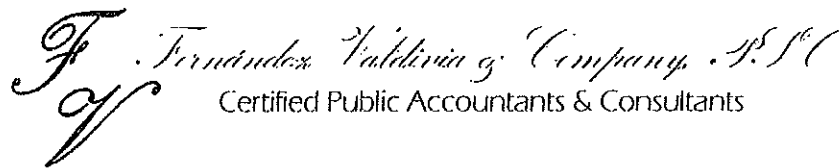


CONSEJO RENAL DE PUERTO RICO, INC.
(A Non-Profit Corporation)
Financial Statements and Independent Auditors' Report

June 30 2013 and 2012

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American Institute of
Certified Public Accountants

INDEPENDENT AUDITOR REPORT

To the Board of Directors
Consejo Renal de Puerto Rico, Inc.
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying statements of net assets of Consejo Renal de Puerto Rico, Inc. (a not for profit corporation) as of June 30, 2013 and 2012, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to 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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 considers 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 purposes of expressing opinion on the effectiveness of the entity's internal control. Accordingly, we 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consejo Renal de Puerto Rico, Inc. as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information accompanying the financial statements for the periods ended on June 30, 2013 and 2012, is presented of purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fernando Valdivia Company, PSC

October 23, 2013

Stamp number
affixed to original.



Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Statement of Net Assets
June 30, 2013

	<u>Unrestricted net assets</u>	<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>United Ways</u>	<u>Legislative donation</u>	
Cash	\$ 32,585	\$ 72,822	\$ 9,671	\$ 26,256	\$ 141,334
Investments	1,206,186	-	-	-	1,206,186
Accounts receivable, net	-	-	-	-	-
Other accounts receivable	16,557	-	-	-	16,557
Inventory	-	10,558	-	-	10,558
Property and equipment - net	7,143	-	-	-	7,143
Other assets	7,987	-	-	-	7,987
Total Assets	\$ 1,270,458	\$ 83,380	\$ 9,671	\$ 26,256	\$ 1,389,765
Liabilities and Net Assets					
Accounts payable	\$ 49,779	\$ -	\$ -	\$ -	\$ 49,779
Accrued expenses	24,640	-	-	-	24,640
Line of credit	727,064	-	-	-	727,064
Total liabilities	801,483	-	-	-	801,483
Net assets:					
Unassigned	468,975	-	-	-	468,975
Restricted	-	83,380	9,671	26,256	119,307
Total liabilities and net assets	\$ 1,270,458	\$ 83,380	\$ 9,671	\$ 26,256	\$ 1,389,765

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

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Statement of Activities and Changes in Net Assets
June 30, 2013

	Unrestricted <u>net assets</u>	<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>United Ways</u>	<u>Legislative Donation</u>	
Revenues:					
Governmental appropriations	\$ -	\$ 475,000	\$ -	\$ 70,000	\$ 545,000
United Ways - donations	-	-	50,082	-	50,082
Medical services - health plans	69,461	-	-	-	69,461
Interest	20	213	42	-	275
Fund raising activities	9,922	-	-	-	9,922
Private donations	62,553	-	-	-	62,553
Others	4,037	-	-	-	4,037
Total revenues	<u>145,993</u>	<u>475,213</u>	<u>50,124</u>	<u>70,000</u>	<u>741,330</u>
Expenses:					
Operating and administrative	308,915	32,152	-	-	341,067
Immunosuppressive medicines	-	202,362	-	-	202,362
Promotional activities	19,457	-	-	-	19,457
PHT clinic programs	-	-	50,903	61,498	112,401
Depreciation	20,451	-	-	-	20,451
Total expenses	<u>348,823</u>	<u>234,514</u>	<u>50,903</u>	<u>61,498</u>	<u>695,738</u>
Change in net assets before other income/expenses	(202,830)	240,699	(779)	8,502	45,592
Investment income (interest/ dividends)	50,224	-	-	-	50,224
Realized loss on investments	10,177	-	-	-	10,177
Unrealized loss on investments	(121,423)	-	-	-	(121,423)
	<u>(61,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,022)</u>
Change in net assets	(263,852)	240,699	(779)	8,502	(15,430)
Net assets - beginning of year	553,773	18,690	14,434	16,815	603,712
Net transfers between funds	<u>179,054</u>	<u>(176,009)</u>	<u>(3,984)</u>	<u>939</u>	<u>-</u>
Net assets - end of year	<u>\$ 468,975</u>	<u>\$ 83,380</u>	<u>\$ 9,671</u>	<u>\$ 26,256</u>	<u>\$ 588,282</u>

