010, the date which the financial statements were available to be issued.

JLC