

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

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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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, 2023, 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, 2023, 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, 2023, 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 \$61,025,666, 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 \$61,025,666, as of June 30, 2023. The balance includes the outstanding principal amounted to \$37,791,088 and accrued interests of \$23,234,578. During the year ended June 30, 2023 no additional contributions were received from the Commonwealth of Puerto Rico, however interest due to the Government Development Bank has continued to be accumulated. Because the Commonwealth Budget has not included appropriations to pay GDB loans and the uncertainties in future appropriations related to loans that were to be paid from legislative appropriations, the Company decided to establish a reserve for doubtful account receivable, amounted to \$61,025,666. No other transactions related to defaults by the Commonwealth of Puerto Rico have been recognized by the Company through June 30, 2023. 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.

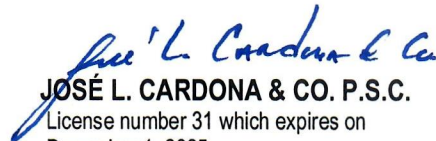
## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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 on pages 4 through 7 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.

  
**JOSÉ L. CARDONA & CO. P.S.C.**  
License number 31 which expires on  
December 1, 2025

San Juan, Puerto Rico  
July 5, 2024

The stamp number E518075 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, 2023**

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, 2023. 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, 2023, were \$9,896,060, compared with \$68,506,311 at June 30, 2022. The net change, amounting to \$58,610,251, is mainly due to the fact that the Company decided this year to establish a reserve for doubtful account receivable, amounted to \$61,025,666. The Commonwealth Budget has not included appropriations to pay GDB loans and there are uncertainties in future appropriations related to loans that were to be paid from legislative appropriations. (See Notes 5 and 10)
- 2) The Company's major assets were composed of approximately \$1,974,000 of cash, \$5,530,000 of notes receivable, \$603,000 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 \$1,304,000 of accounts payable and accrued liabilities, \$61,026,000 of notes payable and accrued interest.
- 4) The Company's Net Position (Deficit) was approximately \$(52,484,000) as of June 30, 2023, a decrease of approximately \$(61,209,000) as compared to the prior fiscal year.
- 5) The Legislative and Municipal appropriations made to the Company amounted to \$859,000 for the year ended June 30, 2023, an increase of approximately \$85,000 or 10.98% as compared to the prior fiscal year.
- 6) The Company received federal funds of approximately \$451,000 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, 2023. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2023**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED):**

**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:

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, 2023:

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2023**

**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 2023.

**Net Position**

Condensed financial information from the Statement of Net Position as of June 30, 2023 and 2022, as restated, is shown below:

	<b>2023</b>	<b>2022</b>	<b>Change</b>
<b>Assets:</b>			
Cash	\$ 1,973,918	\$ 1,801,792	\$ 172,126
Due from Commonwealth of Puerto Rico	-	58,380,290	(58,380,290)
Accounts and notes receivable	5,723,339	5,664,638	58,701
Capital assets	602,752	1,062,820	(460,068)
Other properties and other assets	<u>1,596,051</u>	<u>1,596,771</u>	<u>(720)</u>
 Total assets	 <u>9,896,060</u>	 <u>68,506,311</u>	 <u>(58,610,251)</u>
<b>Liabilities:</b>			
Liabilities payable within one year	1,353,890	1,400,518	(46,628)
Liabilities payable after one year	<u>61,025,666</u>	<u>58,380,290</u>	<u>2,645,376</u>
 Total liabilities	 <u>62,379,556</u>	 <u>59,780,808</u>	 <u>2,598,748</u>
 <b>Net Position</b>	 <u>\$ (52,483,496)</u>	 <u>\$ 8,725,503</u>	 <u>\$ (61,208,999)</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, 2023 and 2022, amounted to \$9,896,060 and 68,506,311, respectively, for a net position of \$(52,483,496) and \$8,725,503 as of June 30, 2023 and 2022, respectively.

