

Puerto Rico Medical Services Administration  
A Component Unit of the Puerto Rico Department of Health

Statements of Net Assets (Deficit)

June 30, 2011 and 2010

	Assets	
	2011	2010
Current assets:		
Unrestricted cash	\$ 2,871,200	\$ 7,450
Accounts receivable:		
Member institutions, net of allowance for doubtful accounts of \$60,652,996 in 2011 and \$54,116,377 in 2010	52,448,716	23,996,990
Private insurance, net of allowance for doubtful accounts of \$89,324,076 in 2011 and \$71,830,833 in 2010	15,496,358	2,663,560
Government Development Bank of Puerto Rico in connection with Joint Resolution 4533	1,481	2,009,986
Other, net of allowance for doubtful accounts of \$192,879 in 2011 and \$1,109,939 in 2010	706,133	699,140
	68,652,688	29,369,676
Prepaid expenses	890,415	1,028,465
Inventories	2,270,462	2,283,916
	74,684,765	32,689,507
Non-current assets:		
Restricted cash	10,996,442	2,449,579
Capital assets, net	55,605,053	60,946,689
	66,601,495	63,396,268
	\$ 141,286,260	\$ 96,085,775

(Continue)

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Statements of Net Assets (Deficit) (Continued)

June 30, 2011 and 2010

	2011	2010
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Bank overdraft	\$ -	\$ 1,952,606
Accounts payable	67,603,882	86,968,623
Accrued expenses	19,018,300	99,001,896
Accrued pension costs	29,035,813	77,738,535
Current portion of obligations under capital leases	179,794	184,065
Liabilities payable from restricted assets - improvements to medical facilities and equipment purchase	2,679,226	4,700,875
	118,517,015	270,546,600
Non-current liabilities:		
Long term portion of obligations under capital leases	-	75,585
Government Development Bank of Puerto Rico line of credit in connection with Law #66 of June 22, 1978, as amended	198,238,573	-
Liabilities payable from restricted assets - Self-Insurance Fund	6,994,620	7,405,510
	205,233,193	7,481,095
Total liabilities	323,750,208	278,027,695
Net assets (deficit):		
Invested in capital assets, net of related debt	55,425,259	60,687,039
Restricted	2,187	2,157
Unrestricted deficit	(237,891,394)	(242,631,116)
Deficit	(182,463,948)	(181,941,920)
	\$ 141,286,260	\$ 96,085,775

See notes to financial statements

Puerto Rico Medical Services Administration  
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Statements of Revenues, Expenses and Changes in Net Assets (Deficit)

For the years ended June 30, 2011 and 2010

	2011	2010
Net Service Revenues	\$ <u>147,792,810</u>	\$ <u>124,674,707</u>
Operating cost and expenses:		
Cost of services	158,105,055	165,083,650
General and administrative	10,484,119	9,318,197
Depreciation and amortization	6,393,070	7,351,859
Provision for bad debts	<u>24,029,861</u>	<u>37,676,992</u>
	<u>199,012,105</u>	<u>219,430,698</u>
Operating loss	<u>(51,219,295)</u>	<u>(94,755,991)</u>
Non-operating income (expenses):		
Contributions from the Commonwealth of Puerto Rico	18,566,075	15,688,736
Interest income and other	782,963	1,011,248
Loss on disposition of capital assets	(106,967)	(38,112)
Gain on debt forgiveness	42,830,577	-
Interest expense	<u>(11,375,381)</u>	<u>(12,695,733)</u>
	<u>50,697,267</u>	<u>3,966,139</u>
Changes in net assets (deficit)	(522,028)	(90,789,852)
Deficit at beginning of year	<u>(181,941,920)</u>	<u>(91,152,068)</u>
Deficit at end of year	<u>\$ (182,463,948)</u>	<u>\$ (181,941,920)</u>

See notes to financial statements

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Statements of Cash Flows

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from service revenues	\$ 82,478,425	\$ 154,083,209
Purchases (payments) to suppliers for goods and services	50,092,181	(55,900,715)
Payments to employees and related benefits	<u>(133,375,976)</u>	<u>(101,928,938)</u>
Net cash used in operating activities	<u>(805,370)</u>	<u>(3,746,444)</u>
Cash flows from non capital and related financing activities:		
Intergovernmental contributions	20,168,504	15,160,000
Bank overdraft	(1,952,606)	1,952,606
Proceeds from line of credit	5,538,645	-
Interest paid	<u>(11,366,273)</u>	<u>(12,716,688)</u>
Net cash provided by non capital and related financing activities	<u>12,388,270</u>	<u>4,395,918</u>
Cash flows from capital and related financing activities:		
Intergovernmental contributions	399,083	528,736
Acquisition of machinery and equipment	(1,122,541)	(875,099)
Improvements to emergency room and other facilities	(148,079)	(645,744)
Principal payments on obligations under capital leases	(79,856)	(46,903)
Interest paid on capital lease obligations	<u>(9,107)</u>	<u>(17,158)</u>
Net cash used in capital and related financing activities	<u>(960,500)</u>	<u>(1,056,168)</u>
Cash flows from investing activities:		
Increase in restricted cash	(8,546,863)	(597,104)
Cash received on disposal of assets	5,252	-
Receipts from interest and other income	<u>782,961</u>	<u>1,011,248</u>
Net cash provided by (used in) investing activities	<u>(7,758,650)</u>	<u>414,144</u>
Net change in cash	2,863,750	7,450
Unrestricted cash, beginning of year	<u>7,450</u>	<u>-</u>
Unrestricted cash, end of year	<u>\$ 2,871,200</u>	<u>\$ 7,450</u>

(Continue)

Puerto Rico Medical Services Administration  
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Statements of Cash Flows (Continued)

For the years ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (51,219,295)</u>	<u>\$ (94,755,991)</u>
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	6,393,070	7,351,859
Provision for doubtful accounts	24,029,861	37,676,992
Loss on disposition of capital assets	106,967	38,112
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(65,314,385)	29,408,502
Inventories	13,455	1,211,815
Prepaid expenses	138,050	(250,103)
Increase (decrease) in:		
Accounts payable	107,322,645	(6,296,641)
Accrued expenses and other	<u>(22,275,738)</u>	<u>21,869,011</u>
	<u>50,413,925</u>	<u>91,009,547</u>
Net cash used in operating activities	<u>\$ (805,370)</u>	<u>\$ (3,746,444)</u>

Non-cash capital investing and financing activities

Retirement of capital assets	<u>\$ 1,473,898</u>	<u>\$ 2,344,744</u>
Payments to suppliers with proceeds of line of credit	<u>\$126,552,928</u>	<u>\$ -</u>
Payments of accrued pension costs with proceeds of line of credit	<u>\$ 66,147,000</u>	<u>\$ -</u>

See notes to financial statements