

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT WITH
ADDITIONAL REPORTS REQUIRED
UNDER THE OMB CIRCULAR A-133

CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)

NOVEMBER 30, 2012 AND 2011

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Independent Auditor's Report

To the Governing Board of
Consejo de Salud de Puerto Rico, Inc.

We have audited the accompanying statements of financial position of Consejo de Salud de Puerto Rico, Inc. (a nonprofit corporation) as of November 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institution's management. 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Consejo de Salud de Puerto Rico, Inc. as of November 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2013, on our consideration of Consejo de Salud de Puerto Rico, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedules-combining statements of activities are presented for purposes of additional analysis as required by management of the Consejo de Salud de Puerto Rico, Inc. and are not a required part of the basic financial statements. The supplemental schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for

purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 "Audits of States, Local Government and Non-Profit Organizations" and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rodríguez, Rivera & Torres PSC

Mayagüez, Puerto Rico
August 20, 2013

The stamp number E64463 of the Puerto Rico Society
of Certified Public Accountants was affixed to the
original of this report.

**CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Notes 2 and 13)	\$ 12,189,551	\$ 13,157,508
Certificates of deposit	2,286,919	259,805
Contracts receivable - Grants (Notes 2 and 3)	844,637	757,556
Accounts receivable - net of uncollectible accounts of \$227,954 for 2012 and 2011, respectively (Notes 2, 4 and 13)	3,229,756	1,656,120
Inventories (Notes 2 and 5)	586,090	524,968
Prepaid expenses	<u>74,385</u>	<u>86,860</u>
Total current assets	19,211,338	16,442,817
Property, plant and equipment - net (Notes 2 and 6)	10,566,144	9,400,255
Land (Notes 2 and 6)	4,099,398	4,043,940
Other assets	<u>428,535</u>	<u>797,385</u>
TOTAL	<u>\$ 34,305,415</u>	<u>\$ 30,684,397</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 200,695	\$ 424,060
Accrued expenditures (Note 7)	1,465,488	1,204,587
Payroll and payroll taxes payable	1,068,532	1,124,698
IBNR reserves (Note 2)	753,065	898,513
Deferred revenues	220,656	215,912
Due to Triple-C and Humana (Note 8)	<u>948,735</u>	<u>821,738</u>
Total current liabilities	4,657,171	4,689,508
Net assets (Note 10):		
Permanently restricted	1,821,789	1,821,789
Temporarily restricted	3,545,126	4,182,468
Unrestricted	<u>24,281,329</u>	<u>19,990,632</u>
Total net assets	29,648,244	25,994,889
TOTAL	<u>\$ 34,305,415</u>	<u>\$ 30,684,397</u>

See notes to financial statements.

**CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2012**

	<u>Total</u>	<u>Permanently Restricted Funds</u>	<u>Temporary Restricted Funds</u>	<u>Unrestricted Funds</u>
REVENUES:				
Federal and state grants and contracts (Note 2)	\$ 8,677,904	\$ -	\$ 8,677,904	\$ -
Premium revenue (Notes 2 and 9)	24,243,324	-	-	24,243,324
Net patient service revenue (Note 11)	5,584,654	-	-	5,584,654
Wraparound payments (Note 2)	6,542,900	-	-	6,542,900
Other revenues	1,379,197	-	240	1,378,957
Net assets released from restrictions	-	-	(9,315,486)	9,315,486
	<u>46,427,979</u>	<u>-</u>	<u>(637,342)</u>	<u>47,065,321</u>
EXPENSES:				
Personnel services	9,524,919	-	-	9,524,919
Fringe benefits	2,734,129	-	-	2,734,129
Professional services	2,310,432	-	-	2,310,432
Claims paid and IBNR reserves	21,733,299	-	-	21,733,299
Travel	149,038	-	-	149,038
Equipment	366,581	-	-	366,581
Medical supplies and drugs	2,668,351	-	-	2,668,351
Rental and utilities	948,624	-	-	948,624
Depreciation and amortization	892,744	-	-	892,744
Bad debts	52,760	-	-	52,760
Other	1,393,747	-	-	1,393,747
	<u>42,774,624</u>	<u>-</u>	<u>-</u>	<u>42,774,624</u>
CHANGE IN NET ASSETS	3,653,355	-	(637,342)	4,290,697
NET ASSETS, BEGINNING OF YEAR	<u>25,994,889</u>	<u>1,821,789</u>	<u>4,182,468</u>	<u>19,990,632</u>
NET ASSETS, END OF YEAR	<u>\$ 29,648,244</u>	<u>\$ 1,821,789</u>	<u>\$ 3,545,126</u>	<u>\$ 24,281,329</u>

See notes to financial statements.

**CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2011**

	<u>Total</u>	<u>Permanently Restricted Funds</u>	<u>Temporary Restricted Funds</u>	<u>Unrestricted Funds</u>
REVENUES:				
Federal and state grants and contracts (Note 2)	\$ 10,179,099	\$ -	\$ 10,179,099	\$ -
Premium revenue (Notes 2 and 9)	23,264,579	-	-	23,264,579
Net patient service revenue (Note 11)	5,574,398	-	-	5,574,398
Wraparound payments (Note 2)	3,591,679	-	-	3,591,679
Legal settlement (Note 2)	11,000,000	-	-	11,000,000
Other revenues	975,963	-	-	975,963
Net assets released from restrictions	-	-	(8,655,736)	8,655,736
	<u>54,585,718</u>	<u>-</u>	<u>1,523,363</u>	<u>53,062,355</u>
EXPENSES:				
Personnel services	8,843,768	-	-	8,843,768
Fringe benefits	2,173,338	-	-	2,173,338
Professional services	2,791,836	-	-	2,791,836
Claims paid and IBNR reserves	20,361,895	-	-	20,361,895
Travel	139,161	-	-	139,161
Equipment	265,860	-	-	265,860
Medical supplies and drugs	2,869,475	-	-	2,869,475
Rental and utilities	865,213	-	-	865,213
Depreciation and amortization	439,407	-	-	439,407
Interest	155,633	-	-	155,633
Bad debts	94,732	-	-	94,732
Other	999,646	-	-	999,646
	<u>39,999,964</u>	<u>-</u>	<u>-</u>	<u>39,999,964</u>
CHANGE IN NET ASSETS	14,585,754	-	1,523,363	13,062,391
NET ASSETS, BEGINNING OF YEAR	<u>11,409,135</u>	<u>1,821,789</u>	<u>2,659,105</u>	<u>6,928,241</u>
NET ASSETS, END OF YEAR	<u>\$ 25,994,889</u>	<u>\$ 1,821,789</u>	<u>\$ 4,182,468</u>	<u>\$ 19,990,632</u>

See notes to financial statements.

**CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 3,653,355	\$ 14,585,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	892,744	439,407
Bad debt expenses	52,760	94,732
(Gain) loss on disposition of assets	452	(10,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	(87,081)	905,398
Accounts receivable	(1,626,396)	995,573
Inventories	(61,122)	153,094
Prepaid expenses	12,475	(23,526)
Other assets	18,277	(10,894)
Increase (decrease) in:		
IBNR reserves	(145,448)	(695,080)
Accounts payable	(223,365)	(244,159)
Deferred revenues	4,744	(1,030,065)
Accrued expenses	260,901	686,958
Payroll and payroll taxes payable	(56,166)	90,341
Due to Triple-C and Humana	126,997	596,638
Net cash provided by operating activities	<u>2,823,127</u>	<u>16,534,171</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,010,474)	(2,126,215)
Construction in progress	(327,385)	(1,754,287)
Land improvements	(55,458)	-
Proceeds from sale of assets	-	1,650
Increase in other assets	(370,653)	-
Increase in certificate of deposits	(2,027,114)	(9,784)
Net cash used in investing activities	<u>(3,791,084)</u>	<u>(3,888,636)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of obligation under capital leases	-	(2,038)
Payments of loan payable	-	(3,154,000)
Net cash used in financing activities	<u>-</u>	<u>(3,156,038)</u>
NET (DECREASE) INCREASE IN CASH	(967,957)	9,489,497
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,157,508</u>	<u>3,668,011</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,189,551</u>	<u>\$ 13,157,508</u>

See notes to financial statements.

**CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011**

1. ORGANIZATION

Consejo de Salud de Puerto Rico, Inc. (MED CENTRO), (formerly Consejo de Salud de la Comunidad de la Playa de Ponce, Inc.) ("**the Institution**") is a nonprofit institution organized in 1971, and is a comprehensive primary care program which provides primary health services to the low income individuals, including agricultural workers in the Municipalities of Ponce, Peñuelas and Juana Díaz.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements for **the Institution** have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standard Code (ASC) 958-210 (formerly Statement of Financial Accounting Standards (SFAS) No. 117), Financial Statements of Non-for-Profit Organizations. According to FASB ASC 958-210, **the Institution** is required to report information regarding its financial position and activities according to following three classes of net assets:

Permanently restricted - Net assets subject to donor-imposed stipulations that should be maintained permanently by **the Institution**. Generally, the donors of such assets permit **the Institution** to use all or part of the income earned on the assets.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may be fulfilled by actions of **the Institution** pursuant to those stipulations or that expire by the passage of time.

