FIDEICOMISO DE LA TIERRA
DEL CAÑO MARTÍN PEÑA

FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

DRAFT

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JULIO C. RIVERA CAMACHO, CPA
Certified Public Accountant and Consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Fideicomiso de la Tierra del Caño Martin Peña

I have audited the accompanying statements of financial position of the Fideicomiso de la Tierra del Caño Martin Peña (the "Fideicomiso"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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F-19, 9th Street, Cupey Gardens, San Juan, PR 00926
Tel: (787) 900-7676 // Email: jcrccpa@gmail.com

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

As more fully described in Note E to the financial statements, the Fideicomiso has land whose exact area or its actual or appraised costs are unknown. In my opinion, the land should be recorded at fair value to conform to accounting principles generally accepted in the United States of America. A quantification of the effects on the financial statements is not practicable.

Opinion

In my opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the Fideicomiso as of June 30, 2013 and 2012, and changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

San Juan, Puerto Rico
January __, 2014

_____
JULIO C. RIVERA CAMACHO, CPA
License 2836
Expires December 1, 2015

The stamp number _____
was affixed to the original report.

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FIDEICOMISO DE LA TIERRA
DEL CAÑO MARTÍN PEÑA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 1,131,718	$ 995,301
Rent receivable	3,924	3,450
Land	314,000	-
TOTAL ASSETS	$ 1,449,642	$ 998,751
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	650	650
Tenants' deposits	21,300	21,300
TOTAL LIABILITIES	21,950	21,950
Net assets:		
Restricted	1,427,692	976,801
TOTAL NET ASSETS	1,427,692	976,801
TOTAL LIABILITIES AND NET ASSETS	$ 1,449,642	$ 998,751

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The accompanying notes are an integral part of the basic financial statements.

FIDEICOMISO DE LA TIERRA
DEL CAÑO MARTÍN PEÑA

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CHANGE IN NET ASSETS		
Revenues:		
Contributions	$ 314,000	$ -
Rent revenue	131,724	131,250
Interest income	5,167	2,023
Total revenues	450,891	133,273
CHANGE IN NET ASSETS	450,891	133,273
Restricted net assets, beginning of year	976,801	843,528
Restricted net assets, ending of year	$ 1,427,692	$ 976,801

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The accompanying notes are an integral part of the basic financial statements.

FIDEICOMISO DE LA TIERRA
DEL CAÑO MARTÍN PEÑA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operational activities:		
Change in net assets	$ 450,891	$ 133,273
Adjustments to reconcile net income to net cash provided by operating activities:		
Permanently restricted land contributions received	(314,000)	-
Changes in assets and liabilities:		
Increase in rent receivable	(474)	(3,450)
Net cash provided by operational activities	136,417	129,823
Increase in cash and cash equivalents	136,417	129,823
Cash and cash equivalents at the beginning of the year	995,301	865,478
Cash and cash equivalents at the end of the year	$ 1,131,718	$ 995,301

Supplemental Disclosure of Non Cash Transactions:

During the year ended June 30, 2013 the Fideicomiso received land with a market value of $314,000. Such transaction did not represent spending of cash.

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The accompanying notes are an integral part of the basic financial statements.

FIDEICOMISO DE LA TIERRA
DEL CAÑO MARTÍN PEÑA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Fideicomiso de la Tierra del Caño Martín Peña (the "Fideicomiso") was created under Law No. 489 of September 24, 2004 ("Ley para el Desarrollo Integral del Distrito de Planificación Especial del Caño Martin Peña") to: 1) Contribute to the problem of ownership of many residents in the District through collective ownership of the land. (2) Assist with equity physical or economic displacement of low-income residents resulting from urban reconstruction projects, avoiding the disintegration and displacement of the community. (3) Ensure affordable housing in the district. (4) Acquire and own land for the benefit of the community, by increasing local control over land and avoiding decision-making by absent owners. The Fideicomiso's General Regulations came into effect on November 2008. Its Board of Trustees consists of nine (9) nominated trustees and two (2) trustees by invitation, one (1) appointed by the Governor of Puerto Rico.

Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Fideicomiso recognizes contributions received as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Rent revenues are recognized when earned, and interest in the period received. Revenues, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. Since March 2005 the Corporación del Proyecto ENLACE del Caño Martín Peña (the "Corporation") collected rent and interest revenues, and a deposit from a tenant. During the year ended June 30, 2011 the Corporation decided to transfer those funds to the Fideicomiso as restricted funds. Accordingly, all activities of the Fideicomiso are classified as restricted.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications may have been made to the information presented in the financial statements in conformity with GAAP.

