

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

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2022

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Compañía para el Desarrollo Integral de la Península de Cantera (the Company) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Compañía para el Desarrollo Integral de la Península de Cantera as of June 30, 2022, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Compañía para el Desarrollo Integral de la Península de Cantera, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the basic financial statements of the Company are intended to present the financial position, and the changes in financial position of only that portion of the Governmental Activities attributable to the transactions of the Company. Accordingly, they do not purport to, and do not, present fairly the financial position of the Commonwealth of Puerto Rico as of June 30, 2022, the changes in its 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 discussed in Notes 5 and 10 to the financial statements, the receivable from Government (Commonwealth of Puerto Rico), amounted to \$58,380,290, consists of appropriations receivable from the Public Improvement Fund and from General Expenditures Budget of the Commonwealth of Puerto Rico, to repay the outstanding balances of the Lines of Credit with the Government Development Bank, amounted to \$58,380,290, as of June 30, 2022. The balance includes the outstanding principal amounted to \$37,791,088 and accrued interests of \$20,589,202. During the year ended June 30, 2022 no additional contributions were received from the Commonwealth of Puerto Rico, however interest due to the Government Development Bank has continued to be accumulated. No transactions related to defaults by the Commonwealth of Puerto Rico have been recognized by the Company through June 30, 2022. Our opinion is not modified with respect to this matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Uncertainty Regarding Legislative Appropriations

As discussed in Note 1 to the financial statements, one of the most significant revenues the Company receives consists of legislative appropriations from the Commonwealth of Puerto Rico. As a result, the Company's operations are dependent on the Commonwealth of Puerto Rico's ability to continue providing funding to the Company through legislative appropriations. For many years, the Commonwealth of Puerto Rico was facing a fiscal, economic and liquidity crisis, which resulted in significant governmental deficits, an economic recession, liquidity challenges, and high levels of debt and pension obligations. In addition, the Financial Oversight and Management Board for Puerto Rico approved and certified its own fiscal plan for the government. This fiscal plan contains several structural and fiscal reforms directed to improve the trajectory of the economy, drive growth, increase revenues and decrease expenditures. The final outcome of these measures on the Company's operations is uncertain. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Compañía para el Desarrollo Integral de la Península de Cantera's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Compañía para el Desarrollo Integral de la Península de Cantera's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Compañía para el Desarrollo Integral de la Península de Cantera's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 26, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.
JOSE L. CARDONA & CO. P.S.C.
License number 31 which expires on
December 1, 2025

San Juan, Puerto Rico
October 12, 2023

The stamp number E518052 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**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. Please read it in conjunction with the Company's audited basic financial statements, beginning on page 8.

The Company is a public corporation and a governmental instrumentality of the Commonwealth of Puerto Rico, created by Law No. 20 of July 10, 1992, as amended. The main purpose of the Company is to establish and implement a comprehensive development plan for the 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, 2022, were \$68,506,311, compared with \$66,310,454 at June 30, 2021. The net change, amounting to \$2,195,857, is mostly related to increase in accounts receivable from Commonwealth of Puerto Rico by \$2,645,376, regarding the contributions receivable for the repayment of the debt with the Government Development Bank for Puerto Rico.
- 2) The Company's major assets were composed of approximately \$1,802,000 of cash, \$58,380,000 of due from Commonwealth of Puerto Rico, \$5,527,000 of notes receivable, \$1,063,000 of capital assets, and \$1,559,000 of property held for development and rehabilitation, including donated land.
- 3) The Company's major liabilities were composed of approximately \$1,310,000 of accounts payable and accrued liabilities, \$58,380,000 of notes payable and accrued interest.
- 4) The Company's Net Position was approximately \$8,726,000 as of June 30, 2022, a decrease of approximately \$249,000 or 2.77% as compared to the prior fiscal year.
- 5) The Legislative and Municipal appropriations made to the Company amounted to \$774,000 for the year ended June 30, 2022, a decrease of approximately \$18,000 or 2.27% as compared to the prior fiscal year.
- 6) The Company received federal funds of approximately \$487,000 to cover management and support expenses, and for improvement, development costs and other program expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is required supplementary information to the basic financial statements and is intended to serve as an introduction to the Company's basic financial statements for the fiscal year ended June 30, 2022. The Company's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide financial statements include the Statement of Net Position and the Statement of Activities and display information of all the activities of the Company as a whole. The Administration's activities are considered governmental-type.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED):