The decrease in total assets and liabilities is mostly related to the allowance for doubtful accounts receivable from Commonwealth of Puerto Rico, amounted to \$61,025,666 regarding the contributions receivable for the repayment of the debts 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, 2023**

**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, 2023 and 2022, as restated, is shown below:

	2023	2022	Change
Revenues	\$ 4,048,182	\$ 3,949,014	\$ 99,168
Expenses	<u>65,257,181</u>	<u>4,198,871</u>	<u>61,058,310</u>
Change in net position	(61,208,999)	(249,857)	(60,959,142)
Net position, beginning	<u>8,725,503</u>	<u>8,975,360</u>	<u>(249,857)</u>
Net position, ending	<u>\$ (52,483,496)</u>	<u>\$ 8,725,503</u>	<u>\$ (61,208,999)</u>

The Governmental Activities change in net position decreased by \$61,208,999. The net decrease in change in net position was mainly due to: (1) an increase in Legislative and Municipality appropriations of approximately \$85,000, a decrease in federal grants of approximately \$36,000, (3) depreciation expense recognized during the year of approximately \$494,000, and the allowance for doubtful accounts amounted to \$61,025,666.

**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, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 1,973,918
Accounts receivable:	
Due from grantors	100,000
Federal grants	88,473
Other	3,963
Notes receivable	5,530,903
Other assets	37,551
Capital assets, net	602,752
Properties held for development and rehabilitation	1,061,162
Other assets – donated land	<u>497,338</u>
<b>Total assets</b>	<u>9,896,060</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	1,304,193
Unearned revenues	5,416
Liabilities payable within one year - Compensated absences (Note 10)	44,281
Liabilities payable after one year - Notes payable and accrued interest (Note 10)	<u>61,025,666</u>
<b>Total liabilities</b>	<u>62,379,556</u>
<b>NET POSITION</b>	
Invested in capital assets, net	602,752
Restricted	497,338
Unrestricted (Deficit)	<u>(53,583,586)</u>
<b>Total net position</b>	<u>\$ (52,483,496)</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, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position Net (Expenses)
		Operating Grants and Contributions	Debt Service	Governmental Activities
<b>Governmental activities:</b>				
Management and support	\$ 1,272,522	\$ 1,039,448	\$ -	\$ (233,074)
Improvements and development costs	60,883	60,883	-	-
Other program expenses	252,734	252,734	-	-
Interests on notes payable	2,645,376	-	2,645,376	-
Total operating expenses	<u>\$ 4,231,515</u>	<u>\$ 1,353,065</u>	<u>\$ 2,645,376</u>	<u>(233,074)</u>
<b>Other general revenues (losses) (Notes 1, 2 and 5)</b>				
Interest income				49,741
Allowance for doubtful account				<u>(61,025,666)</u>
Total other general revenues (losses)				<u>(60,975,925)</u>
<b>Change in net position</b>				<u>(61,208,999)</u>
Net position, at beginning of year				<u>8,725,503</u>
<b>Net position, at end of year</b>				<u><u>\$ (52,483,496)</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, 2023**

	<b>General Fund</b>	<b>Federal Programs</b>	<b>Total Governmental Funds</b>
	<hr/>	<hr/>	<hr/>
<b>ASSETS</b>			
Cash	\$ 1,951,994	\$ 21,924	\$ 1,973,918
Accounts receivable:			
Due from grantors	100,000	-	100,000
Federal grants	-	88,473	88,473
Other	3,963	-	3,963
Due from other fund	88,981	-	88,981
Other assets	37,551	-	37,551
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 2,182,489</b>	<b>\$ 110,397</b>	<b>\$ 2,292,886</b>
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable and accrued liabilities	\$ 1,288,193	\$ 16,000	\$ 1,304,193
Unearned revenues	-	5,416	5,416
Due to other fund	-	88,981	88,981
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>1,288,193</b>	<b>110,397</b>	<b>1,398,590</b>
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES</b>			
Unassigned	894,296	-	894,296
	<hr/>	<hr/>	<hr/>
<b>Total fund balances</b>	<b>894,296</b>	<b>-</b>	<b>894,296</b>
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 2,182,489</b>	<b>\$ 110,397</b>	<b>\$ 2,292,886</b>
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The accompanying notes are an integral part of this financial statement.