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

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Statement of Cash Flows
June 30, 2013

	Unrestricted net assets	Permanently restricted net assets			Totals
	Unassigned	Immunosupp- ressive	United Ways	Legislative Donation	
Cash flows from operating activities					
<u>Change in net assets:</u>	\$ (263,852)	\$ 240,699	\$ (779)	\$ 8,502	\$ (15,430)
Adjustments to reconcile change in net assets to net cash provided by/ (used in) operating activities					
Depreciation	20,451	-	-	-	20,451
Provision for bad debts	-	-	-	-	-
Accounts receivable	9,419	-	-	-	9,419
Other accounts receivable	3,133	-	-	-	3,133
Inventory	-	2,762	-	-	2,762
Other assets	1,419	-	-	-	1,419
Accounts payable	36,112	-	-	-	36,112
Accrued expenses	(15,632)	-	-	-	(15,632)
Total adjustments	<u>54,902</u>	<u>2,762</u>	<u>-</u>	<u>-</u>	<u>57,664</u>
Net cash (used in) / provided by operating activities	(208,950)	243,461	(779)	8,502	42,234
Cash flows from investing activities					
Realized gain on sold securities	10,177	-	-	-	10,177
Acquisition of marketable securities	119,224	-	-	-	119,224
Net cash (used in) investing activities	129,401	-	-	-	129,401
Cash flows from financing activities					
Payments of line of credit	(68,228)	-	-	-	(68,228)
Transfers between funds	179,054	(176,009)	(3,984)	939	-
Net cash (used in) / provided by financing activities	110,826	(176,009)	(3,984)	939	(68,228)
Net increase in cash	31,277	67,452	(4,763)	9,441	103,407
Cash, beginning of year	<u>1,308</u>	<u>5,370</u>	<u>14,434</u>	<u>16,815</u>	<u>37,927</u>
Cash, end of year	\$ 32,585	\$ 72,822	\$ 9,671	\$ 26,256	\$ 141,334

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

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

1- Organization

The Consejo Renal de Puerto Rico, Inc. (the "Consejo") is a non-profit corporation organized under the laws of the Commonwealth of Puerto Rico in September 30, 1976. The main purpose of the Consejo is the promotion and prevention of renal diseases through education. Also, it administers the program of immunosuppressive drugs which provides medicines to kidney transplant patients.

The Consejo is exempt from corporate income tax, municipal tax and property taxes, in accordance with the various laws of the Commonwealth of Puerto Rico.

2- Summary of significant accounting policies

The financial statements of the Consejo have been prepared following the recommendation of Financial Accounting Standards Board in its "Financial Statements for Not-for-Profit Organizations". That prescribes the standards for external financial statements and requires not-for-profit organizations to prepare a statement of net assets, statement of activities and changes in net assets and statement of cash flows.

The pronouncement also requires the classification of the organization's net assets and its revenues and expenses into three categories according to the existence or absence of donor-imposed restrictions -- permanently restricted, temporarily restricted, or unrestricted. In addition, pledges and unconditional promises to give are reported as temporarily restricted support upon date of notification and are then released from restrictions upon satisfaction of the time or use requirements. If a restriction is fulfilled in the same period in which the contribution is received, the Consejo reports the support as unrestricted.

Income recognition

Contributions and donations are recognized as income when they are received or when they are unconditionally promised.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

2- Summary of Significant Accounting Policies (continued)

Contributions

The Consejo accounts for contributions in accordance with the requirements of the *Accounting for Contributions Received and Contributions Made*. The contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Net assets unrestricted

Unrestricted

Funds which the Board of Directors has discretionary control over its use and may be assigned or used for any purpose deemed necessary within the operations of the Consejo.