Statement of Net Position - The Statement of Net Position presents the difference between assets, deferred outflow of resources (if any), liabilities and deferred inflow of resources (if any) in government-wide statements. Net position is reported in three (3) categories:

Statement of Activities

The Statement of Activity demonstrates the degree to which the direct expenses of a given function are offset by program revenues. The Statement of Activities reports revenues and expenses in a format that focuses on the net cost of each function or program of the Company. Both the gross and net cost of the function / program, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross expenses, including depreciation, by related program revenues, operating grants and contributions.

Governmental Funds Financial Statements

The following are the major governmental fund types presented in the financial statements as of and for the year ended June 30, 2022:

General Fund - This fund includes the financial resources which relate to the general operations of the Company. These operations consist of the general administration and other activities not accounted for in other funds.

Federal Fund - The Company participates in a number of Federal Financial Assistance Programs funded by the Federal Government that are legally restricted to expenditures for specific purposes in accordance with grant agreements. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (GOVERNMENTAL-WIDE FINANCIAL STATEMENTS)

The following is an analysis of the financial position and changes in the financial position of the Company's Governmental Activities for fiscal year 2022.

Net Position

Condensed financial information from the Statement of Net Position as of June 30, 2022 and 2021, as restated, is shown below:

	2022	2021	Change
Assets:			
Cash	\$ 1,801,792	\$ 1,716,927	\$ 84,865
Due from Commonwealth of Puerto Rico	58,380,290	55,734,914	2,645,376
Accounts and notes receivable	5,664,638	5,746,103	(81,465)
Capital assets	1,062,820	1,541,359	(478,539)
Other properties and other assets	<u>1,596,771</u>	<u>1,571,151</u>	<u>25,620</u>
 Total assets	 <u>68,506,311</u>	 <u>66,310,454</u>	 <u>2,195,857</u>
Liabilities:			
Liabilities payable within one year	1,400,518	1,600,180	(199,662)
Liabilities payable after one year	<u>58,380,290</u>	<u>55,734,914</u>	<u>2,645,376</u>
 Total liabilities	 <u>59,780,808</u>	 <u>57,335,094</u>	 <u>2,445,714</u>
 Net Position	 <u>\$ 8,725,503</u>	 <u>\$ 8,975,360</u>	 <u>\$ (249,857)</u>

Governmental entities are required by U.S. Generally Accepted Accounting Principles (U.S. GAAP), as prescribed by the Governmental Accounting Standard Board (GASB), to report on their net position. The statement of net position presents the value of all of the Company's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position.

Net position may serve over time as a useful indicator of a government's financial position. Total assets and total liabilities of the Company as of June 30, 2022 and 2021, amounted to \$68,506,311 and \$66,310,454, respectively, for a net position of \$8,725,503 and \$8,975,360 as of June 30, 2022 and 2021, respectively.

The increase in total assets and liabilities is mostly related to increase in accounts receivable from Commonwealth of Puerto Rico and the increase in the related note payable by \$2,645,376, regarding the contributions receivable for the repayment of the debt with the Government Development Bank for Puerto Rico.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (GOVERNMENTAL-WIDE FINANCIAL STATEMENTS) (CONTINUED):

Statement of Activities and Results of Operations

Condensed financial information from the Statement of Activities for the years ended June 30, 2022 and 2021, as restated, is shown below:

	2022	2021	Change
Revenues	\$ 3,949,014	\$ 4,196,672	\$ (247,658)
Expenses	<u>4,198,871</u>	<u>4,588,334</u>	<u>389,463</u>
Change in net position	(249,857)	(391,662)	141,805
Net position, beginning	<u>8,975,360</u>	<u>9,367,022</u>	<u>(391,662)</u>
Net position, ending	<u>\$ 8,725,503</u>	<u>\$ 8,975,360</u>	<u>\$ (249,857)</u>

The Governmental Activities change in net position decreased by \$249,857. The net decrease in change in net position was mainly due to: (1) a decrease in Legislative and Municipality appropriations of approximately \$18,000, a decrease in federal grants of approximately \$230,000, (3) depreciation expense recognized during the year of approximately \$493,000.