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Revenues from sources other than contribution are reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

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 disclosures 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and cash equivalents - For purposes of the statement of cash flows, **the Institution** considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of deposits - Certificates of deposits with original maturities of more than three months are valued at cost, plus accrued interests.

Allowance for uncollectible accounts - The allowance for uncollectible accounts is an amount that management believes is adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of collectability of the receivables and prior credit loss experience. Because of uncertainties inherent in the estimation process, the related allowance may change in the future.

Inventories - Inventories consist of medicines, materials and medical supplies and are stated at cost under the first-in, first-out method, not in excess of market.

Property, plant and equipment and depreciation - Property, plant and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Depreciation is computed on the straight-line method based on the estimated useful life of each class of depreciable assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

The Center follows the capitalization policy of the federal government which considers as property and equipment tangible nonexpendable property, including exempt property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Repair and maintenance are expensed as incurred. Expenses that increase the value or productive capacity of assets are also capitalized.

Gift of long-lived assets such as land, building or equipment is reported as unrestricted support, and is excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gift of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. **The Institution** reports expirations of restrictions as depreciation expense is recognized over the time.

In accordance with the provisions of FASB ASC 360-10-50-2 (formerly Statement of Financial Accounting Standards No. 144, "*Accounting for the Impairment of Long-Lived Assets*") **the Institution** reviews for the impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Federal and state grants and contracts - **The Institution** receives its grants and contracts support and revenues primarily from the U.S. Department of Health and Human Services and other federal and state agencies.

All grants and contracts are considered to be available for unrestricted use unless specifically restricted by the grantor. Amounts received that are designated for future periods or restricted by the grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net patient service revenue - **The Institution** has agreements with third-party payers that provide for payments to **the Institution** at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers for services rendered and are recognized in the period in which **the Institution** is obligated to provide services to its patients.

Premium revenue - **The Institution** has agreements with various Manage Care Organizations (“MCO”) to provide primary health care services to enrolled members. Under these agreements, **the Institution** receives a monthly fixed amount per individual member (PMPM) known as capitation fee. Capitation fee is due monthly and is recognized as revenues regardless of services actually performed by **the Institution**. In addition, the MCO make fee for services payments to **the Institution** for certain covered services based upon discounted fees schedules. **The Institution’s** health care premiums are reported as revenues in the month that enrolled members are entitled to health care benefits.

Wraparound payments - The Commonwealth of Puerto Rico (the Commonwealth) adopted in its State Plan under the Social Security Act the prospective payment system methodology (PPS) for Federally Qualified Health Care Centers (FQHC) and Rural Health Clinics (RHC) in accordance with the requirements of the Benefit Improvement and Protection Act 2000 (BIPA).

Based on the requirements, and commencing in January 1, 2001, the Commonwealth shall reimburse FQHC/RHC the Medicaid covered services under the new prospective payment system rate per visit. Due to the fact that the Commonwealth administers its Medicaid System throughout the “Health Reform” and the contract with Manage Care Organizations (MCO), and pay providers for Medicaid covered services based on a capitation model, the Commonwealth shall provide for wraparound or supplementary payments when the capitation payments are less than the amount that the FQHC/RHC would have received under new PPS.

Wraparound payments are recognized as income in the period that **the Institution** is entitled to receive those payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Institution was a plaintiff against the Puerto Rico Department of Health (the PRDH) at the Federal Court for wraparound payments for the periods between April 1, 2006 and May 31, 2009 and also plaintiff at the State Court for wraparound payments for the periods between January 1, 2001 and March 31, 2006.

On October 6, 2011, **the Institution** reached to a Confidential Settlement Agreement (the Agreement) with the PRDH at the Federal Court. As part of the Agreement the parties agreed to pay to the Institution the amount of \$11,000,000 (the Settlement Amount). The Settlement Amount shall be treated by the parties as payment in full for any services provided by the Institution to the Government Health Insurance Program population through June 30, 2011. The PRDH shall not offset the Settlement Amount with payments made to **the Institution** from August 2010 through July 2011. The parties also agreed that for the quarter beginning July 1, 2011 and ending September 30, 2011, PRDH shall pay **the Institution** \$600,000 in satisfaction of its wraparound for said quarter. In addition, **the Institution** agreed to dismiss the case filed in State Court and provide for other additional term and conditions fully described in the Agreement. The proceed from the settlement mentioned above was presented as "Legal Settlement" in the revenues section of the accompanying 2011 statement of activities.

Donations and in-kind contributions - **The Institution** recognizes all donated services and materials at their fair market value at the time of donation.

Expense recognition - Expenses are recognized when the related liability is incurred. Program service expenses are the costs related to providing programs and services or the costs of the activities for which purpose the organization exists. Management and general expenses relate to the overall direction of **the Institution**.

