

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

*INDEPENDENT AUDITOR'S REPORT
AND
AUDITED FINANCIAL STATEMENTS*

June 30, 2009



TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Required Supplementary Information -	
Management's Discussion and Analysis	3-6
Financial Statements:	
Statement of Net Assets	7
Statement of Activities and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10-16





INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Compañía para el Desarrollo Integral de la Península de Cantera:

We have audited the accompanying statement net assets of the Compañía para el Desarrollo Integral de la Península de Cantera, a component unit of the Commonwealth of Puerto Rico, (the "Company") as of June 30, 2009, 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 the Company's internal controls 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. An audit also includes 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, the financial statements of the Compañía para el Desarrollo Integral de la Península de Cantera, 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 transactions of the Company. They do not purport to, and do not, present fairly the financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As of June 30, 2009, 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 are not presented.

In our opinion, except for the effect, if any, of the matters described in the preceding paragraphs, the financial statements referred to above 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, 2009, 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 Board of Directors of
Compañía para el Desarrollo Integral de la Península de Cantera
Page 2

The Management's Discussion and Analysis on pages 2 through 5, are not a required part of the basic financial statements but are 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 to 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.

Scheerer Hernández & Co.

San Juan, Puerto Rico

December 23, 2009

Certified Public Accountants
(of Puerto Rico)

License No. 53 expires December 1, 2012
Stamp 2445637 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy 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, 2009

Our discussion and analysis of the Compañía para el Desarrollo Integral de la Península de Cantera financial performance provides an overview of the Company's financial activities for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

1. The Company's net assets decreased as a result of the Infrastructure Plan executed during the current year. Since then, various contracts for infrastructure projects and management and design have been formalized. Net assets of governmental activities decreased by \$503,309 or nearly 5.70 percent.
2. The Company's assets exceeded liabilities by \$8,325,176 as of June 30, 2009.
3. Total expenses increased by \$945,907, due to the increase in improvements and development costs.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities and Changes in Net Assets 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 activities were financed in the short-term as 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.

Statement of Net Assets - The Statement of Net Assets presents the Company's financial position as of June 30, 2009, 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 nets 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 Flows - The Statement of Cash Flows presents the sources and uses of cash divided in three categories: operating activities, capital and related financial and investing activities. The statement reconciles net cash and 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.



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, 2009

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

	<u>2009</u>
Net cash used in operating activities	<u>\$ (1,407,960)</u>
Net cash used in investing activities	<u>\$ (29,466)</u>
Net cash provided by financing activities	<u>\$ 2,252,674</u>
Net increase in cash and cash equivalents	<u>\$ 815,248</u>
Cash and cash equivalents, beginning of year	<u>\$ 1,747,257</u>
Cash and cash equivalents, end of year	<u>\$ 2,562,505</u>

The cash used in investing activities is related to the acquisition of new equipment and furniture and fixtures. In addition, the cash provided by financing activities is related to the borrowings from the Governmental Bank of Puerto Rico ("GDB")

FINANCIAL ANALYSIS OF THE COMPANY AS A WHOLE

Our analysis presented below focuses on net assets and changes in net assets for the Company's activities compared to prior year.

STATEMENTS OF NET ASSETS

	<u>June, 30 2009</u>	<u>June, 30 2008</u>	<u>Change</u>
Current assets and receivables from related party	\$ 12,372,303*	\$ 9,241,259	\$ 3,131,044
Capital assets and other assets	726,212	870,117	(143,905)
Total assets	<u>\$ 13,098,515</u>	<u>\$ 10,111,376</u>	<u>\$ 2,987,139</u>
Lines of credit	\$ 3,233,488	\$ 980,814	\$ 2,252,674
Other liabilities	1,539,850	302,077	1,237,773
Total liabilities	<u>\$ 4,773,338</u>	<u>\$ 1,282,891</u>	<u>\$ 3,490,447</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 228,874	\$ 372,779	\$ (143,905)
Restricted	497,338	497,338	-
Unrestricted	7,598,965	7,958,368	(359,403)
Total net assets	<u>\$ 8,325,177</u>	<u>\$ 8,828,485</u>	<u>\$ (503,308)</u>
Total liabilities and net assets	<u>\$ 13,098,515</u>	<u>\$ 10,111,376</u>	<u>\$ 2,987,139</u>



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, 2009

The Company experienced an increase in its current assets and current liabilities of \$3,102,139 and \$3,489,317, respectively. This change was primary due to an increase in accounts receivable from Government and the borrowings obtained from the lines of credit with the Governmental Bank of Puerto Rico ("GDB").