CONTACTING THE ADMINISTRATION AND FINANCE DEPARTMENT

This financial report is designed to provide a general overview of the Company's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information, contact the Administration and Finance Director at (787) 753-3200.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash	\$ 1,801,792
Due from Commonwealth of Puerto Rico	58,380,290
Accounts receivable:	
Due from grantors	100,000
Federal grants	33,302
Other	3,963
Notes receivable	5,527,373
Other assets	38,271
Capital assets, net	1,062,820
Properties held for development and rehabilitation	1,061,162
Other assets – donated land	<u>497,338</u>
Total assets	<u>68,506,311</u>
LIABILITIES	
Accounts payable and accrued liabilities	1,310,315
Unearned revenues	49,475
Liabilities payable within one year - Compensated absences (Note 10)	40,728
Liabilities payable after one year - Notes payable and accrued interest (Note 10)	<u>58,380,290</u>
Total liabilities	<u>59,780,808</u>
NET POSITION	
Invested in capital assets, net	1,062,820
Restricted	497,338
Unrestricted	<u>7,165,345</u>
Total net position	<u>\$ 8,725,503</u>

The accompanying notes are an integral part of this financial statement.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA, INC.**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position Net (Expenses)
		Operating Grants and Contributions	Debt Service	Governmental Activities
Governmental activities:				
Management and support	\$ 634,577	\$ 846,813	\$ -	\$ 212,236
Improvements and development costs	62,754	62,754	-	-
Other program expenses	363,242	363,242	-	-
Depreciation	492,922	-	-	(492,922)
Interests on notes payable	2,645,376	-	2,645,376	-
Total operating expenses	<u>\$ 4,198,871</u>	<u>\$ 1,272,809</u>	<u>\$ 2,645,376</u>	<u>(280,686)</u>
Other general revenues (Notes 1 and 2)				
Other revenues and contributions not restricted to specific program				1,177
Interest income				29,652
Total other general revenues				<u>30,829</u>
Change in net position				(249,857)
Net position, at beginning of year				<u>8,975,360</u>
Net position, at end of year				<u><u>\$ 8,725,503</u></u>

The accompanying notes are an integral part of this financial statement.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA, INC.**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Federal Programs	Total Governmental Funds
	<hr/>	<hr/>	<hr/>
ASSETS			
Cash	\$ 1,745,533	\$ 56,259	\$ 1,801,792
Accounts receivable:			
Due from grantors	100,000	-	100,000
Federal grants	-	33,302	33,302
Other	3,963	-	3,963
Due from other fund	36,177	-	36,177
Other assets	38,271	-	38,271
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,923,944	\$ 89,561	\$ 2,013,505
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 1,306,406	\$ 3,909	\$ 1,310,315
Unearned revenues	-	49,475	49,475
Due to other fund	-	36,177	36,177
	<hr/>	<hr/>	<hr/>
Total liabilities	1,306,406	89,561	1,395,967
	<hr/>	<hr/>	<hr/>
FUND BALANCES			
Unassigned	617,538	-	617,538
	<hr/>	<hr/>	<hr/>
Total fund balances	617,538	-	617,538
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 1,923,944	\$ 89,561	\$ 2,013,505
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2022

TOTAL FUND BALANCES OF GOVERNMENTAL FUND **\$ 617,538**

Amounts reported for governments activities in the Statement of Net Position are different than amounts reported in the Balance Sheet – Governmental Funds because:

Due from Commonwealth of Puerto Rico and Notes Receivables are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the General Funds. 63,907,663

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, In the current period, these amounts are:

Non Depreciable Capital Assets	\$ 80,300	
Depreciable Capital Assets	6,661,574	
Accumulated Depreciation	<u>(5,679,054)</u>	1,062,820

Other assets held for development and rehabilitation, and donated land, are not financial Resources and therefore, are not reported in the funds. In the current period, these amounts are:

Properties held for development and rehabilitation	\$ 1,061,162	
Donated land	<u>497,338</u>	1,558,500

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable – Principal	\$ 37,791,088	
Notes Payable – Accrued Interests	20,589,202	
Liability of accrued compensated absences	<u>40,728</u>	<u>(58,421,018)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 8,725,503**

