

**CONSEJO RENAL DE PUERTO RICO, INC.**  
(A Non-Profit Corporation)

Financial Statements, Supplemental Schedule  
and Independent Auditors' Report

June 30 2017 and 2016

## **TABLE OF CONTENTS**

Independent auditors' report	1
Statements of net assets	2-3
Statements of activities and changes in net assets	4-5
Statements of cash flows	6-7
Notes to financial statements	8-16
Supplementary information	17-18
Statements of Functional Expenses	



**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

107 Isabel Andreu Aguilar St. 2nd Floor Hato Rey, PR 00918 • PO Box 10083 San Juan, PR 00922-0083  
Tel. (787) 296-5693 • Fax: (787) 758-9858 • [www.fvcompany.com](http://www.fvcompany.com)

## **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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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*

January 11, 2018

Stamp number  
affixed to original.



**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
Statement of Financial Position  
June 30, 2017

	<u>Unrestricted</u> <u>net assets</u>		<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>United</u> <u>Ways</u>	<u>Legislative</u> <u>donation</u>		
Cash	\$ 49,175	\$ 83,768	\$ 1,883	\$ 38,130	\$ 172,956	
Investments	695,520	-	-	-	695,520	
Accounts receivable, net	-	-	-	-	-	
Inventory	-	-	-	-	-	
Property and equipment - net	105,956	-	-	-	105,956	
Other assets	1,005	-	-	-	1,005	
	<u>1,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005</u>	
 Total Assets	 <u>\$ 851,656</u>	 <u>\$ 83,768</u>	 <u>\$ 1,883</u>	 <u>\$ 38,130</u>	 <u>\$ 975,437</u>	
 <b>Liabilities and Net Assets</b>						
Accounts payable	\$ 49,436	\$ -	\$ -	\$ -	\$ 49,436	
Accrued expenses	22,019	-	-	-	22,019	
Line of credit	161,091	-	-	-	161,091	
	<u>161,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,091</u>	
 Total liabilities	 232,546	 -	 -	 -	 232,546	
 Net assets:						
Unassigned	619,110	-	-	-	619,110	
Restricted	-	83,768	1,883	38,130	123,781	
	<u>619,110</u>	<u>83,768</u>	<u>1,883</u>	<u>38,130</u>	<u>742,891</u>	
 Total liabilities and net assets	 <u>\$ 851,656</u>	 <u>\$ 83,768</u>	 <u>\$ 1,883</u>	 <u>\$ 38,130</u>	 <u>\$ 975,437</u>	

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

**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
Statement of Financial Position  
June 30, 2016

	<u>Unrestricted</u> <u>net assets</u>		<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>United</u> <u>Ways</u>	<u>Legislative</u> <u>donation</u>		
Cash	\$ 76,229	\$ 32,859	\$ 4,752	\$ 26,094	\$ 139,934	
Investments	630,495	-	-	-	630,495	
Accounts receivable, net	-	-	-	-	-	
Prepaid expenses	6,000	-	-	-	6,000	
Property and equipment - net	114,554	-	-	-	114,554	
Other assets	-	-	-	-	-	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
<b>Total Assets</b>	<b><u>\$ 827,278</u></b>	<b><u>\$ 32,859</u></b>	<b><u>\$ 4,752</u></b>	<b><u>\$ 26,094</u></b>	<b><u>\$ 890,983</u></b>	

**Liabilities and Net Assets**

Accounts payable	\$ 43,494	\$ -	\$ -	\$ -	\$ 43,494
Accrued expenses	31,581	-	-	-	31,581
Line of credit	97,163	-	-	-	97,163
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>172,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172,238</b>
<b>Net assets:</b>					
Unassigned	655,040	-	-	-	655,040
Restricted	-	32,859	4,752	26,094	63,705
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b><u>\$ 827,278</u></b>	<b><u>\$ 32,859</u></b>	<b><u>\$ 4,752</u></b>	<b><u>\$ 26,094</u></b>	<b><u>\$ 890,983</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 Activities and Changes in Net Assets  
June 30, 2017