Health care services cost recognition - The cost of health care services provided or contracted for, is accrued in the period in which it is provided to a member based in part on estimates, including an accrual for medical services provided but not reported to **the Institution**. Medical claims, which has been incurred but not reported by providers (IBNR), are estimated based on historic data; trends and other financial information submitted by the insurance carrier and amounted to \$753,065 and \$898,513 for November 30, 2012 and 2011, respectively.

Income taxes - **The Institution** is a non-profit organization that is exempt from federal and state income tax under Section 501 (c)(3) of the Internal Revenue Code and Section 1101 of the 2011 Puerto Rico Tax Code, as amended.

Management of **the Institution** has evaluated the implications of FASB ASC 740-10 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes) and accordingly is unaware of any material tax position that do not meet the more-likely-than-not threshold as of November 30, 2012 and 2011.

Reclassifications - Certain reclassifications have been made to the 2011 financial statements to be consistent with the current year presentation.

3. GRANTS – CONTRACTS RECEIVABLE

Grants and contracts receivable as of November 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Due from Corp. for National and Community Service:		
Senior Companion Program	\$ 153,747	\$ 157,812
Americorp Vista Program	6,204	8,180
Due from US Department of Health:		
Consolidated Health Centers and (ACA) Grants for New and Expanded Services under the Health Centers Program	436,004	447,650
(ACA) School-Based Health Center Capital Program	-	1,675
Ryan White Part C Funds	220,811	-
ARRA - Capital Improvement Program	-	56,272
Due from Municipality of Ponce (Ryan White Part A Funds)	27,138	46,084
Due from PR Primary Care Association (Immunization Funds)	733	39,883
	<u>\$ 844,637</u>	<u>\$ 757,556</u>

4. ACCOUNTS RECEIVABLE - NET

Accounts receivable - net as of November 30, 2012 and 2011, consists of the following:

	<u>2012</u>	<u>2011</u>
Capitation fees	\$ 104,524	\$ 293,742
Wraparound payments	2,605,362	839,698
Patients and third-party payors	627,726	666,619
Other	120,098	84,015
	<u>3,457,710</u>	<u>1,884,074</u>
Less allowance for uncollectible accounts	<u>(227,954)</u>	<u>(227,954)</u>
Accounts receivable - net	<u>\$ 3,229,756</u>	<u>\$ 1,656,120</u>

5. INVENTORIES

Inventories are comprised of the following:

	<u>2012</u>	<u>2011</u>
Drugs and medicines	\$ 397,028	\$ 384,384
Medical and surgical supplies	78,488	78,013
Laboratory supplies	51,711	33,189
Dental supplies	34,208	23,104
Other	24,655	6,278
	<u>\$ 586,090</u>	<u>\$ 524,968</u>

6. PROPERTY, PLANT AND EQUIPMENT - NET

Property, plant and equipment as of November 30, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Building and building improvements	\$ 8,988,281	\$ 8,533,210
Furniture and equipment	2,401,715	2,244,966
Equipment under capital leases	130,057	130,057
Motor vehicles	1,640,955	1,164,047
Softwares	456,160	178,303
Land improvements	623,981	623,981
Construction in progress	83,348	180,178
	<u>14,324,497</u>	<u>13,054,742</u>
Less: accumulated depreciation and amortization	<u>(3,758,353)</u>	<u>(3,654,487)</u>
Property, plant and equipment - net	<u>\$ 10,566,144</u>	<u>\$ 9,400,255</u>
Land	<u>\$ 4,099,398</u>	<u>\$ 4,043,940</u>

7. ACCRUED EXPENDITURES

	<u>2012</u>	<u>2011</u>
Healthcare claims - MCO	\$ 1,121,017	\$ 907,887
Legal claims	43,352	43,352
Accrued lawyers settlement fees	260,536	83,970
Other accrued liabilities	40,583	169,379
	<u>\$ 1,465,488</u>	<u>\$ 1,204,588</u>

8. DUE TO TRIPLE S, INC. AND HUMANA HEALTH PLAN OF PUERTO RICO

As of November 30, 2012 and 2011, Triple S, Inc. and Humana Health Plan of Puerto Rico (contracted government health plans) have made payments under fee-for-service basis to **the Institution** for medical services that are funded under a capitation agreement. Those payments for medical services were accrued as liability in the 2012 and 2011 financial statements of **the Institution**.

9. COMMITMENTS AND CONTINGENCIES

Operating leases

The Institution conducts its program activities in the Municipality of Peñuelas, Villalba and Juana Díaz on leased facilities and has also certain medical and office equipments under various operating leases. Operating leases do not give rise to property rights or lease obligation, and therefore the results of lease agreement are not reflected in the Corporation's property and equipment accounts.