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FIDEICOMISO DE LA TIERRA
DEL CAÑO MARTÍN PEÑA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE B - CASH

Cash and Cash Equivalents

The Fideicomiso consider as cash and cash equivalents, local banks checking accounts, petty cash, branch operating fund, savings accounts, cash investments and savings certificates with maturity of ninety (90) days or less. As of June 30, 2013 and 2012, the cash and cash equivalents consisted of the following:

	2013	2012
Cash in banks	$ 1,131,718	$ 995,301
Total of cash and cash equivalents	$ 1,131,718	$ 995,301

Concentration of Credit Risk

The Fideicomiso maintains cash in a financial institution of Puerto Rico. The bank account in the financial institution is insured by the Federal Deposit Insurance Corporation for $250,000. As of June 30, 2013 and 2012 the Fideicomiso maintained cash deposited in excess of the amount covered by the insurance from the FDIC $881,718 and $745,301, respectively.

NOTE C - RELATED PARTY TRANSACTIONS

Both the Fideicomiso and the Corporación del Proyecto ENLACE del Caño Martín Peña (the "Corporation") were created under Law No. 489 of September 24, 2004 ("Ley para el Desarrollo Integral del Distrito de Planificación Especial del Caño Martin Peña") as entities with independent legal personality. However, due to the nature of the operations of both entities, the Corporation is in a position to, and in the future may, significantly influence the common management or operating policies of the Fideicomiso.

During the year ended June 30, 2013 the Corporation transferred, as restricted funds, land with a market value of $314,000 to the Fideicomiso. The Fideicomiso will retain ownership of the land, and could only sell or transfer the right on the building; or they may grant long term leases with the right to inherit. The owners in the land of the Fideicomiso may be owners of the structure only, but not the land where it is located. Residents of the lands owned by the Fideicomiso will be the settlors.

NOTE D - DESCRIPTION OF LEASING ARRANGEMENT

The Fideicomiso leases land under a cancellable operating lease through August 14, 2022.

FIDEICOMISO DE LA TIERRA
DEL CAÑO MARTÍN PEÑA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE E - SUBSEQUENT EVENTS

On March 2005, and pursuant to Article 16 of Law No. 489 of September 24, 2004 ("Law 489-2004"), the title of all lands within the Caño Martín Peña Special Planning District, previously owned, managed, held in custody, dominated, leased or controlled by governmental agencies (including governmental corporations and the Municipality of San Juan) was transferred to the Corporation.

The Corporation, therefore, owned approximately over 200 acres of land within the Caño Martín Peña Special Planning District. The exact area owned by the Corporation or its actual or appraised costs are unknown, as it was not possible to obtain that information for all properties, and no appraisal of the lands was conducted at the time. However, the documentation identifies ownership of 768,647 m2 (195.5572 cuerdas) of land, according to titles of previous owners.

Then, during the fiscal year 2009, the Corporation transferred the title to land to the Fideicomiso, as set forth in public deeds. Notwithstanding, the legislature of the Commonwealth of Puerto Rico (the "Legislature") approved Law No. 32 of June 23, 2009 ("Law 32-2009") amending Article 16 of the Law 489-2004 to retroactively revert the land titles to previous owners or title holders.

This changed again on August 14, 2013, when the Legislature approved Law No. 104 amending Article 16 of the Law 489-2004, to restore the ownership of all lands within the Caño Martín Peña Special Planning District to the Fideicomiso, except for those parcels that are subject to levies, whether by mortgage, bond issues, or that serve as a guarantee or collateral for lines of credit.

Additionally, under Article 22(c) of the Law No. 104, the Fideicomiso became exempt from income taxes. As established in Article 21 of Law No. 104, such exemption is retroactive to the date Law 489-2004 came into force (September 24, 2004).

In accordance with FASB ASC 855, the Fideicomiso evaluated its subsequent events until January __, 2014, date on which the financial statements were ready for issuance. The Fideicomiso's management understands that, other than the event explained in the previous paragraphs, no material events occurred subsequent to June 30, 2013 and 2012 that requires being recorded or required additional disclosures in the financial statements.

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