	<u>Unrestricted</u>		<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>net assets</u>			<u>United</u>	<u>Legislative</u>	
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>Ways</u>	<u>Donation</u>		
<b>Revenues:</b>						
Governmental appropriations	\$ -	\$ 225,000	\$ -	\$ 300,000	\$ 525,000	
United Ways - donations	-	-	45,583	-	45,583	
Medical services - health plans	-	-	-	-	-	
Interest	130	80	-	-	210	
Fund raising activities	-	-	-	-	-	
Private donations	32,957	-	-	-	32,957	
Others	15,926	-	-	-	15,926	
Total revenues	<u>49,013</u>	<u>225,080</u>	<u>45,583</u>	<u>300,000</u>	<u>619,676</u>	
<b>Expenses:</b>						
Operating and administrative	81,860	10,048	9,471	13,772	115,151	
Salaries and benefits	78,453	30,856	39,565	71,076	219,950	
Immunosuppressive medicines	-	146,273	-	-	146,273	
Promotional activities	10,293	13,112	25,331	44,765	93,501	
PHT clinic programs	-	-	16,472	34,322	50,794	
Interest	6,270	-	-	-	6,270	
Depreciation	8,598	-	-	-	8,598	
Total expenses	<u>185,474</u>	<u>200,289</u>	<u>90,839</u>	<u>163,935</u>	<u>640,537</u>	
Change in net assets before other income/expenses	(136,461)	24,791	(45,256)	136,065	(20,861)	
Investment income (interest/ dividends)	40,332	-	-	-	40,332	
Realized loss on investments	(102,879)	-	-	-	(102,879)	
Unrealized gain on investments	107,554	-	-	-	107,554	
	<u>45,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,007</u>	
Change in net assets	(91,454)	24,791	(45,256)	136,065	24,146	
Net assets - beginning of year	655,040	32,859	4,752	26,094	718,745	
Net transfers between funds	<u>55,524</u>	<u>26,118</u>	<u>42,387</u>	<u>(124,029)</u>	<u>-</u>	
Net assets - end of year	<u>\$ 619,110</u>	<u>\$ 83,768</u>	<u>\$ 1,883</u>	<u>\$ 38,130</u>	<u>\$ 742,891</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, 2016

	<u>Unrestricted</u> <u>net assets</u>		<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>United</u> <u>Ways</u>	<u>Legislative</u> <u>Donation</u>		
<b>Revenues:</b>						
Governmental appropriations	\$ -	\$ 225,000	\$ -	\$ 275,000	\$ 500,000	
United Ways - donations	-	-	48,936	-	48,936	
Medical services - health plans	21,479	-	-	-	21,479	
Interest	180	71	1	28	280	
Fund raising activities	1,141	-	-	-	1,141	
Private donations	550	-	-	-	550	
Others	6,480	-	-	-	6,480	
Total revenues	<u>29,830</u>	<u>225,071</u>	<u>48,937</u>	<u>275,028</u>	<u>578,866</u>	
<b>Expenses:</b>						
Operating and administrative	332,711	33,085	-	-	365,796	
Immunosuppressive medicines	-	127,110	-	-	127,110	
Promotional activities	61,626	-	-	-	61,626	
PHT clinic programs	-	-	43,951	78,856	122,807	
Depreciation	8,598	-	-	-	8,598	
Total expenses	<u>402,935</u>	<u>160,195</u>	<u>43,951</u>	<u>78,856</u>	<u>685,937</u>	
Change in net assets before other income/expenses	(373,105)	64,876	4,986	196,172	(107,071)	
Investment income (interest/ dividends)	49,002	-	-	-	49,002	
Realized loss on investments	(11,009)	-	-	-	(11,009)	
Unrealized gain on investments	71,230	-	-	-	71,230	
Total other income/expeses	<u>109,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,223</u>	
Change in net assets	(263,882)	64,876	4,986	196,172	2,152	
Net assets - beginning of year	709,925	3,101	2,341	1,226	716,593	
Net transfers between funds	<u>208,997</u>	<u>(35,118)</u>	<u>(2,575)</u>	<u>(171,304)</u>	<u>-</u>	
Net assets - end of year	<u>\$ 655,040</u>	<u>\$ 32,859</u>	<u>\$ 4,752</u>	<u>\$ 26,094</u>	<u>\$ 718,745</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, 2017

	<u>Unrestricted</u>		<u>Permanently restricted net assets</u>		
	<u>net assets</u>				
	<u>Unassigned</u>	<u>Immunosuppressive</u>	<u>United</u>	<u>Legislative</u>	<u>Totals</u>
			<u>Ways</u>	<u>Donation</u>	
<b>Cash flows from operating activities</b>					
<u>Change in net assets:</u>	\$ (276,888)	\$ 50,049	\$ 7,692	\$ 243,293	\$ 24,146
Adjustments to reconcile change in net assets to net cash provided by/ (used in) operating activities					
Depreciation	8,598	-	-	-	8,598
Accounts receivable	-	-	-	-	-
Inventory	-	-	-	-	-
Other assets	4,995	-	-	-	4,995
Accounts payable	5,942	-	-	-	5,942
Accrued expenses	(9,562)	-	-	-	(9,562)
Total adjustments	<u>9,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,973</u>
<b>Net cash (used in) / provided by operating activities</b>	(266,915)	50,049	7,692	243,293	34,119
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	-				
Proceed from sale of securities	(65,025)	-	-	-	(65,025)
<b>Net cash (used in) investing activities</b>	<u>(65,025)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,025)</u>
<b>Cash flows from financing activities</b>					
Payments of line of credit	63,928	-	-	-	63,928
Transfers between funds	240,958	860	(10,561)	(231,257)	-
<b>Net cash (used in) / provided by financing activities</b>	<u>304,886</u>	<u>860</u>	<u>(10,561)</u>	<u>(231,257)</u>	<u>63,928</u>
Net increase in cash	(27,054)	50,909	(2,869)	12,036	33,022
Cash, beginning of year	<u>76,229</u>	<u>32,859</u>	<u>4,752</u>	<u>26,094</u>	<u>139,934</u>
Cash, end of year	<u>\$ 49,175</u>	<u>\$ 83,768</u>	<u>\$ 1,883</u>	<u>\$ 38,130</u>	<u>\$ 172,956</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, 2016

