



*Fernández Valdivia & Company, PSC*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## 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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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.

October 31, 2014

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affixed to original.



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

**June 30 2014 and 2013**

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**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Statement of Financial Position**  
**June 30, 2014**

|   | <u>Unrestricted</u><br><u>net assets</u> |                          | <u>Permanently restricted net assets</u> |                         |                            |
|---|--|--------------------------|--|-------------------------|----------------------------|
|   | <u>Unassigned</u>                        | <u>Immunosuppressive</u> | <u>United</u>                            | <u>Legislative</u>      | <u>Totals</u>              |
|   |  |                          | <u>Ways</u>                              | <u>donation</u>         |                            |
| Cash                                    | \$ 124,159                               | \$ 120,917               | \$ 7,833                                 | \$ 28,524               | \$ 281,433                 |
| Investments                             | 973,144                                  | -                        | -  | -                       | 973,144                    |
| Other accounts receivable               | -  | -                        | -  | -                       | -                          |
| Inventory                               | -  | -                        | -  | -                       | -                          |
| Property and equipment - net            | 126,307                                  | -                        | -  | -                       | 126,307                    |
| Other assets                            | <u>6,587</u>                             | <u>-</u>                 | <u>-</u>                                 | <u>-</u>                | <u>6,587</u>               |
| <b>Total Assets</b>                     | <b><u>\$ 1,230,197</u></b>               | <b><u>\$ 120,917</u></b> | <b><u>\$ 7,833</u></b>                   | <b><u>\$ 28,524</u></b> | <b><u>\$ 1,387,471</u></b> |
| <b>Liabilities and Net Assets</b>       |  |                          |  |                         |                            |
| Accounts payable                        | \$ 33,829                                | \$ -                     | \$ -                                     | \$ -                    | \$ 33,829                  |
| Accrued expenses                        | 20,875                                   | -                        | -  | -                       | 20,875                     |
| Line of credit                          | <u>561,479</u>                           | <u>-</u>                 | <u>-</u>                                 | <u>-</u>                | <u>561,479</u>             |
| <b>Total liabilities</b>                | <b>616,183</b>                           | <b>-</b>                 | <b>-</b>                                 | <b>-</b>                | <b>616,183</b>             |
| <b>Net assets:</b>                      |  |                          |  |                         |                            |
| Unassigned                              | 614,014                                  | -                        | -  | -                       | 614,014                    |
| Restricted                              | <u>-</u>                                 | <u>120,917</u>           | <u>7,833</u>                             | <u>28,524</u>           | <u>157,274</u>             |
|   | <u>614,014</u>                           | <u>120,917</u>           | <u>7,833</u>                             | <u>28,524</u>           | <u>771,288</u>             |
| <b>Total liabilities and net assets</b> | <b><u>\$ 1,230,197</u></b>               | <b><u>\$ 120,917</u></b> | <b><u>\$ 7,833</u></b>                   | <b><u>\$ 28,524</u></b> | <b><u>\$ 1,387,471</u></b> |

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

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

|   | <u>Unrestricted<br/>net assets</u> | <u>Permanently restricted net assets</u> |                     |                                 | <u>Totals</u>           |
|---|------------------------------------|--|---------------------|---------------------------------|-------------------------|
|   | <u>Unassigned</u>                  | <u>Immunosuppressive</u>                 | <u>United Ways</u>  | <u>Legislative<br/>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                            | <u>7,987</u>                       | <u>-</u>                                 | <u>-</u>            | <u>-</u>                        | <u>7,987</u>            |
| <br>Total Assets                        | <br><u>\$ 1,270,458</u>            | <br><u>\$ 83,380</u>                     | <br><u>\$ 9,671</u> | <br><u>\$ 26,256</u>            | <br><u>\$ 1,389,765</u> |
| <br><b>Liabilities and Net Assets</b>   |                                    |  |                     |                                 |                         |
| Accounts payable                        | \$ 49,779                          | \$ -                                     | \$ -                | \$ -                            | \$ 49,779               |
| Accrued expenses                        | 24,640                             | -  | -                   | -                               | 24,640                  |
| Line of credit                          | <u>727,064</u>                     | <u>-</u>                                 | <u>-</u>            | <u>-</u>                        | <u>727,064</u>          |
| <br>Total liabilities                   | <br>801,483                        | <br>-                                    | <br>-               | <br>-                           | <br>801,483             |
| Net assets:                             |                                    |  |                     |                                 |                         |
| Unassigned                              | 468,975                            | -  | -                   | -                               | 468,975                 |
| Restricted                              | <u>-</u>                           | <u>83,380</u>                            | <u>9,671</u>        | <u>26,256</u>                   | <u>119,307</u>          |
| <br>Total liabilities and<br>net assets | <br><u>\$ 1,270,458</u>            | <br><u>\$ 83,380</u>                     | <br><u>\$ 9,671</u> | <br><u>\$ 26,256</u>            | <br><u>\$ 1,389,765</u> |