Rental expenses for all operating leases for the years ended November 30, 2012 and 2011 were \$186,661 and \$163,093, respectively.

The following is a schedule by year of future minimum rental payments for the next years required under operating lease that has lease terms in excess of one year as of November 30, 2012.

<u>Year ending November 30,</u>	<u>Amount</u>
2013	\$ 95,117
2014	11,252
	<u>\$ 106,369</u>

Puerto Rico Health Reform Contract - Singapur Health Center and Playa de Ponce Health Center (including the adjacent areas of El Tuque and Peñuelas)

The Institution entered into a capitation contract ("the Contract") with a Manage Care Organization (MCO) Humana Health Plan of Puerto Rico, Inc. ("Humana") to provide health services to the designated beneficiaries of the health insurance plan of the Government of the Commonwealth of Puerto Rico in the south area of PR. Pursuant to the Contract, among other things, **the Institution** agrees and commits itself in provide all covered health services to the designated beneficiaries, under the dispositions of the health insurance plan of the Government of the Commonwealth of Puerto Rico, which are specified in the Contract. In consideration to the covered services rendered by **the Institution**, Humana will pay an amount per beneficiary per month (known as capitation), as defined in the Contract. The capitation is subject to monthly retentions to be use for the payment of IBNR claims and for a Medical Service Reserve. **The Institution** is financially responsible for the covered services included in the Physicians Fund, such as, primary care physician, gynecology, specialist referrals, laboratory referrals and x-ray referrals. The Contract commenced on October 1, 2011 and expired on October 31, 2012. However, the Contract had been renewed automatically by Humana for additional terms for the period ending in September 30, 2013.

9. COMMITMENTS AND CONTINGENCIES, Continued

During 2013, the Government of the Commonwealth of Puerto Rico canceled its contract with Humana effective September 30, 2013 and Triple S Salud (“Triple S”) has been elected the new MCO to manage and provide health services to the designated beneficiaries’ island wide. Triple S is expected to commence its operations as the new MCO beginning October 1, 2013; however no contract has been signed with Triple S as of the date of this report.

Federal grants and contracts

Programs supported by federal and state grants are subject to additional audits by the grantor agencies in order to determine if expenditures comply with conditions of such grants. It is the Management’s opinion that no additional material unrecorded liabilities will arise from audits previously performed or to be performed. See also note 14.

Legal claims

The Institution is a party to litigation and other claims in the ordinary course of business. In the opinion of management, appropriate provision has been made for such claims and the ultimate resolution of these matters will not have a significant effect on financial statements of **the Institution**.

10. NET ASSETS

Permanently restricted net assets - Permanently restricted net assets consist of a parcel of land donated by the Commonwealth of Puerto Rico-Department of Transportation and Public Works in 2001. The land was given for the construction of facilities for the treatment of HIV patients and patients with drugs and alcohol problems and other medical services. The land has specific conditions and restriction as to use, sale or disposition. These specific restrictions in use shall not be changed without written consent of the Puerto Rico Legislature.

Temporarily restricted net assets - Temporarily restricted net assets in the statement of financial position consist of Section 330 funds (Consolidated Health Centers), ACA Funds (New and Expanded under the Health Center Program and School-Based Health Center Capital Program), ARRA funds, (New Access Point, and capital improvement funds), funds for early interventions services and comprehensive medical services for HIV patients (Ryan White Parts C and A), and Senior companion program funds. Section 330 and ACA funds are available for primary and preventive health services to medically underserved populations. School-Based Capital Funds are available to address significant and pressing capital needs to improve delivery and support expansion of services at School-Based Health Centers. ARRA funds are available to establish new access points that will increase the number of underserved and uninsured individuals with access to comprehensive primary and preventive health care, to enable health centers to increase services at existing sites and to carry out alteration, repair and renovation of health facilities (capital improvement). Ryan White funds are available to improve the availability, accessibility and organization of ambulatory health services to persons infected with HIV; and Senior Companion funds are available to provide assistance and friendship to older persons with exceptional needs.

10. NET ASSETS, Continued

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During the years ended November 30, 2012 and 2011 the amount of net assets released from restrictions aggregated \$9,315,486 and \$8,655,736, respectively. Such net assets were contributed to **the Institution** through conditional governmental programs and private contribution in the form of grants, awards and contracts, which are recorded as temporarily restricted revenues until specified conditions are met. As of November 30, 2012 the conditions for all government programs and private contributions recorded as revenues were met.

Unrestricted net assets – Unrestricted net assets in the statement of financial position includes funds designated by the Board of Directors. During the year ended November 30, 2012, **the Institution's** Board of Directors designated \$11,000,000 from the legal settlement received in 2011 to furthering the objectives of the project through capital investments and sponsoring educational activities.