Net assets permanently restricted

Immunosuppressive drugs program

The Consejo receives a contribution from the Puerto Rico Health Department, the use of the funds are restricted exclusively to provide Immunosuppressive drugs to kidney transplants patients.

United Ways – Community renal health project

The Consejo receives an annual contribution from United Ways of Puerto Rico, a non-profit entity; such funds are restricted for the development of educational and prevention programs for the community.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

2- Summary of Significant Accounting Policies (continued)

Legislative donation

The Consejo receives a donation from the Puerto Rico Legislature which is restricted for the payment of salaries and fringe benefits of an epidemiology and an information systems coordinator.

Cash and cash equivalents

For purposes of the statement of cash flows, the Consejo considers currency on hand, certificate of deposits and highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Provision for bad debts

The Consejo accounts for the provision for bad debts based on accounts receivable aging balances. Other factors as accounts receivable trends, percentage figures of net patient revenue and collections and information of financial conditions of third-party payors, among other, are considered as part of the recognition of the provision for bad debts and/or write-off of accounts receivable.

Inventory

Inventory of supplies, consisting of controlled drugs and medicines specialized for patients with renal related diseases and other, are stated at the lower of cost or market (first-in, first-out basis).

Property and equipment

Property and equipment are recorded at cost, or if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The cost of repair and maintenance is expensed as incurred; major improvements are generally capitalized.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

2- Summary of significant accounting policies (continued)

Investments

In accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Consejo recognized its investments at fair value in the statement of net assets. Unrealized gains and losses on investments are reflected in the statement of activities and changes in net assets as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Interest income and dividends are recognized in the statement of operations and changes in net assets.

Fair value of financial instruments

"Disclosures about Fair Value of Financial Instruments" requires the disclosure of fair value information about financial instruments, for which it is practicable to estimate that value. The carrying amount of cash, contributions and other receivables, prepaid expenses, accounts payable and accrued liabilities, none of which are held for trading purposes, approximate fair value due to the short-term maturities of these instruments.

Concentration of credit risk

Financial instruments, which potentially could subject the Consejo to concentration of credit risk, consist principally of cash deposits, investment in securities (including assets whose use is limited) and accounts receivable. The concentration of credit risk related to accounts receivable is limited in nature in result to the transactions with patients and insurance companies.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

3- Accounts receivable

A summary of accounts receivable at June 30, 2013 and 2012 follows:

	2013	2012
Medicare	\$ -	\$ 9,419
Allowances for uncollectable	-	-
	<u>\$ -</u>	<u>\$ 9,149</u>

4- Property and equipment

A summary of property and equipment at June 30, 2013 and 2012 follows:

	2013	2012
Office equipment and computers	\$ 92,883	\$ 93,095
Leasehold improvements	27,785	27,785
	<u>120,668</u>	<u>120,880</u>
Less: accumulated depreciation and amortization	<u>(113,525)</u>	<u>(93,286)</u>
Property and equipment, net	<u>\$ 7,143</u>	<u>\$ 27,594</u>

5- Investments

The Consejo has investments in mutual funds through a brokerage firm. The funds are invested in local and federal values exempt from income taxes.

At June 30, 2013 and 2012 the market values of these investments were as follows:

Year	Brokerage Firm	Original Cost	Market value	Unrealized gain (loss) during the year	Accrued unrealized gain (loss)
2013	Santander Securities	\$ 1,327,609	\$ 1,206,186	(\$ 121,423)	(\$ 121,423)

Year	Brokerage Firm	Original Cost	Market value	Unrealized gain (loss) during the year	Accrued unrealized gain (loss)
2012	Santander Securities	\$ 1,321,893	\$ 1,335,587	\$ 13,694	\$ 13,694

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

6- Marginal credit facility

The Consejo has a marginal credit facility with a financial institution with a maximum borrowing limit of \$900,000. The outstanding balance was \$727,064 and \$795,292 as of June 30, 2013 and 2012, respectively. This marginal credit is secured by the Consejo's investments in marketable securities (see note 5 above). Interest is accrued at a variable rate computed by the "Fed Fund Target Rate" plus 1.15% (1.40% as of June 30, 2013 and 2012).