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, 2014

|  | <u>Unrestricted</u><br><u>net assets</u> | <u>Permanently restricted net assets</u> |                              |                                       | <u>Totals</u>     |
|--|--|--|------------------------------|---------------------------------------|-------------------|
|  | <u>Unassigned</u>                        | <u>Immunosuppressive</u>                 | <u>United</u><br><u>Ways</u> | <u>Legislative</u><br><u>Donation</u> |                   |
| <b>Revenues:</b>                                     |  |  |                              |                                       |                   |
| Governmental appropriations                          | \$ -                                     | \$ 475,000                               | \$ -                         | \$ 55,000                             | \$ 530,000        |
| United Ways - donations                              | -  | -  | 53,493                       | -                                     | 53,493            |
| Medical services - health plans                      | 19,815                                   | -  | -                            | -                                     | 19,815            |
| Interest   | 189                                      | 135                                      | 14                           | -                                     | 338               |
| Fund raising activities                              | 196                                      | -  | -                            | -                                     | 196               |
| Private donations                                    | -  | -  | -                            | -                                     | -                 |
| Others   | 151,435                                  | -  | -                            | -                                     | 151,435           |
| <b>Total revenues</b>                                | <u>171,635</u>                           | <u>475,135</u>                           | <u>53,507</u>                | <u>55,000</u>                         | <u>755,277</u>    |
| <b>Expenses:</b>                                     |  |  |                              |                                       |                   |
| Operating and administrative                         | 256,213                                  | 27,664                                   | -                            | -                                     | 283,877           |
| Immunosuppressive medicines                          | -  | 136,177                                  | -                            | -                                     | 136,177           |
| Promotional activities                               | 37,523                                   | -  | -                            | -                                     | 37,523            |
| PHT clinic programs                                  | -  | -  | 45,983                       | 60,825                                | 106,808           |
| Depreciation   | 5,049                                    | -  | -                            | -                                     | 5,049             |
| <b>Total expenses</b>                                | <u>298,785</u>                           | <u>163,841</u>                           | <u>45,983</u>                | <u>60,825</u>                         | <u>569,434</u>    |
| Change in net assets before<br>other income/expenses | (127,150)                                | 311,294                                  | 7,524                        | (5,825)                               | 185,843           |
| Investment income (interest/<br>dividends)           | 52,481                                   | -  | -                            | -                                     | 52,481            |
| Realized loss on investments                         | (11,893)                                 | -  | -                            | -                                     | (11,893)          |
| Unrealized loss on investments                       | (43,425)                                 | -  | -                            | -                                     | (43,425)          |
|  | <u>(2,837)</u>                           | <u>-</u>                                 | <u>-</u>                     | <u>-</u>                              | <u>(2,837)</u>    |
| <b>Change in net assets</b>                          | <u>(129,987)</u>                         | <u>311,294</u>                           | <u>7,524</u>                 | <u>(5,825)</u>                        | <u>183,006</u>    |
| Net assets - beginning of year                       | 468,975                                  | 83,380                                   | 9,671                        | 26,256                                | 588,282           |
| Net transfers between funds                          | <u>275,026</u>                           | <u>(273,757)</u>                         | <u>(9,362)</u>               | <u>8,093</u>                          | <u>-</u>          |
| <b>Net assets - end of year</b>                      | <u>\$ 614,014</u>                        | <u>\$ 120,917</u>                        | <u>\$ 7,833</u>              | <u>\$ 28,524</u>                      | <u>\$ 771,288</u> |

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

|  | <u>Unrestricted</u><br><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<br/>Donation</u> |  |                   |
| <b>Revenues:</b>                                     |  |                          |  |                                 |  |                   |
| 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>    |
| <b>Expenses:</b>                                     |  |                          |  |                                 |  |                   |
| 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<br>other income/expenses | (202,830)                                | 240,699                  | (779)                                    | 8,502                           |  | 45,592            |
| Investment income (interest/<br>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, 2014

