

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

**Financial Statements, Supplemental Schedule
and Independent Auditors' Report**

June 30 2018

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Fernandez Valdivia & Company, PSC

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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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 Stompang, PSC

December 19, 2018

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affixed to original.



Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Statement of Financial Position
June 30, 2018

	<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	\$ 253,960	\$ 79,655	\$ 3,442	\$ 34,591	\$ 371,648	
Investments	670,162	-	-	-	670,162	
Accounts receivable, net	-	-	-	-	-	
Inventory	-	25,582	-	-	25,582	
Property and equipment - net	100,929	-	-	-	100,929	
Other assets	-	-	-	-	-	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total Assets	<u>\$ 1,025,051</u>	<u>\$ 105,237</u>	<u>\$ 3,442</u>	<u>\$ 34,591</u>	<u>\$ 1,168,321</u>	
Liabilities and Net Assets						
Accounts payable	\$ 30,108	\$ -	\$ -	\$ -	\$ 30,108	
Accrued expenses	21,989	-	-	-	21,989	
Line of credit	139,332	-	-	-	139,332	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total liabilities	191,429	-	-	-	191,429	
Net assets:						
Unassigned	833,622	-	-	-	833,622	
Restricted	-	105,237	3,442	34,591	143,270	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total liabilities and net assets	<u>\$ 1,025,051</u>	<u>\$ 105,237</u>	<u>\$ 3,442</u>	<u>\$ 34,591</u>	<u>\$ 1,168,321</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, 2018

	<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>		
Revenues:						
Governmental appropriations	\$ -	\$ 225,000	\$ -	\$ 289,000		\$ 514,000
United Ways - donations	-	-	44,331	-		44,331
Interest	271	59	-	-		330
Private donations	411,728	-	-	-		411,728
Others	11,992	-	-	-		11,992
Total revenues	<u>423,991</u>	<u>225,059</u>	<u>44,331</u>	<u>289,000</u>		<u>982,381</u>
Expenses:						
Operating and administrative	122,219	66	3,734	718		126,737
Salaries and benefits	108,848	28,627	29,400	70,440		237,315
Immunosuppressive medicines	-	88,932	-	-		88,932
Promotional activities	112,592	-	12,716	-		125,308
PHT clinic programs	76,445	18,377	10,190	-		105,012
Access to Health Services	56,694	-	-	-		56,694
Interest	3,078	-	-	-		3,078
Depreciation	5,027	-	-	-		5,027
Total expenses	<u>484,903</u>	<u>136,002</u>	<u>56,040</u>	<u>71,158</u>		<u>748,103</u>
Change in net assets before other income/expenses	(60,912)	89,057	(11,709)	217,842		234,278
Investment income (interest/ dividends)	22,121	-	-	-		22,121
Unrealized loss on investments	(22,398)	-	-	-		(22,398)
	<u>(277)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(277)</u>
Change in net assets	(61,189)	89,057	(11,709)	217,842		234,001
Net assets - beginning of year	619,110	83,768	1,883	38,130		742,891
Net transfers between funds	<u>275,701</u>	<u>(67,588)</u>	<u>13,268</u>	<u>(221,381)</u>		<u>-</u>
Net assets - end of year	<u>\$ 833,622</u>	<u>\$ 105,237</u>	<u>\$ 3,442</u>	<u>\$ 34,591</u>		<u>\$ 976,892</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, 2018

	<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 flows from operating activities					
<u>Change in net assets:</u>	\$ (61,189)	\$ 89,057	\$ (11,709)	\$ 217,842	\$ 234,001
Adjustments to reconcile change in net assets to net cash provided by/ (used in) operating activities					
Depreciation	5,027	-	-	-	5,027
Unrealized loss on marketable security	22,398	-	-	-	22,398
Inventory	-	(25,582)	-	-	(25,582)
Other assets	1,005	-	-	-	1,005
Accounts payable	(19,328)	-	-	-	(19,328)
Accrued expenses	(30)	-	-	-	(30)
Total adjustments	<u>9,072</u>	<u>(25,582)</u>	<u>-</u>	<u>-</u>	<u>(16,510)</u>
Net cash (used in) / provided by operating activities	(52,117)	63,475	(11,709)	217,842	217,491
Cash flows from investing activities					
Proceed from sale of securities	<u>2,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,960</u>
Net cash provided by investing activities	<u>2,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,960</u>
Cash flows from financing activities					
Payments of line of credit	(21,759)	-	-	-	(21,759)
Transfers between funds	<u>275,701</u>	<u>(67,588)</u>	<u>13,268</u>	<u>(221,381)</u>	<u>-</u>
Net cash (used in) / provided by financing activities	<u>253,942</u>	<u>(67,588)</u>	<u>13,268</u>	<u>(221,381)</u>	<u>(21,759)</u>
Net increase / (decrease) in cash	204,785	(4,113)	1,559	(3,539)	198,692
Cash, beginning of year	<u>49,175</u>	<u>83,768</u>	<u>1,883</u>	<u>38,130</u>	<u>172,956</u>
Cash, end of year	<u>\$ 253,960</u>	<u>\$ 79,655</u>	<u>\$ 3,442</u>	<u>\$ 34,591</u>	<u>\$ 371,648</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