11. NET PATIENT SERVICE REVENUE

The Institution has agreements with third-party payors, including Medicare, that provide for reimbursement to **the Institution** at rates different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between **the Institution's** standard rates for services and the amount reimbursed by third-party payors.

A summary of gross and net patient service revenue for the years ended November 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Gross patient service revenue	\$ 7,356,674	\$ 6,940,862
Less provision for contractual allowance	<u>(1,772,020)</u>	<u>(1,366,464)</u>
Net patient service revenue	<u>\$ 5,584,654</u>	<u>\$ 5,574,398</u>

12. CLASSIFICATION OF EXPENSES

The statements of activities disclose expenses by natural classification. The classification of expenses by function is as follows:

	<u>2012</u>	<u>2011</u>
Program Services		
Health care and patient support services	\$ 34,083,327	\$ 31,885,977
Volunteers and community services (senior companion)	<u>116,194</u>	<u>104,195</u>
	34,199,521	31,990,172
Management and general	<u>8,575,103</u>	<u>8,009,792</u>
Total expenses	<u>\$ 42,774,624</u>	<u>\$ 39,999,964</u>

13. CONCENTRATION OF CREDIT RISK

The Institution maintains its cash balances in various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insured the account balances up to \$250,000 as of November 30, 2012 and 2011, per financial institution. At November 30, 2012 and 2011, the Institution uninsured cash balances amounted to \$14,515,421 and \$13,633,322, respectively.

Also, the Institution grants credit without collateral to its patients, most of who are local residents and are insured under third-party payors agreements. The mix of receivables from patients and third-party payors at November 30, 2012 and 2011 were as follows:

	2012	2011
Capitation fees	3%	16%
Patients and third-party payers	18%	35%
Wraparound payments	75%	45%
Others	4%	4%
	<u>100%</u>	<u>100%</u>

14. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Other cash flows transactions - Interest paid for the years ended November 30, 2012 and 2011 amounted to approximately \$0 and \$155,633, respectively. Cash paid during the years for income taxes amounted to \$0.

Non-cash investing and financing transactions - On December 20, 2010, the Institution acquired a new health facility in the Municipality of Peñuelas at a cost of \$3,000,000. Of that amount, a purchase option for \$50,000 was paid on October 22, 2010 and was recorded as other assets in the statement of financial position as of November 30, 2010. On December 20, 2010, \$550,000 was paid in cash and mortgage note payable was issued for the remaining balance of \$2,400,000. The mortgage note was paid in full during 2011 and included as part of cash payments to long-term debt in the accompanying statement of cash flows.

	2011
Total property acquired	\$ 3,000,000
Less: down payment in 2010	(50,000)
Property acquired with related debts assumed	(2,400,000)
Property acquired for cash	<u>\$ 550,000</u>

15. SUBSEQUENT EVENT

On June 12, 2012, the Institution received a draft report from the US Department of Health and Human Services, Office of Inspector General (“OIG”) related to its audit of the allowability of the American Recovery and Reinvestment Act (ARRA) grants received during 2009. The OIG reviewed \$2,548,872 in cost received during the period covered. In general, the draft report communicate that OIG were able to determine that \$957,008 in

15. SUBSEQUENT EVENT, Continued

cost were allowable, however they were unable to determine the allowability of the remaining \$1,591,864. The ultimate decision for these cost rest in the Health Resources and Services Administration (HRSA), program administrators. Further the OIG recommendation to HRSA were to either require **the Institution** to refund the total amount they were unable to determine their allowability or work with **the Institution** to determine whether any of the cost that is claimed against these grants were allowable.

On June 15, 2012, management of **the Institution** responded to the draft report. In the response, **the Institution** express that they strongly believes to have factual merits through alternate methods to validate that all remaining cost were de facto allowable and that no refund will be necessary.

On January 16 2013, **the Institution** completed an assessment of the factual merits through alternate methods and presented the report to the OIG and HRSA with the results. On March 4, 2013, **the Institution** received a notification from HRSA, dated February 27, 2013, acknowledging the receipt of the assessment report and concurred with **the Institution** releasing the Institution from the recommendation to require **the Institution** to refund the total amount.