|   | Unrestricted<br><u>net assets</u> | <u>Permanently restricted net assets</u> |                       |                                | <u>Totals</u>     |
|---|-----------------------------------|--|-----------------------|--------------------------------|-------------------|
|   | <u>Unassigned</u>                 | Immunosupp-<br><u>ressive</u>            | United<br><u>Ways</u> | Legislative<br><u>Donation</u> |                   |
| <b>Cash flows from operating activities</b>   |                                   |  |                       |                                |                   |
| <b><u>Change in net assets:</u></b>   | \$ (129,987)                      | \$ 311,294                               | \$ 7,524              | \$ (5,825)                     | \$ 183,006        |
| Adjustments to reconcile change in net assets to net cash provided by/ (used in) operating activities |                                   |  |                       |                                |                   |
| Depreciation  | 5,049                             | -  | -                     | -                              | 5,049             |
| Provision for bad debts   | 16,557                            | -  | -                     | -                              | 16,557            |
| Inventory   | -                                 | 10,558                                   | -                     | -                              | 10,558            |
| Other assets  | 1,400                             | -  | -                     | -                              | 1,400             |
| Accounts payable  | (15,950)                          | -  | -                     | -                              | (15,950)          |
| Accrued expenses  | (3,765)                           | -  | -                     | -                              | (3,765)           |
| Total adjustments   | <u>3,291</u>                      | <u>10,558</u>                            | <u>-</u>              | <u>-</u>                       | <u>13,849</u>     |
| <b>Net cash (used in) / provided by operating activities</b>  | (126,696)                         | 321,852                                  | 7,524                 | (5,825)                        | 196,855           |
| <b>Cash flows from investing activities</b>   |                                   |  |                       |                                |                   |
| Purchase of property and equipment  | (124,213)                         | -  | -                     | -                              | -                 |
| Proceed from sale of securities, net  | 233,042                           | -  | -                     | -                              | 233,042           |
| <b>Net cash (used in) investing activities</b>  | <u>108,829</u>                    | <u>-</u>                                 | <u>-</u>              | <u>-</u>                       | <u>108,829</u>    |
| <b>Cash flows from financing activities</b>   |                                   |  |                       |                                |                   |
| Payments of line of credit  | (165,585)                         | -  | -                     | -                              | (165,585)         |
| Transfers between funds   | 275,026                           | (273,757)                                | (9,362)               | 8,093                          | -                 |
| <b>Net cash (used in) / provided by financing activities</b>  | <u>109,441</u>                    | <u>(273,757)</u>                         | <u>(9,362)</u>        | <u>8,093</u>                   | <u>(165,585)</u>  |
| <b>Net increase in cash</b>   | 91,574                            | 48,095                                   | (1,838)               | 2,268                          | 140,099           |
| Cash, beginning of year   | <u>32,585</u>                     | <u>72,822</u>                            | <u>9,671</u>          | <u>26,256</u>                  | <u>141,334</u>    |
| <b>Cash, end of year</b>  | <u>\$ 124,159</u>                 | <u>\$ 120,917</u>                        | <u>\$ 7,833</u>       | <u>\$ 28,524</u>               | <u>\$ 281,433</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

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

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, 2014 and 2013**

**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 standards 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 – (continued)**  
**June 30, 2014 and 2013**

**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* topic. 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**

Represents 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 is 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 – (continued)**  
**June 30, 2014 and 2013**

**2- Summary of Significant Accounting Policies (continued)**

**Net assets permanently restricted – (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 – (continued)**  
**June 30, 2014 and 2013**

**2- Summary of significant accounting policies (continued)**

**Investments**

In accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations* topic, 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 activities and changes in net assets.

**Fair value of financial instruments**

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

**Concentrations of credit risk**

Financial instruments, which potentially could subject the Consejo to concentration of credit risk, consist principally of cash deposits and investments. The Consejo maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances, and management believes its credit risk to be minimal. Regarding investments, although amounts are not insured or guaranteed by the PR or the U.S. governments, management believes that credit risk related to them is minimal.

**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 (continued)**  
**June 30, 2014 and 2013**

**3- Accounts receivable**

A summary of accounts receivable at June 30, 2014 and 2013 follows:

|                             | 2014        | 2013             |
|-----------------------------|-------------|------------------|
| Medicare                    | \$ 15,657   | \$ 16,557        |
| Allowance for uncollectible | (15,657)    | -                |
|                             | <u>\$ -</u> | <u>\$ 16,557</u> |

**4- Property and equipment**

A summary of property and equipment at June 30, 2014 and 2013 follows:

|  | 2014              | 2013            |
|--|-------------------|-----------------|
| Office equipment and computers                     | \$ 168,612        | \$ 92,883       |
| Leasehold improvements                             | 48,484            | 27,785          |
|  | 217,096           | 120,668         |
| Less: accumulated depreciation and<br>Amortization | ( 90,789)         | ( 113,525)      |
| Property and equipment, net                        | <u>\$ 126,307</u> | <u>\$ 7,143</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, 2014 and 2013 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) |
|------|----------------------|---------------|--------------|--|--------------------------------|
| 2014 | Santander Securities | \$ 1,200,575  | \$ 973,144   | (\$ 43,425)                            | (\$ 43,425)                    |

| 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)                   |

**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Notes to Financial Statements – (continued)**  
**June 30, 2014 and 2013**

**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 \$561,479 and \$727,064 as of June 30, 2014 and 2013, 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, 2014 and 2013).