The accompanying notes are an integral part of this financial statement.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA, INC.**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Federal Programs	Debt Service	Total Governmental Funds
REVENUES				
Legislative and municipal appropriations	\$ 774,000	\$ -	\$ 2,645,376	\$ 3,419,376
Other grants and contributions	11,563	487,246	-	498,809
Interest income	29,652	-	-	29,652
Other revenues	1,177	-	-	1,177
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	816,392	487,246	2,645,376	3,949,014
EXPENDITURES				
Management and support	418,263	233,115	-	651,378
Improvements and development costs	1,766	60,988	-	62,754
Other program expenses	174,332	188,910	-	363,242
Capital outlays	10,150	4,233	-	14,383
Interests on notes payable	-	-	2,645,376	2,645,376
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	604,511	487,246	2,645,376	3,737,133
Net change in fund balances	211,881	-	-	211,881
Fund balances, at beginning of year	405,657	-	-	405,657
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, AT END OF YEAR	\$ 617,538	\$ -	\$ -	\$ 617,538

The accompanying notes are an integral part of this financial statement.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2022

NET CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND	\$ 211,881
Amounts reported for governments activities in the Statement of Activities and Changes in Net Position are different because:	
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.	14,383
Depreciation expense on capital assets is reported in the Statement of Activities, but not required the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(492,922)
Payment of long-term debts is an expenditure in the governmental fund, but reduces long-term liabilities in the Statement of Net Position	<u>16,801</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (249,857)</u>

The accompanying notes are an integral part of this financial statement.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. THE ORGANIZATION AND GOVERNMENTAL ENVIROMENT

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 exist 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.

Sources of Revenues and Funding

Governmental Funds - The Company receives substantially its revenues from Legislative appropriations, other Commonwealth of Puerto Rico governments / agencies, Municipality of San Juan, and contributions from other organizations. During the year ended June 30, 2022, approximately 87% of the total revenues were recognized from Legislative (\$574,000) and Municipality (\$200,000) appropriations. Of this Legislative appropriation, 77% (\$2,645,376) consists of accrued appropriations from the Public Improvements Fund of the Commonwealth of Puerto Rico to match the repay requirement of the outstanding balances of the notes and lines of credit with the Government Development Bank for Puerto Rico.

Functions and Programs Description

Management and Support - The management and support program are used to account for resources and expenditures related to providing the coordination and execution of the overall administration. These are mainly composed of expenditures related to salaries, wages, and fringe benefits.

Improvement and Development Costs - This program is used to account for resources and expenditures related to the implementation and development plans for the improvements and rehabilitation of Península de Cantera area.

Other Program Expenses - This program is used to account for resources and expenditures related to community and educational activities, consultants administrative fees, utilities, supplies and printing, storage costs, trainings and seminars, repairs and maintenance, and other general and administrative expenses.

Depreciation - This program is used to account for depreciation expense of capital assets.

Interest on Notes Payable - This program is used to account for resources and expenditures related to accrued interest during the year on Notes Payable.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functions and Programs Description (Continued)

The accompanying basic financial statements of the Company have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB No. 34). This statement establishes financial reporting requirements for state and local government. The Company adopted the provisions of GASB No. 34 as well as other statements referred to below as of July 1, 2020. They require information and restructure much of the information that governmental entities have presented in the past. Comparability with reports issued in prior years is affected. With the implementation of GASB No. 34 the Company has prepared required supplemental information titled Management Discussion and Analysis, which precedes the basic financial statements.

Basis of Presentation

Government-Wide Financial Statements

The Government-Wide financial statements include the Statement of Net Position and the Statement of Activities and display information of all the activities of the Company as a whole. The Administration's activities are considered governmental-type

Statement of Net Position - The Statement of Net Position presents the difference between assets, deferred outflow of resources (if any), liabilities and deferred inflow of resources (if any) in government-wide statements. Net position is reported in three (3) categories:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of debt that are attributed to the acquisition, construction, or improvement of those assets, if any.