The decrease in the Company's net assets of \$503,309 is directly related to the increase in expenses incurred in connection with the major infrastructure improvement and construction projects, which commenced during the current year.

During the year ended June 30, 2009, 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 Municipality of San Juan owes the Company contributions amounting to \$1,068,000 that have not been made since fiscal year 2005-2006.

	June 30, 2009	June 30, 2008	Change
Expenses:			
Salaries, wages and fringe benefits	\$ 1,200,753	\$ 1,051,003	\$ 149,750
Improvements and development costs	2,157,791	698,562	1,459,229
Other program expenses	624,179	1,351,895	(727,716)
Depreciation	173,371	167,984	5,387
Interests on debt	82,732	16,545	66,187
Total expenses	<u>4,238,826</u>	<u>3,285,989</u>	952,837
Program revenues	<u>2,907,095</u>	<u>855,714</u>	2,051,381
Net program expenses	<u>\$ 1,331,731</u>	<u>\$ 2,430,275</u>	<u>\$ (1,098,544)</u>
General revenues	<u>828,422</u>	<u>1,187,490</u>	(359,068)
Change in net assets	<u>\$ (503,309)</u>	<u>\$ (1,242,785)</u>	<u>\$ 739,476</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

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, 2009, the Company had \$228,874 invested in capital assets which represents a net decrease of \$143,905 or approximately 16.5 percent over the prior year. This decrease is related to regular depreciation expense for the year.

The Company does not have a major detail of total capital projects that were in process at the end of current year and those projects that were completed during current fiscal year, total costs actually incurred related to these projects, total credits granted for these, and remaining balance available for completion.



**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, 2009**

The lines of credit approved with the GDB amounting to \$78 million will be used to finance the capital projects.

CURRENT AND NEXT YEAR'S BUDGET

During the fiscal year ended June 30, 2009, the Company's budget was \$2,307,579. Also, the Company has two lines of credits with the GDB, up to maximum amounts of \$38 million and \$40 million.

For the fiscal year 2009-2010 a budget of \$1,966,158 was assigned to the Company.

CONTACTING THE COMPANY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Company's finances and to show the Company's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Compañía para el Desarrollo Integral de la Península de Cantera, Finance Department, 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, 2009

	<u>2009</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,562,505
Accounts receivable:	
Government	3,332,687
Grant	8,032
Prepaid expenses	<u>37,089</u>
Total current assets	5,940,313
CAPITAL ASSETS, net	228,874
ACCOUNTS RECEIVABLE FROM RELATED PARTY	661,968
NOTES RECEIVABLE FROM RELATED PARTY	5,770,022
DONATED LAND	<u>497,338</u>
	<u>\$ 13,098,515</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Lines of credit	\$ 3,233,488
Accounts payable	1,214,884
Compensated absences	79,225
Accrued expenses and other liabilities	<u>245,742</u>
Total current liabilities	4,773,339
NET ASSETS:	
Invested in capital assets	228,874
Restricted	497,338
Unrestricted	<u>7,598,964</u>
Total net assets	8,325,176
	<u>\$ 13,098,515</u>

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 ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Administration</u>	<u>Improvement and Development</u>	<u>Debt Service</u>	<u>Total</u>
EXPENSES:				
Salaries, wages and fringe benefits	\$ 1,071,966	\$ 128,787	\$ -	\$ 1,200,753
Improvements and development costs	-	2,157,791	-	2,157,791
Other program expenses	540,764	83,415	-	624,179
Depreciation	173,371	-	-	173,371
Interests on debt	-	-	82,732	82,732
Total expenses	<u>1,786,101</u>	<u>2,369,993</u>	<u>82,732</u>	<u>4,238,826</u>
PROGRAM REVENUES -				
Operating grants and contributions	571,690	2,252,673	82,732	2,907,095
Net program expenses	<u>\$ 1,214,411</u>	<u>\$ 117,320</u>	<u>\$ -</u>	<u>\$ 1,331,731</u>
GENERAL REVENUES:				
Grants and contributions not restricted to specific programs				671,232
Interest income				157,190
Total general revenues				<u>828,422</u>
CHANGES IN NET ASSETS				\$ (503,309)
NET ASSETS, beginning of year				8,828,485
NET ASSETS, end of year				<u>\$ 8,325,176</u>