The Consejo incurred interest expenses on this line of credit of \$8,074 and \$10,656 for the years ended June 30, 2014 and 2013, respectively. This line of credit contains certain covenants, and in management opinion, the Consejo is in compliance with all covenants as of June 30, 2014 and 2013.

**7- Commitments**

The Consejo leased office space in Bayamón location for its daily operations in a month-by-month basis. In 2014 period, the Consejo moved to the new location but have not filled the new contract. The Consejo and the new tenants are negotiating the new contract terms. They agreed a verbal agreement that stipulates that until they sign the new contract no rent will be charged. At June 30, 2014 and 2013, the Consejo incurred in rent expenses of approximately \$9,078 and \$27,657, respectively.

**8- Contingencies**

At June 30, 2013, the Consejo was involved in a lawsuit with its landlord due to the unexpected cancelation of the rental agreement and the force to abandon the facilities. The Consejo sued the landlord and was favored in court; subsequent, within the period under audit June 30, 2014, the Consejo received a reimbursement for moving and rehabilitation costs, but was required to move out as of November 30, 2013. 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, 2014 and 2013 the Consejo made interest payments of \$8,074 and \$10,656, respectively. In addition it made write off of accounts receivables for approximately \$0 for 2014 and \$9,000 for 2013.



**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Notes to Financial Statements – (continued)**  
**June 30, 2014 and 2013**

**10- Fair value measurements**

*FASB Accounting Standard Codification, Fair Value Measurements* topic, 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 value 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 Consejo 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 – (continued)**  
**June 30, 2014 and 2013**

**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, 2014 and June 30, 2013:

|                 | 2014         |         |         |              |
|-----------------|--------------|---------|---------|--------------|
|                 | Level 1      | Level 2 | Level 3 | Total        |
| Corporate bonds | \$ 104,487   | \$ -    | \$ -    | \$ 104,487   |
| Municipal bonds | 827,347      | -       | -       | 827,347      |
| Mutual funds    | 41,310       | -       | -       | 41,310       |
|                 | \$ 973,144   | \$ -    | \$ -    | \$ 973,144   |
|                 | 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 |

**11. Subsequent events**

Subsequent events have been evaluated by management through October 31, 2014 which is the same date the financial statements were available to be issued. No events have occurred subsequent to the statement of net assets date, and to the date the financial statements were available to be issued, that would require adjustment to, or disclosure in, the financial statements.

**Supplementary Information**  
(Schedule 1)

**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Statement of Functional Expenses**  
**June 30, 2014**

|                               | <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  | \$ 81,081                      | \$ 26,643                | \$ 32,295                                | \$ 59,963                   | \$ 199,982        |
| Medical supplies purchases    | -                              | 136,177                  | -  | -                           | 136,177           |
| Promotional activities        | 37,523                         | -                        | -  | -                           | 37,523            |
| Professional services         | 49,868                         | 202                      | -  | -                           | 50,070            |
| Rent                          | 14,929                         | -                        | -  | -                           | 14,929            |
| Office expenses               | 20,162                         | -                        | 2,598                                    | 862                         | 23,622            |
| Bad debts expenses            | 15,857                         | -                        | -  | -                           | 15,857            |
| Depreciation                  | 5,049                          | -                        | -  | -                           | 5,049             |
| Interests                     | 8,074                          | -                        | -  | -                           | 8,074             |
| Other administrative expenses | <u>66,242</u>                  | <u>819</u>               | <u>11,090</u>                            | <u>-</u>                    | <u>78,151</u>     |
| <br>                          |                                |                          |  |                             |                   |
| Total expenses                | <u>\$ 298,785</u>              | <u>\$ 163,841</u>        | <u>\$ 45,983</u>                         | <u>\$ 60,825</u>            | <u>\$ 569,434</u> |

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

**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 | <u>97,647</u>                  | <u>427</u>               | <u>14,546</u>                            | <u>20</u>                   | <u>112,640</u>        |               |
| <br>Total expenses            | <br><u>\$ 348,823</u>          | <br><u>\$ 234,514</u>    | <br><u>\$ 50,903</u>                     | <br><u>\$ 61,498</u>        | <br><u>\$ 695,738</u> |               |

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