Restricted net position – Results when constraints placed on net position use are externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of amounts which do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

Statement of Activities

The Statement of Activity demonstrates the degree to which the direct expenses of a given function are offset by program revenues. The Statement of Activities reports revenues and expenses in a format that focuses on the net cost of each function or program of the Company. Both the gross and net cost of the function / program, which is otherwise being supported by the general government revenues, is compared to the revenues generated directly by the function. This Statement reduces gross expenses, including depreciation, by related program revenues, operating grants and contributions.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The accounts of the Company are organized on the basis of governmental funds. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues and expenditures. Fund financial statements report detailed information about the Company's current financial resources. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Major funds are determined based on a minimum criterion, that is, a percentage of the assets and deferred outflows; liabilities and deferred inflows; revenues or expenditures or based on the Company's official's criteria if the fund is particularly important to financial statement users. Each major fund is presented in a separate column. The non-major funds are combined in a single column (Other Governmental Funds) in the fund financial statements column, except for those governmental non-major funds, which management has elected to present separately in the financial statements.

Governmental Funds

The following are the major governmental fund types presented in the financial statements as of and for the year ended June 30, 2022:

General Fund - This fund includes the financial resources which relate to the general operations of the Company. These operations consist of the general administration and other activities not accounted for in other funds.

Federal Fund - The Company participates in a number of Federal Financial Assistance Programs funded by the Federal Government that are legally restricted to expenditures for specific purposes in accordance with grant agreements. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fund balances for each governmental fund are displayed, when applicable, in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable - Represents amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted - Represents amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

Committed - Represents amounts that can be spent only for specific purposes determined by a formal action of the Company's highest level of decision-making authority (the Board of Directors).

Assigned - Represents amounts the Organization intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned - This classification represents General fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured in the financial statements, while basis of accounting refers to the timing in which transactions are recognized in the operating statements. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., when they become both measurable and available. Measurable means that the amount of the transaction can be determined or reasonably estimated or in a soon enough period after the balance sheet date to pay current budget period expenditures while available means collectible within the current period. For this purpose, the Company considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related funds liability is incurred, and that the liability will be liquidated with expendable available financial resources.

Encumbrances

Encumbrances accounting is provided to record the appropriation from available resources in the governmental funds of purchase orders and contracts for which goods and/or services have not been received. Under GAAP, encumbrances outstanding at year-end do not constitute expenditures or liabilities since the commitments will be honored during subsequent year(s). Encumbrances constitute the equivalent of expenditures for budgetary purposes.

Due From Grantors and Accounts Receivables

Due from grantors is considered collectible accordingly; no provision for doubtful accounts has been established for this receivable balance. Substantially, the amounts owed by the grantors are related to reimbursements of expenditures.

In the ordinary course of business, the Company advanced or made payments on behalf of Apoyo Empresarial para la Peninsula de Cantera, Inc. (a related party). As of June 30, 2022, the net balance of this account receivable amounted to \$972,821. Due to the uncertainty of the collection of this receivable, the Company established a 100% provision for doubtful account for this receivable.

Due From / To Other Fund

Due from / to other fund (interfund) at June 30, 2022 consists of advances made by the General Fund to the Federal Program Fund for the payment of program expenditures. These advances are subsequently returned to the General Fund.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital assets used in the governmental operations are accounted for in the government-wide statement of net position, rather than in the governmental funds. When capital assets are purchased, they are recorded as expenditures in the governmental funds.

Compensated Absences

Employees are allowed to accrue monthly 1.25 days for vacation and 1.0 day for sick leave with a limit, not to exceed 60 days for vacation and 90 days for sick leave. Vacation and sick leave were recorded as benefits when earned. All vacation pay is accrued when incurred in the government-wide financial statements. For the government-wide statements, the current portion is the amount estimated to be used in the following year. For governmental fund's statements, all the compensated absences are considered long-term and therefore, are not a fund liability and represent a reconciling item between fund level and government-wide presentations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Unearned Revenue

Unearned revenue at the governmental fund level arises when potential revenue does not meet the "available" criteria for revenue recognition in the current period. Unearned revenue also arises when resources are received before the Organization has a legal claim to them, as when grant moneys are received prior to incurring the qualifying expenditures. In subsequent periods, when the revenue recognition criteria is met, or when the Organization has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and the revenue is recognized.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Adoption of Accounting Pronouncements

The GASB has issued the following accounting pronouncements that will or may have future impact on the accounting and financial practices of the Company.

GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management is evaluating the applicability and impact that these Statements will have on the Company’s basic financial statements.

Notes to Financial Statements

The notes to financial statements provide information that is essential to a user’s understanding of the basic financial statements.

Required Supplementary Information

Required supplementary information consists of the Budgetary Comparison Schedule – General Fund as required by GASB.

3. CASH AND CONCENTRATION OF RISK

The Company is authorized to deposit funds in the custody of financial institutions approved by the Commonwealth. Commonwealth’s regulations require domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount in excess of federal insurance coverage. Deposits, either insured or collateralized, are not considered to be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to the transaction, the Company may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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). As of June 30, 2022, the Company’s cash in commercial banks, excluding cash on hand of \$500, consist of the following: Commercial Bank – Carrying or Book Balance Amount \$1,801,292, Depository Bank Balance Amount \$1,815,634.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

4. RISK FINANCING

The Company is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Company has purchased commercial insurance for these claims. The coverage for the Company consists of professional, public responsibility, property and theft, auto and fidelity bond coverage for administration officers and directors. Workers compensation insurance is paid to the State Insurance Fund Corporation.

5. DUE FROM COMMONWEALTH OF PUERTO RICO

As discussed in Note 10 to the financial statements, the Company entered into a two Lines of Credit Agreements (the Loan Agreements) with the Government Development Bank for Puerto Rico (GDB). Outstanding principal amount, including accrued interest, shall be payable from annual appropriations from the Public Improvements Funds and the General Expenditures Budget of the Commonwealth of Puerto Rico.

As of June 30, 2022, outstanding principal amount and accrued interests (P&I), equivalent to the appropriations receivable from the Commonwealth of Puerto Rico, are as follows:

	Beginning Balance (P&I)	Additions (Interests)	Repayments	Ending Balance (P&I)
\$38 million line of credit	\$ 13,007,187	\$ 615,791	\$ -	\$ 13,622,978
\$40 million line of credit	<u>42,727,727</u>	<u>2,029,585</u>	<u>-</u>	<u>44,757,312</u>
Total	<u>\$ 55,734,914</u>	<u>\$ 2,645,376</u>	<u>\$ -</u>	<u>\$ 58,380,290</u>

According to the Fiscal Agency and Financial Advisory Authority ("AAFAF", for its Spanish acronym), the two loans from Peninsula Cantera were identified as Retained Loans as part of the GDB Qualifying Modification and are being retained by GDB. The GDB Retained Loans consisted of certain loans designated to be retained and continued to be serviced by the GDB pursuant to the GDB Qualifying Modification, but which beneficial interests and proceeds would be transferred from time to time by the Bank to the Debt Recovery Authority (DRA). No collections on principal and interest or settlement transaction have occurred on the above loans since the Closing Date of the Qualifying Modification. Although, these loans are being accounted for as nonaccrual loans, interest will continue to accumulate until transfer to the DRA.

Furthermore, according to the AAFAF, it is their understanding that the Commonwealth Budget has not included appropriations to pay GDB loans in the last several years. Also, as result of the Commonwealth Plan of Adjustment discharge and prevention provisions, there will not be future appropriations related to loans that were to be paid from legislative appropriations.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

6. 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 guarantee and secure the full and complete payment of the principal and interests on note. As of June 30, 2022, the balance of the note amounted to \$5,305,758, including accrued interests amounting to \$277,428.

Financing Agreements

During the year 2010, the Company entered into non-interest financing agreements with residents of housing units granted by the Company. The notes are guaranteed by real properties, located in Condominium Paseo del Conde. Principal payments on notes are due monthly until maturity at June 30, 2036. As of June 30, 2022, the balance due amounted to \$194,385.