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, 2009

	<u>2009</u>
CASH FLOWS USED IN OPERATING ACTIVITIES:	
CHANGES IN NET ASSETS	<u>\$ (503,309)</u>
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation	173,371
Increase in accounts receivable	(2,283,743)
Increase in prepaid expenses	(3,281)
Increase in notes receivable from related party	(28,772)
Increase in accounts payable	1,144,815
Decrease in compensated absences	(7,167)
Increase in accrued expenses and other liabilities	<u>100,126</u>
Total adjustments	<u>(904,651)</u>
Net cash used in operating activities	<u>(1,407,960)</u>
 CASH FLOWS USED IN INVESTING ACTIVITIES -	
Capital expenditures	<u>(29,466)</u>
 CASH FLOWS PROVIDED BY FINANCING ACTIVITIES -	
Advances from lines of credit	<u>2,252,674</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 815,248
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,747,257</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,562,505</u>

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 THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. NATURE OF BUSINESS

The 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 exit 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform with accounting principles generally accepted of the United States of America, and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of assets and liabilities and 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 differ from those estimates. Following a description of the more significant accounting policies followed by the Company:

Basis of Accounting – The accompanying financial statements have been prepared on the accrual method of accounting.

Revenues Recognition – 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 year earned are reported as restricted deferred revenues. Unrestricted donations subject to matching requirements are deemed earned when the matching requirements are met.

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

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

Cash and Cash Equivalents – The Company considers unrestricted highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents at June 30, 2009.

Accounts Receivables – 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 THE FINANCIAL STATEMENTS
JUNE 30, 2009

Capital Assets – Capital assets are stated at historical cost when purchased or at estimated fair market value at the date of donation, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the individual assets. Maintenance and repairs costs that do not improve or extend the respective assets are expensed as incurred. When assets are sold or disposed of, their cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is reflected in earnings.

The Company's capital assets are reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", 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, 2009.

Compensated Absences – Employees are entitled to 2.5 days per month for vacation and 1.5 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 liabilities and expenditure in the financial statements as of June 30, 2009. Sick leave is payable to the employee upon retirement.

Disclosures about Fair Value of Financial Instruments – For certain of the Company's financial instruments, including cash and cash equivalents, accounts and notes receivable, accounts payable, and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities.

3. ACCOUNTS RECEIVABLE

At June 30, 2009, the accounts receivable from Government 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 ("GDB"). At June 30, 2009, the accounts receivable balance from Government amounted to \$3,233,488, including accrued interests amounting to \$99,199.



COMPañÍA PARA EL DESARROLLO INTEGRAL DE LA PENÍNSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

4. CAPITAL ASSETS

At June 30, 2009, capital assets activity was as follows:

	Useful Life (in years)	June 30, 2008	Additions	Retirements	June 30, 2009
Buildings	10	\$ 1,229,041	\$ -	\$ -	\$ 1,229,041
Equipment	5	139,971	11,275	-	151,246
Furniture and fixtures	5	194,051	17,751	-	211,802
Software, computers and related equipment	5	192,792	439	-	193,231
Vehicles	5	271,008	-	-	271,008
Leasehold improvements	5	2,649	-	-	2,649
Total depreciable capital assets		2,029,512	29,465	-	2,058,977
Less - Accumulated depreciation and amortization:					
Buildings		(1,085,652)	(122,904)	-	(1,208,556)
Equipment		(114,270)	(10,370)	-	(124,640)
Furniture and fixtures		(150,221)	(16,385)	-	(166,606)
Software, computers and related equipment		(146,579)	(15,456)	-	(162,035)
Vehicles		(237,660)	(8,256)	-	(245,916)
Leasehold improvements		(2,650)	-	-	(2,650)
Total accumulated depreciation and amortization		(1,737,032)	(173,371)	-	(1,910,403)
Net depreciated capital assets		292,480	(143,906)	-	148,574
Land		80,300	-	-	80,300
		\$ 372,780	\$ (143,906)	\$ -	\$ 228,874

The Company has active construction projects as of June 30, 2009. Total accumulated commitments for ongoing capital projects are composed of the following:

	2009
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
Infrastructure conservation and maintenance project	1,076,527
	\$ 53,456,000



These commitments will be funded through advances from lines of credit.

5. ACCOUNTS RECEIVABLE FROM RELATED PARTY

At June 30, 2009, accounts receivable from related party consist of advances or payments made by the Company on behalf of Apoyo Empresarial para La Peninsula de Cantera, Inc. (a related party) in the ordinary course of business.