Management of **the Institution** has evaluated subsequent events through August 20, 2013, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**CENTRO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2012**

	Total	Permanently Restricted Funds Puerto Rico Legislature	Consolidated Health Centers, incl. ARRA funds	Temporarily Restricted Funds			Unrestricted Funds Program Income and Other
				Ryan White Part A	Ryan White Part C	Other Federal	
REVENUES:							
Federal and state grants and contracts	\$ 8,677,904	\$ -	\$ 7,350,072	\$ 205,617	\$ 930,815	\$ 191,400	\$ -
Premium revenue - PR Health Reform	24,243,324	-	-	-	-	-	24,243,324
Net patient service revenue	5,584,654	-	-	-	-	-	5,584,654
Wrap-around reimbursement	6,542,900	-	-	-	-	-	6,542,900
Other	1,379,197	-	155	-	-	85	1,378,957
Total revenues	46,427,979	-	7,350,227	205,617	930,815	191,485	37,749,835
EXPENSES:							
Personnel services	9,524,919	-	5,169,052	32,532	756,170	45,257	3,521,908
Fringe benefits	2,734,129	-	538,233	5,515	104,188	8,833	2,077,360
Professional services	2,310,432	-	349,274	-	-	104,924	1,856,234
Claims paid and IBNR reserve	21,733,299	-	-	-	-	-	21,733,299
Travel	149,038	-	31,853	850	7,234	13,034	96,067
Equipment	366,581	-	26,754	-	1,116	2,400	336,311
Consumable supplies	2,668,351	-	704,963	157,958	88,867	298	1,716,265
Rental and utilities	948,624	-	783,874	-	-	1,198	163,552
Depreciation and amortization	892,744	-	239,252	-	-	-	653,492
Bad Debts	52,760	-	-	-	-	-	52,760
Other	1,393,747	-	113,907	23,939	-	4,011	1,251,890
Total expenses	42,774,624	-	7,957,162	220,794	957,575	179,955	33,459,138
CHANGE IN NET ASSETS	3,653,355	-	(606,935)	(15,177)	(26,760)	11,530	4,290,697
NET ASSETS, BEGINNING OF YEAR	25,994,889	1,821,789	3,963,795	38,952	33,705	146,016	19,990,632
NET ASSETS, END OF YEAR	\$ 29,648,244	\$ 1,821,789	\$ 3,356,860	\$ 23,775	\$ 6,945	\$ 157,546	\$ 24,281,329

CENTRO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)

SUPPLEMENTAL SCHEDULE- FUNCTIONAL EXPENSES
FOR THE YEAR ENDED NOVEMBER 30, 2012 AND 2011

	2012			2011		
	Total	Program Services	Management and General	Total	Program Services	Management and General
EXPENSES:						
Personnel services	\$ 9,524,919	\$ 6,661,308	\$ 2,863,611	\$ 8,843,768	\$ 6,123,608	\$ 2,720,160
Fringe benefits	2,734,129	1,777,864	956,265	2,173,338	1,455,822	717,516
Professional services	2,310,432	873,782	1,436,650	2,791,836	804,075	1,987,761
Claims paid and IBNR reserve	21,733,299	21,733,299	-	20,361,895	20,361,895	-
Travel	149,038	63,648	85,390	139,161	67,738	71,423
Equipment	366,581	231,209	135,372	265,860	152,079	113,781
Consumable supplies	2,668,351	2,456,327	212,024	2,869,475	2,673,405	196,070
Rental and utilities	948,624	95,482	853,142	865,213	95,129	770,084
Depreciation and amortization	892,744	198,592	694,152	439,407	91,150	348,257
Interest	-	-	-	155,633	-	155,633
Bad Debts	52,760	-	52,760	94,732	-	94,732
Other	1,393,747	108,010	1,285,737	999,646	165,271	834,375
Total expenses	\$ 42,774,624	\$ 34,199,521	\$ 8,575,103	\$ 39,999,964	\$ 31,990,172	\$ 8,009,792

**CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED NOVEMBER 30, 2012**

<u>Federal Grantor/Pass-Through Grantor / Program Name</u>	<u>Federal CFDA No.</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>			
<u>Direct programs:</u>			
Consolidated Health Centers (Community Health Centers, Migrant Health Center)	93.224	-	\$ 4,536,619
(Affordable Care Act) Grants for New and Expanded Services Under the Health Center Program	93.527	-	<u>3,211,092</u>
Total Health Centers Cluster			7,747,711
Affordable Care Act (ACA) School-Based Health Centers Capital Program	93.501	-	545
ARRA-Health Center Integrated Services Development Initiative - (Capital Improvements Program) [g1]	93.703	-	29,427
Grants to Provide Outpatient Early Intervention Services with respect to HIV disease (Ryan White Part C)	93.918	-	957,575
<u>Pass-through programs:</u>			
Municipality of Ponce HIV Emergency Relief Project Grant (Ryan White - Part A)	93.914	2012-00-1630 & 2011-00-1111	<u>220,795</u>
Total U.S. Department of Health and Human Services			<u>8,956,053</u>
<u>Corporation for National and Community Service:</u>			
<u>Direct programs:</u>			
Senior Companion Program	94.016	-	169,009
Volunteers in Service to America	94.013	-	<u>10,933</u>
Total Corporation for National and Community Service			<u>179,942</u>
Total expenditures of federal awards			<u><u>\$ 9,135,995</u></u>

See notes to schedule of expenditures of federal awards.