As of June 30, 2022, outstanding principal amount and accrued interests (P&I), are as follows:

	Beginning Balance (P&I)	Additions (Interests)	Repayments	Ending Balance (P&I)
Related Party	\$ 5,305,758	\$ 27,230	\$ -	\$ 5,332,988
Financing Agreements	<u>221,861</u>	<u>-</u>	<u>(27,476)</u>	<u>194,385</u>
Total	<u>\$ 5,527,619</u>	<u>\$ 27,230</u>	<u>\$ (27,476)</u>	<u>\$ 5,527,373</u>

7. RELATED PARTIES

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 life of the Península de Cantera area. Its main function is to bring resources, support and funding available to it and will complement the work of the Company regarding 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 million.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

7. RELATED PARTIES (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.

8. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows:

Description	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 80,300	\$ -	\$ -	\$ 80,300
Building, facilities and infrastructures	5,718,023	-	-	5,718,023
Furniture and fixtures	211,802	-	-	211,802
Equipment	482,887	14,383	-	497,270
Software	55,194	-	-	55,194
Vehicles	176,636	-	-	176,636
Leasehold improvements	<u>2,649</u>	-	-	<u>2,649</u>
Total capital assets	<u>6,727,491</u>	<u>\$ 14,383</u>	<u>\$ -</u>	<u>6,741,874</u>
Less: Accumulated depreciation:				
Building	\$ 4,371,313	\$ 448,896	\$ -	\$ 4,820,209
Furniture and fixtures	211,802	-	-	211,802
Equipment	419,526	27,901	-	447,427
Software	54,852	357	-	55,209
Vehicles	125,990	15,768	-	141,758
Leasehold improvements	<u>2,649</u>	-	-	<u>2,649</u>
Total accumulated depreciation	<u>5,186,132</u>	<u>\$ 492,922</u>	<u>\$ -</u>	<u>5,679,054</u>
Capital assets, net	<u>\$ 1,541,359</u>			<u>\$ 1,062,820</u>

Governmental activities depreciation expense was presented as one of the functions/programs expenses.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

9. PROPERTY HELD FOR DEVELOPMENT AND REHABILITATION

As of June 30, 2022, the property held for development and rehabilitation is summarized as follows:

Land	\$	399,225
Housing units (10 units)		<u>661,937</u>
		<u>\$ 1,061,162</u>

Both the land and the housing units were acquired during the years 2010 to 2015. The valuation and acquisition cost were documented with a series of deeds corresponding to the sale of housing units and land in order to provide appropriate housing space for neighbors affected by projects that require relocation in the neighborhoods of the Peninsula de Cantera, as part of the rehabilitation projects.

10. NOTES PAYABLE / LONG-TERM DEBTS

Lines of Credit Agreements with GDB

On December 26, 2000, the Company entered into a Non-Revolving Line of Credit Agreement (the Loan Agreement) with the Government Development Bank for Puerto Rico (GDB, 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. As of June 30, 2022, the amount due amounted to \$13,622,978 and composed of principal and accrued interest amounting to \$8,797,014 and \$4,825,964, respectively.

On October 12, 2004, the Legislature of the Commonwealth of Puerto Rico approved a Joint Resolution No. 2199 to authorize 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 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. As of June 30, 2022, the amount due amounted to \$44,757,312 and composed of principal and accrued interest amounting to \$28,994,074 and \$15,763,238, respectively.

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, 2022.

See Note 5 to the financial statements for more detail and information regarding to these lines of credit.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

10. NOTES PAYABLE / LONG-TERM DEBTS (CONTINUED)

Compensated Absences

The vested compensated absences liability balance at June 30, 2022 consists of the following activity:

Governmental Activities:	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Accrued vacations and sick leave	\$ 57,775	\$ (17,047)	\$ 40,728	\$ 40,728

The following is a summary of changes in long-term debts for the year ended June 30, 2022:

Governmental Activities:	Beginning Balance	Increase (Decrease)	Ending Balance	Due Within One Year	Due After One Year
\$38 million line of credit	\$ 13,007,187	\$ 615,791	\$ 13,622,978	\$ -	\$ 13,622,978
\$40 million line of credit	42,727,727	2,029,585	44,757,312	-	44,757,312
Compensated absences	<u>57,775</u>	<u>(17,047)</u>	<u>40,728</u>	<u>40,728</u>	<u>-</u>
Total	<u>\$ 55,792,689</u>	<u>\$ 2,628,329</u>	<u>\$ 58,421,018</u>	<u>\$ 40,728</u>	<u>\$ 58,380,290</u>

11. CONTRIBUTED CAPITAL

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. After carrying out the development of residential housing projects, a tract of land with an estimated value of \$ 497,338 has remained available.