	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>	
<b>Cash flows from operating activities</b>					
<u>Change in net assets:</u>	\$ (263,882)	\$ 64,876	\$ 4,986	\$ 196,172	\$ 2,152
Adjustments to reconcile change in net assets to net cash (used in)/ provided by operating activities					
Depreciation	8,598	-	-	-	8,598
Accounts receivable	17,900	-	-	-	17,900
Inventory	-	-	-	-	-
Prepaid expense	(6,000)	-	-	-	(6,000)
Accounts payable	(1,928)	-	-	-	(1,928)
Accrued expenses	13,799	-	-	-	13,799
Total adjustments	<u>32,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,369</u>
<b>Net cash (used in) / provided by operating activities</b>	(231,513)	64,876	4,986	196,172	34,521
<b>Cash flows from investing activities</b>					
Proceed from sale of securities	309,078	-	-	-	309,078
<b>Net cash provided by investing activities</b>	<u>309,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,078</u>
<b>Cash flows from financing activities</b>					
Payments of line of credit	(412,047)	-	-	-	(412,047)
Transfers between funds	208,997	(35,118)	(2,575)	(171,304)	-
<b>Net cash (used in) financing activities</b>	<u>(203,050)</u>	<u>(35,118)</u>	<u>(2,575)</u>	<u>(171,304)</u>	<u>(412,047)</u>
Net (decrease)/increase in cash	(125,485)	29,758	2,411	24,868	(68,448)
Cash, beginning of year	<u>201,714</u>	<u>3,101</u>	<u>2,341</u>	<u>1,226</u>	<u>208,382</u>
Cash, end of year	<u>\$ 76,229</u>	<u>\$ 32,859</u>	<u>\$ 4,752</u>	<u>\$ 26,094</u>	<u>\$ 139,934</u>

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, 2017 and 2016**

**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 require 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, 2017 and 2016**

**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 transplant 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, 2017 and 2016**

**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. Restricted cash and cash equivalents are limited in use to payment of costs of a related program or donor stipulations.

**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.

**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.

**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Notes to Financial Statements - (continued)**  
**June 30, 2017 and 2016**

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

**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.

**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 federal 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, 2017 and 2016**

**3- Property and equipment**

A summary of property and equipment at June 30 follows:

	2017	2016
Office equipment and computers	\$ 168,088	\$ 168,088
Leasehold improvements	54,452	54,452
	222,540	222,540
Less: accumulated depreciation and Amortization	(116,584)	(107,986)
Property and equipment, net	\$ 105,956	\$ 114,554

**4- 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, 2017 and 2016 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)
2017	Santander Securities	\$ 695,002	\$ 695,520	\$ 107,554	\$ 36,324

Year	Brokerage Firm	Original Cost	Market value	Unrealized gain (loss) during the year	Accrued unrealized gain (loss)
2016	Santander Securities	\$ 696,038	\$ 630,495	\$ 71,230	(\$ 65,543)

**5- Marginal credit facility**

The Consejo has a marginal credit facility with a financial institution with a maximum borrowing limit of \$650,000. The outstanding balance was \$161,091 and \$97,163 as of June 30, 2017 and 2016, 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, 2017 and 2016).

**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Notes to Financial Statements – (continued)**  
**June 30, 2017 and 2016**

**5 - Marginal credit facility - continued**

The Consejo incurred interest expenses on this line of credit of \$6,270 and \$7,566 for the years ended June 30, 2017 and 2016, respectively. This line of credit contains certain covenants, and in management opinion, the Consejo is in compliance with all covenants as of June 30, 2017 and 2016.