6. NOTE RECEIVABLE FROM RELATED PARTY

Effective on July 5, 2007, the Company subscribed a promissory note in the amount of \$5,711,935 due from Peninsula Housing Investment Associates, SE, related party, to formalize the outstanding balances of receivables and accrued interests. The note shall be collected in one installment, not later than July 12, 2032, and bears interest at 5% per annum compounded semi-annually. The accrued interest shall be paid by the related party 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 related party, to create a mortgage on the related party's property to guarantee and secure the full and complete payment of the principal and interest on the note. As of June 30, 2009, the balance of the note amounted to \$5,770,022, including accrued interests amounting to \$58,087.

7. RELATED PARTY TRANSACTIONS

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 Peninsula de Cantera area. Its main function is to bring resources, support and funding available to it and will complement the Company's work with respect to this area.

Peninsula 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 buildings 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 million.

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 (0.005) 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.



COMPAÑÍA PARA EL DESARROLLO INTEGRAL DE LA PENÍNSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 0.01 % 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 partner, 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.

The Company leases its administrative offices in Cantera Plaza from a related party.

8. LINES OF CREDIT

On December 26, 2000, the Company entered into a non-revolving line of credit agreement with GDB, as authorized by the Joint Resolution No. 70 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 agreement provides for borrowings through the maturity date, July 31, 2012, up to maximum amount of \$38,000,000.

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 result, the Company entered 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 (OGP). For the year ended June 30, 2009, the interest rate ranged from 3.78% to 6.25%. At June 30, 2009 the activity of the lines of credit was as follows:

	June 30, 2008	Advances	Repayments	June 30, 2009
Resolution No. 70, dated February 16, 2000, for the amount of \$38,000,000 due in July 31, 2012.	\$ 645,882	\$ 166,310	\$ -	\$ 812,192
Resolution No. 2199, dated October 12, 2004, for the amount of \$40,000,000 due in December 31, 2011.	334,933	2,086,363	-	2,421,296
	<u>\$ 980,815</u>	<u>\$ 2,252,673</u>	<u>\$ -</u>	<u>\$ 3,233,488</u>



9. PENSION PLAN

The employees of the Company are not entitled to participate in the Commonwealth's retirement plan, but any employee transferred to the Company from another 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, 2009, amounted to \$14,909.

10. CONTINGENCIES

The Company is involved in legal claims arising in the ordinary course of business. A brief summary of these claims follows:

Legal Case #1:

On March 12, 2009, the Company initiated a collection claim in the Honorable Commission to Resolve Controversies on Payments and Debts between Governmental Agencies, against the Municipality of San Juan. The claim states that the contributions the Municipality is obligated to effect, pursuant to the provisions of Law No. 20 of July 10, 1992 (the Law), have not been made. The Law specified in its Article No. 27 that the functional budget of the Company will be equally financed with resources provided by the Commonwealth of Puerto Rico and the Municipality of San Juan. The Company alleged the Municipality owes \$1,068,000 in contributions that have not been made since the fiscal year 2005-2006. Management believes, based on Company's legal counsel, that the claim could result in favor of the Company. However, the ultimate outcome of the claim cannot be determined and no amount has been recognized for possible collection.

Legal Case #2:

The Company is defendant in a law suit for dismissed without just cause case. Discovery is in an early stage due to delays caused by plaintiff, thus, the attorney was unable to make an accurate estimate of defendants economical exposure. Notwithstanding, the attorney stated that the Company's position regarding the allegations is a valid defense and will continue contesting the case, including the fact that the Plaintiff was not discriminated and was actually substituted by another women. A transactional hearing was set by the Court for January 27, 2010.

11. 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 Peninsula de Cantera, located in San Juan, Puerto Rico. The grants received were \$2,000,000 in cash and various tract of land with an estimated cost of \$591,890. The Company did not consider practical to perform an appraisal of the land. The land was valued 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.



COMPAÑIA PARA EL DESARROLLO INTEGRAL DE LA PENÍNSULA DE CANTERA
(A Component Unit of the Commonwealth of Puerto Rico)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

As of June 30, 2009, donated land amounted to \$497,338.

12. RISK CONCENTRATIONS

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 institutions. While the Company attempts to limit any financial exposure, its deposits balances may, at times, exceed federally insured limits. The Company has not experienced any losses on such account.