This amount will be reimbursed from future unrestricted funds.

12. CONTINGENCY AND UNCERTAINTY

Federal and State Awards

In the normal course of operations, the Company receives grants from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

12. CONTINGENCY AND UNCERTAINTY (CONTINUED)

Uncertainty

As discussed in Note 1 to the financial statements, one of the most significant revenues the Company receives consists of legislative appropriations from the Commonwealth of Puerto Rico. As a result, the Company's operations are dependent on the Commonwealth of Puerto Rico's ability to continue providing funding to the Company through legislative appropriations. For many years, the Commonwealth of Puerto Rico was facing a fiscal, economic and liquidity crisis, which resulted in significant governmental deficits, an economic recession, liquidity challenges, and high levels of debt and pension obligations. In addition, the Financial Oversight and Management Board for Puerto Rico approved and certified its own fiscal plan for the government. This fiscal plan contains several structural and fiscal reforms directed to improve the trajectory of the economy, drive growth, increase revenues and decrease expenditures. The final outcome of these measures on the Company's operations is uncertain.

13. SUBSEQUENT EVENTS

Financial Statements

Management of Company has evaluated subsequent event through October 12, 2023, the date which the financial statements were available to be issued.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA, INC.**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Legislative appropriation	\$ 574,000	\$ 574,000	\$ 574,000	\$ -
Municipal contribution	200,000	200,000	200,000	-
Interest income and other revenues	-	-	42,392	42,392
	<u>774,000</u>	<u>774,000</u>	<u>816,392</u>	<u>42,392</u>
Total revenues	<u>774,000</u>	<u>774,000</u>	<u>816,392</u>	<u>42,392</u>
EXPENDITURES				
Management and support	443,000	443,000	418,263	24,737
Improvements, development costs and other program expenses	331,000	331,000	186,248	144,752
	<u>774,000</u>	<u>774,000</u>	<u>604,511</u>	<u>169,489</u>
Total expenditures	<u>774,000</u>	<u>774,000</u>	<u>604,511</u>	<u>169,489</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,881</u>	<u>\$ 211,881</u>

The accompanying notes are an integral part of this schedule.

**COMPAÑÍA PARA EL DESARROLLO INTEGRAL
DE LA PENÍNSULA DE CANTERA**

NOTES TO THE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2022

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Control

The Budgetary Comparison Schedule - General Fund only presents the information for the general fund for which there is a legally adopted budget, as required by GAAP. It presents comparisons of the legally adopted budget with actual data on a budgetary basis. The Organization's budget is prepared for the General Fund following state requirements. The Company includes, as part of its original and final budget, the appropriations of funds from the Legislature of the Commonwealth of Puerto Rico and the Municipality of San Juan, as stipulated in Act No. 20 of July 10, 1992, as amended. The budget is prepared on a budgetary (statutory) basis of accounting which is different from GAAP. Revenues include amounts classified by GAAP as other financing sources, whether they exist during the year, and are generally recognized when cash is received. Expenditures include encumbrances and amounts classified by GAAP as other financing uses, whether they exist during the year, and are generally recorded when the related expenditure is incurred or encumbered. Unencumbered appropriations lapse at year end.

On a GAAP basis, encumbrances outstanding at year end are reported in the governmental funds as a designation of fund balance since they do not constitute expenditures or liabilities, while on a budgetary basis encumbrances are recorded as expenditures of the current year. On the other hand, under the statutory basis of accounting, the Organization uses encumbrance accounting to record the full amount of purchase orders, contracts, and other commitments of appropriated resources as deductions from the appropriation prior to actual expenditure. In the governmental funds, encumbrance accounting is a significant aspect of budgetary control.

The presentation of the budgetary data excludes long-term obligations such as compensated absences and depreciation charges for capital assets. Historically, those obligations have been budgeted on a pay-as-you-go basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with GAAP, a reconciliation of entity, timing, and basis differences in the excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2022 is presented below for the general fund:

Excess of revenues over expenditures from the budgetary comparison schedule	\$ 211,881
Differences – Budget to GAAP	<u> -</u>
Excess of revenues over expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	<u>\$ 211,881</u>