**6- Commitments**

In 2015 the Consejo moved to the new location, the contract was signed in March 2015. The Consejo and the new tenants agreed to a contract term of a \$2,000 monthly payment for the facilities. They had a verbal agreement that stipulates that the rent will begin to be charged since the date of the contract signing. At June 30, 2017 and 2016, the Consejo incurred in rent expenses of approximately \$22,000, respectively.

**7- Cash flow information**

At June 30, 2017 and 2016 the Consejo made interest payments of \$6,270 and \$7,566 respectively.

**8- 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.



**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Notes to Financial Statements - (continued)**  
**June 30, 2017 and 2016**

**8- Fair value measurements - continued**

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.

*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.

**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Notes to Financial Statements – (continued)**  
**June 30, 2017 and 2016**

**10- Fair value measurements - continued**

The following tables set forth by level, within the fair value hierarchy, the Consejo's assets at fair value as of June 30, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 336,603	\$ -	\$ -	\$ 336,603
Municipal bonds	218,792	-	-	218,792
Mutual funds	140,124	-	-	140,124
	\$ 695,519	\$ -	\$ -	\$ 695,519
	2016			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 108,647	\$ -	\$ -	\$ 108,647
Municipal bonds	474,404	-	-	474,404
Mutual funds	47,444	-	-	47,444
	\$ 630,495	\$ -	\$ -	\$ 630,495

**11- Income tax and other taxes**

The Consejo is exempt from income tax under Section 1101.01 of the Internal Revenue Code for a New Puerto Rico (Law No. 1 of 31 January 2011). It is also exempt from tax on their movable and immovable property, as well as to municipal license tax, according to various laws of the Commonwealth of Puerto Rico.

The generally accepted accounting principles in the United States America require that management evaluate the tax positions taken by the Consejo and recognizes a liability or an asset in case the Consejo has taken a precarious position and that cannot be sustained in case of a tax audit. The Management Board evaluated their tax positions and concluded that at June 30, 2017 has maintained its income tax exemption and has no positions contributory requiring adjustments to the financial statements. Therefore, there has been recognized any provision or obligation of income tax in the accompanying financial statements.

All income tax returns until the fiscal year ended June 30, 2017 have been filed by the Consejo, periods subject to possible audits include fiscal years ended from June 30, 2013 to 2017.

**Consejo Renal de Puerto Rico, Inc.**  
**(A Non-Profit Corporation)**  
**Notes to Financial Statements – (continued)**  
**June 30, 2017 and 2016**

**11- Subsequent events**

Subsequent events have been evaluated by management through January 11, 2018, 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, of 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, 2017

	Unrestricted net		<u>Permanently restricted net assets</u>			<u>Totals</u>
	<u>assets</u>		<u>United</u>	Legislative		
	<u>Unassigned</u>	<u>Immunosuppressive</u>				
Expenses:						
Salaries and fringe benefits	\$ 78,453	\$ 30,856	\$ 39,565	\$ 71,076	\$ 219,950	
Medical supplies purchases	-	146,273	-	-	146,273	
Promotional activities	10,293	13,112	25,331	44,765	93,501	
Professional services	7,754	-	-	-	7,754	
Audit and Legal services	6,857	-	-	-	6,857	
PHT Clinic Programs	-	-	16,472	34,322	50,794	
Rent	22,000	-	-	-	22,000	
Office expenses	842	-	1,282	2,386	4,510	
Bad debts expenses	-	-	-	-	-	
Depreciation	8,598	-	-	-	8,598	
Interests	6,270	-	-	-	6,270	
Advertising	-	3,527	3,527	3,527	10,581	
Other administrative expenses	44,407	6,521	4,662	7,859	63,449	
	<u>44,407</u>	<u>6,521</u>	<u>4,662</u>	<u>7,859</u>	<u>63,449</u>	
Total expenses	<u>\$ 185,474</u>	<u>\$ 200,289</u>	<u>\$ 90,839</u>	<u>\$ 163,935</u>	<u>\$ 640,537</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, 2016**

	Unrestricted net <u>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	\$ 104,822	\$ 31,506	\$ 34,519	\$ 57,659	\$ 228,506
Medical supplies purchases	-	127,110	-	-	127,110
Promotional activities	61,626	-	-	-	61,626
Professional services	62,075	-	-	-	62,075
Rent	26,788	-	-	-	26,788
Office expenses	26,221	-	1,010	1,705	28,936
Bad debts expenses	-	-	-	-	-
Depreciation	8,598	-	-	-	8,598
Interests	7,566	-	-	-	7,566
Other administrative expenses	<u>105,238</u>	<u>1,579</u>	<u>8,422</u>	<u>19,493</u>	<u>134,732</u>
 Total expenses	 <u>\$ 402,934</u>	 <u>\$ 160,195</u>	 <u>\$ 43,951</u>	 <u>\$ 78,857</u>	 <u>\$ 685,937</u>

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