**CONSEJO DE SALUD DE PUERTO RICO, INC.
(MED CENTRO)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED NOVEMBER 30, 2012**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal grant activity of Consejo de Salud de Puerto Rico (**the Institution**) under programs of the federal government for the year ended November 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Government and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operation of **the Institution**, it is not intended to and does not present the financial position, changes in net assets or cash flow of **the Institution**.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost principles for Nonprofit Organizations*, wherein certain type of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C - FEDERAL CFDA NUMBER

The Catalog of Federal Domestic Assistance (CFDA) Number is a program identification number. The first two digits identify the federal department or agency that administers the program and the last three numbers are assigned by numerical sequence.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Governing Board of
Consejo de Salud de Puerto Rico, Inc.

We have audited the financial statements of Consejo de Salud de Puerto Rico, Inc. (a nonprofit organization) (“the Institution”) as of and for the year ended November 30, 2012, and have issued our report thereon dated August 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Institution is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Institution’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institution’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institution’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institution's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, the Department of Health and Human Services and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rodriguez, Riem & Toro PSC

Mayagüez, Puerto Rico
August 20, 2013

The stamp number E64464 of the Puerto Rico Society
of Certified Public Accountants was affixed to the
original of this report.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A -133**

To the Governing Board of
Consejo de Salud de Puerto Rico, Inc.

Compliance

We have audited the compliance of Consejo de Salud de Puerto Rico, Inc. (a nonprofit organization) ("the Institution") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Institution's major federal programs for the year ended November 30, 2012. The Institution's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Institution's management. Our responsibility is to express an opinion on the Institution's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institution's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Institution's compliance with those requirements.

In our opinion, Consejo de Salud de Puerto Rico, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2012.

Internal Control over Compliance

Management of the Institution is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institution's internal control over compliance with the requirements that could have a direct and

material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institution's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Governing Board, the Department of Health and Human Services and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rodríguez, Luna & Toro PSC

Mayagüez, Puerto Rico
August 20, 2013

The stamp number E64465 of the Puerto Rico Society
of Certified Public Accountants was affixed to the
original of this report.

Consejo de Salud de Puerto Rico, Inc.
(Med Centro)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended November 30, 2012

I. Summary of audit results:

Part I - Financial statements

- | | | |
|--|---|--|
| 1. Type of audit report issued: | <input checked="" type="checkbox"/> Unqualified opinion
<input type="checkbox"/> Adverse opinion | <input type="checkbox"/> Qualified opinion
<input type="checkbox"/> Disclaimer of opinion |
| 2. Material weakness(es) identified: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 3. Significant deficiency(ies) identified: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| 4. Noncompliance material to financial statements noted: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Part II - Federal Award

- | | | |
|--|---|--|
| 1. Material weakness(es) identified: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 2. Significant deficiency(ies) identified: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| 3. Type of report issued on compliance for major programs | <input checked="" type="checkbox"/> Unqualified opinion
<input type="checkbox"/> Adverse opinion | <input type="checkbox"/> Qualified opinion
<input type="checkbox"/> Disclaimer of opinion |
| 4. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

5. Identification of major programs:	<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Health Centers Cluster	93.224	Consolidated Health Centers (Community and Migrant Health Centers)
Health Centers Cluster	93.527	(ACA) Grants For New And Expanded Services Under The Health Center Program (Community, Migrant Health Centers and Public Housing Primary Care)
	93.918	Outpatient Early Intervention Services with respect to HIV disease.

- | | | |
|--|---|--|
| 6. Dollar threshold used to distinguish Type A and Type B programs | <input checked="" type="checkbox"/> \$300,000 | <input type="checkbox"/> \$_____ |
| 7. Low-risk auditee | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Consejo de Salud de Puerto Rico, Inc.
(Med Centro)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended November 30, 2012

II. Findings related to the financial statements reported in accordance with GAGAS:

- No matters were reported.

Consejo de Salud de Puerto Rico, Inc.
(Med Centro)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended November 30, 2012

III. Findings and Questioned Costs for Federal Awards:

- No matters were reported.

Consejo de Salud de Puerto Rico, Inc.
(Med Centro)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended November 30, 2012

<u>Fiscal year ended</u>	<u>No.</u>	<u>Condition</u>	<u>Status</u>
2011	2011 III-1	<p>OMB Circular A-110 and 45CFR74.34 require, among other things, that a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records. Differences, if any, shall be investigated to determine their causes.</p> <p>Our review of the equipment area revealed that the Institution did not reconcile its inventory of equipment with the equipment records.</p>	Corrective action was taken.