**95MPAÑÍA 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, 2023**

<b>TOTAL FUND BALANCES OF GOVERNMENTAL FUND</b>	<b>\$</b>	<b>894,296</b>
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Amounts reported for governments activities in the Statement of Net Position are different than amounts reported in the Balance Sheet – Governmental Funds because:

Notes Receivables are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the General Funds.		5,530,903
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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	6,695,422		
Accumulated Depreciation	<u>(6,172,970)</u>		602,752

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	23,234,578		
Liability of accrued compensated absences	<u>44,281</u>		<u>(61,069,947)</u>

<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(52,483,496)</u></b>
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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, 2023**

	<b>General Fund</b>	<b>Federal Programs</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Legislative appropriations	\$ 658,600	\$ -	\$ 2,645,376	\$ 3,303,976
Municipal appropriations	\$ 200,000	-	-	200,000
Other grants and contributions	43,064	451,401	-	494,465
Interest income	49,741	-	-	49,741
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	951,405	451,401	2,645,376	4,048,182
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>				
Management and support	441,760	336,823	-	778,583
Improvements and development costs	4,551	56,332	-	60,883
Other program expenses	194,488	58,246	-	252,734
Capital outlays	33,848	-	-	33,848
Interests on notes payable	-	-	2,645,376	2,645,376
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	674,647	451,401	2,645,376	3,771,424
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	276,758	-	-	276,758
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, at beginning of year	617,538	-	-	617,538
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES, AT END OF YEAR</b>	<b>\$ 894,296</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 894,296</b>
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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, 2023**

<b>NET CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND</b>	<b>\$</b>	<b>276,758</b>
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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.		33,848
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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.		(493,916)
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Note receivable, because the due date is not current, are recorded in the Statement of Net Position. In the current period the change in note receivable was		3,530
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Some expenses reported in the Statement of Activities do not require the use of current Financial resources and therefor are not reported as expenditures in governmental funds. These activities consist of:

Allowance for doubtful account		(61,025,666)
Increase in accrued vacations and sick leave		<u>(3,553)</u>

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(61,208,999)</u></b>
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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, 2023**

**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.

**Significant Funding Sources**

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, 2023, approximately 87% of the total revenues were recognized from Legislative (\$658,600 and \$2,645,376)) and Municipality (\$200,000) appropriations. Of this Legislative appropriation, 65% (\$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.



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**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.

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**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, 2023:

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.

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**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 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 or credit risk 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 Península de Cantera, Inc. (a related party). As of June 30, 2023, 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 credit risk reserve equivalent of 100% provision for doubtful account for this receivable.

**Due From / To Other Fund**

Due from / to other fund (interfund) at June 30, 2023 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.

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**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.



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**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 and have effective date after June 30, 2023.

- **GASB Statement No. 99, Omnibus 2022.** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
  - The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
  - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- **GASB Statement No. 100, Accounting Changes and Errors Corrections.** The Provisions of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter (fiscal year ending June 30, 2024).
  - **GASB Statement No. 101, Compensated Absences.** The requirements of this Statement are effective for the fiscal year beginning after December 15, 2023, and all reporting period thereafter (fiscal year ending June 30, 2025).
  - **GASB Statement No. 102, Certain Risk Disclosures.** State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **GASB Statement No. 103**, *“Financial Reporting Model Improvements”*. The new standard will revise and build upon the requirements in GASB Statement No. 34. Key changes in the new standard are summarized below.
  - Revises the requirements for management’s discussion and analysis (MD&A) with the goal of making it more readable and understandable
  - Combines extraordinary items and special items into one category of “unusual or infrequent items”
  - Defines operating and nonoperating revenues, specifically by defining nonoperating revenues and classifying all other revenues as operating
  - Includes a new section for noncapital subsidies for proprietary funds’ statement of revenues, expenses, and changes in fund net position
  - Requires the presentation of proprietary funds’ statement of revenues, expenses, and changes in fund net position in the statistical section report the same categories of revenues and expenses as the face of the financial statements
  - Removes the option to disclose major component units in a condensed form in the notes to the financial statements and requires them to be shown individually or in combining financial statements following the fund financial statements
  - Requires budgetary comparisons to be presented as RSI and adds new columns for variances between original-to-final budget and final budget-to-actual results

These changes will be effective for fiscal years ending June 30, 2026 and later.

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.

**3. CONCENTRATION OF CREDIT 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, 2023, the Company’s cash in commercial banks, excluding cash on hand of \$500, consist of the following: Commercial Bank – Carrying or Book Balance Amount \$1,994,477, Depository Bank Balance Amount \$2,029,033.