3- Property and equipment

A summary of property and equipment at June 30 follows:

	2018
Office equipment and computers	\$ 168,088
Leasehold improvements	54,452
	222,540
Less: accumulated depreciation and Amortization	(121,611)
Property and equipment, net	\$ 100,929

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, 2018 the market values of these investments were as follows:

Year	Brokerage Firm	Original Cost	Market value	Unrealized gain (loss) during the year
2018	Santander Securities	\$ 648,282	\$ 670,162	\$ 22,398

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 \$139,332 as of June 30, 2018. This marginal credit is secured by the Consejo's investments in marketable securities (see note 4 above). Interest is accrued at a variable rate computed by the "Fed Fund Target Rate" plus 1.15% (3.15% as of June 30, 2018).

The Consejo incurred interest expenses on this line of credit of \$3,078 for the year ended June 30, 2018. This line of credit contains certain covenants, and in management opinion, the Consejo is in compliance with all covenants as of June 30, 2018.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements – (continued)
June 30, 2018

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, 2018, the Consejo incurred in rent expenses of approximately \$30,432.

7- Cash flow information

At June 30, 2018 the Consejo made interest payments of \$3,078.

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.

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.

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements - (continued)
June 30, 2018

8- Fair value measurements - continued

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.

The following table set forth by level, within the fair value hierarchy, the Consejo's assets at fair value as of June 30, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 320,395	\$ -	\$ -	\$ 320,395
Municipal bonds	217,474	-	-	217,474
Mutual funds	132,293	-	-	132,293
	\$ 670,162	\$ -	\$ -	\$ 670,162

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Notes to Financial Statements – (continued)
June 30, 2018

9- 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, 2018 have been filed by the Consejo, periods subject to possible audits include fiscal years ended from June 30, 2014 to 2018.

10- Subsequent events

Subsequent events have been evaluated by management through December 19, 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, 2018

PROGRAM SERVICES

	Administration	Immunosuppressive	Community		Managed Care	Technology for Health	Epidemiology	Social Communication	Totals
			Kidney Health	Health					
Expenses:									
Salaries and fringe benefits	\$ 87,961	\$ 32,081	\$ 33,094	\$ 34,942	\$ 29,775	\$ 19,462	\$ -	\$ 237,315	
Medical supplies	-	88,932	-	-	-	-	-	88,932	
PHT Clinic Programs	-	52,021	43,641	-	-	9,350	-	105,012	
Promotional activities	-	88,665	4,552	8,730	-	3,986	19,375	125,308	
Access to Health Care Services	-	-	-	56,694	-	-	-	56,694	
Professional services	8,150	-	-	-	-	-	-	8,150	
Audit and Legal services	5,990	-	-	-	-	-	-	5,990	
Rent	10,432	4,000	4,000	4,000	4,000	4,000	-	30,432	
Office expenses	18,112	718	15,103	718	2,433	718	-	37,802	
Depreciation	5,027	-	-	-	-	-	-	5,027	
Interests	3,078	-	-	-	-	-	-	3,078	
Advertising	-	1,827	1,827	1,827	-	-	-	5,481	
Other administrative expenses	24,636	1,000	6,623	6,623	-	-	-	38,882	
Total expenses	\$ 163,386	\$ 269,244	\$ 108,840	\$ 113,534	\$ 36,208	\$ 37,516	\$ 19,375	\$ 748,103	

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

Consejo Renal de Puerto Rico, Inc.
(A Non-Profit Corporation)
Statement of Operating and Administrative Expenses
June 30, 2018

PROGRAM SERVICES

	<u>Administration</u>	<u>Immunosuppressive</u>	<u>Community</u>		<u>Managed Care</u>	<u>Technology for Health</u>	<u>Epidemiology</u>	<u>Social Communication</u>	<u>Totals</u>
			<u>Kidney Health</u>	<u>Health</u>					
Expenses:									
Professional services	8,150	-	-	-	-	-	-	-	8,150
Audit and Legal services	5,990	-	-	-	-	-	-	-	5,990
Rent	10,432	4,000	4,000	4,000	4,000	4,000	4,000	-	30,432
Office expenses	18,112	718	15,103	718	2,433	718	-	-	37,802
Advertising	-	1,827	1,827	1,827	-	-	-	-	5,481
Other administrative expenses	24,636	1,000	6,623	6,623	6,623	-	-	-	38,882
Total expenses	\$ 67,320	\$ 7,545	\$ 27,553	\$ 13,168	\$ 6,433	\$ 4,718	\$ -	\$ -	\$ 126,737