The Consejo incurred interest expenses on this line of credit of \$10,656 and \$17,462 for the year ended June 30, 2013 and 2012, respectively. This line of credit contains certain covenants, and in management opinion, the Consejo is in compliance with all covenants as of June 30, 2013 and 2012.

7- Commitments

The Consejo leased office space in Hato Rey for its daily operations a month-by-month basis. Minimum annual rental payments for 2013 and 2012 of \$21,786 and \$33,840 are payable in monthly installments of \$1,816 and \$3,182, respectively. The Consejo incurred in rent expenses amounting to \$27,657 and \$42,159 for June 30, 2013 and 2012, respectively.

The Consejo pays additional charges depending on the use of its facilities. Such additional charges relate to utilities, maintenance, etc., and change depending on the landlord operating costs.

8- Contingencies

The Consejo is defendant in labor related cases and other lawsuits arising from its operations; management and legal counsel are of the opinion that the outcome of these suits will not have a material effect on the Consejo's financial position or the results of its operations. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

9- Cash flow information

At June 30, 2013 and 2012 Consejo made interest payments of \$10,656 and \$17,462, respectively. In addition it made write off of accounts receivables for approximately \$9,400 and 62,400 for 2013 and 2012, respectively.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

10- Fair value measurements

FASB Accounting Standard Codification, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair valued hierarchy under the above mentioned standard are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Money market: Valued at the closing price reported in the active market in which the investments are traded.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

10- Fair value measurements - continued

Municipal and Corporate Bonds: Valued at the closing price reported in the active market in which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Consejo believes its valuation methods are appropriated and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Consejo's assets at fair value as of June 30, 2013 and June 30, 2012:

	2013			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 100,278	\$ -	\$ -	\$ 100,278
Municipal bonds	944,764	-	-	944,764
Mutual funds	161,144	-	-	161,144
	\$ 1,206,186	\$ -	\$ -	\$ 1,206,186
	2012			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 304,885	\$ -	\$ -	\$ 304,885
Municipal bonds	1,030,702	-	-	1,030,702
Mutual funds	-	-	-	-
	\$ 1,335,587	\$ -	\$ -	\$ 1,335,587

11. Subsequent events

During January 2013, the Consejo enters on a legal proceeding with the actual landlord ASSMCA for rent its rent facilities and on September 2013 the Consejo was awarded \$146,000 for all its expenditures, from such awarded monies \$92,000 relates to punitive damages. But on the same legal proceedings the Consejo have to leave the premises no later than December 2013. At the time the financial statements are being issued the Consejo has not identified a new facility for its operations.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements
June 30, 2013 and 2012

11. Subsequent events - continued

Subsequent events have been evaluated by management through October 23, 2013 which is the same date the financial statements were available to be issued.

12. Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year presentation.

Supplementary Information
(Schedule 1)

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Statement of Functional Expenses
June 30, 2013

	<u>Unrestricted net assets</u>		<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>United Ways</u>	<u>Legislative Donation</u>		
Expenses:						
Salaries and fringe benefits	\$ 80,031	\$ 26,482	\$ 32,666	\$ 60,392	\$ 199,571	
Medical supplies purchases	-	202,362	-	-	202,362	
Promotional activities	19,457	-	-	-	19,457	
Professional services	61,608	5,243	-	-	66,851	
Rent	35,883	-	-	-	35,883	
Office expenses	17,931	-	3,691	1,086	22,708	
Bad debts expenses	5,159	-	-	-	5,159	
Depreciation	20,451	-	-	-	20,451	
Interests	10,656	-	-	-	10,656	
Other administrative expenses	97,647	427	14,546	20	112,640	
	<u>97,647</u>	<u>427</u>	<u>14,546</u>	<u>20</u>	<u>112,640</u>	
Total expenses	<u>\$ 348,823</u>	<u>\$ 234,514</u>	<u>\$ 50,903</u>	<u>\$ 61,498</u>	<u>\$ 695,738</u>	

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