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**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, 2023, outstanding principal amount and accrued interests (P&I), equivalent to the appropriations receivable from the Commonwealth of Puerto Rico, are as follows:

	<b>Beginning Balance (P&amp;I)</b>	<b>Additions (Interests)</b>	<b>Repayments</b>	<b>Ending Balance (P&amp;I)</b>
\$38 million line of credit	\$ 13,622,978	\$ 615,791	\$ -	\$ 14,238,769
\$40 million line of credit	<u>44,757,312</u>	<u>2,029,585</u>	<u>-</u>	<u>46,786,897</u>
Total	<u>\$ 58,380,290</u>	<u>\$ 2,645,376</u>	<u>\$ -</u>	<u>\$ 61,025,666</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.

Taking into consideration the aforementioned and because the Commonwealth Budget has not included appropriations to pay GDB loans and the uncertainties in future appropriations related to loans that were to be paid from legislative appropriations, the Company decided to establish a reserve for doubtful account receivable, amounted to \$61,025,666.

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**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, 2023, the balance of the note amounted to \$5,360,432, including accrued interests and other charges amounting to \$304,872.

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, 2023, the balance due amounted to \$170,471.

As of June 30, 2023, outstanding principal amount and accrued interests (P&I), are as follows:

	Beginning Balance (P&I)	Additions (Interests)	Repayments	Ending Balance (P&I)
Related Party	\$ 5,332,988	\$ 27,444	\$ -	\$ 5,360,432
Financing Agreements	194,385	-	(23,914)	170,471
Total	<u>\$ 5,527,373</u>	<u>\$ 27,444</u>	<u>\$ (23,914)</u>	<u>\$ 5,530,903</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.

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**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, 2023, 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	497,270	33,848	-	531,118
Software	55,194	-	-	55,194
Vehicles	176,636	-	-	176,636
Leasehold improvements	2,649	-	-	2,649
Total capital assets	<u>6,741,874</u>	<u>\$ 33,848</u>	<u>\$ -</u>	<u>6,775,722</u>
Less: Accumulated depreciation:				
Building	\$ 4,820,209	\$ 448,896	\$ -	\$ 5,269,105
Furniture and fixtures	211,802	-	-	211,802
Equipment	447,427	32,709	-	480,136
Software	55,209	-	-	55,209
Vehicles	141,758	12,311	-	154,069
Leasehold improvements	2,649	-	-	2,649
Total accumulated depreciation	<u>5,679,054</u>	<u>\$ 493,916</u>	<u>\$ -</u>	<u>6,172,970</u>
Capital assets, net	<u>\$ 1,062,820</u>			<u>\$ 602,752</u>

Depreciation expense for capital assets of governmental activities was charged to the General Government (Management and Support) functions.



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**9. PROPERTY HELD FOR DEVELOPMENT AND REHABILITATION**

As of June 30, 2023, 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 Península 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, 2023, the amount due amounted to \$14,238,769 and composed of principal and accrued interest amounting to \$8,797,014 and \$5,441,755, 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, 2023, the amount due amounted to \$46,786,897 and composed of principal and accrued interest amounting to \$28,994,074 and \$17,792,823, respectively.

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

**Compensated Absences**

The vested compensated absences liability balance at June 30, 2023 consists of the following activity:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Accrued vacations and sick leave	\$ <u>40,728</u>	\$ <u>3,553</u>	\$ <u>44,281</u>	\$ <u>44,281</u>

The following is a summary of changes in long-term debts for the year ended June 30, 2023:

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

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>(Decrease)</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>	<b>Due After One Year</b>
\$38 million line of credit	\$ 13,622,978	\$ 615,791	\$ -	\$ 14,238,769	\$ -	\$ 14,238,769
\$40 million line of credit	44,757,312	2,029,585	-	46,786,897	-	46,786,897
Compensated absences	<u>40,728</u>	<u>10,035</u>	<u>(6,482)</u>	<u>44,281</u>	<u>44,281</u>	<u>-</u>
Total	<u>\$ 58,421,018</u>	<u>\$ 2,655,411</u>	<u>\$ (6,482)</u>	<u>\$ 61,069,947</u>	<u>\$ 44,281</u>	<u>\$ 61,025,666</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.

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**

Management of Company has evaluated subsequent event through July 5, 2024, the date which the financial statements were available to be issued.