Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Financial Statements

June 30, 2012 and 2011

Table of Contents

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

We have audited the accompanying balance sheets of Cardiovascular Center Corporation of Puerto Rico and the Caribbean, a component unit of the Commonwealth of Puerto Rico, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets (deficiency), and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 Government 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.

The financial statements of the Cardiovascular Center Corporation of Puerto Rico and the Caribbean are intended to present the financial position and changes in financial position of only that portion attributable to the transactions of the Cardiovascular Center Corporation of Puerto Rico and the Caribbean. They do not intend to, and do not, present fairly the financial position and changes in financial position of the Commonwealth of Puerto Rico in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Cardiovascular Center Corporation of Puerto Rico and the Caribbean as of June 30, 2012 and 2011, and changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in United States of America.

In accordance with Government Auditing Standards, we have also issued a separated report dated September 25, 2012 on our consideration of the Cardiovascular Center Corporation of Puerto Rico and the Caribbean's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico
September 25, 2012

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Management's Discussion and Analysis

June 30, 2012 and 2011

Our discussion and analysis of Cardiovascular Center Corporation of Puerto Rico and the Caribbean's (the Corporation) financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the Corporation's financial statements, which begin on page 9.

Using this Annual Report

The Corporation's financial statements consist of three statements: Balance Sheet (page 9), Statement of Revenues, Expenses and Changes in Net Assets (Deficiency) (page 10), and a Statement of Cash Flows (pages 11 and 12). These financial statements and related notes (pages 13 to 36) provide information about the activities of the Corporation, including resources held by the Corporation but restricted for specific purposes by enabling legislation.

The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets (Deficiency)

The balance sheet and the statement of revenues, expenses and changes in net assets (deficiency) report information about the Corporation's resources and its activities in a way that helps to understand if the finances improved or worsen off as a result of the year's activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Corporation's net assets (deficiency) and changes in them. You can think of the Corporation's net assets (deficiency), which are the difference between assets and liabilities, as one way to measure the Corporation's financial health, or financial positions. Over time, increases or decreases in the Corporation's net assets (deficiency) are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Corporation's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Corporation.

Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement presents the sources and uses of cash in four categories: (a) operating activities; (b) non-capital financing activities; (c) capital and related financing activities, and (d) investing activities.

Condensed Financial Information

At June 30, 2012 and 2011 and for the years then ended the Corporation's financial information is summarized as follows:

	2012	2011	Variance	%
Current assets	$ 21,722,300	$ 23,443,496	$ (1,721,196)	-7%
Non-current assets:				
Restricted cash	2,270,130	922,155	1,347,975	146%
Capital assets, net	16,171,779	17,573,005	(1,401,226)	-8%
	18,441,909	18,495,160	(53,251)	0%
Total assets	40,164,209	41,938,656	(1,774,447)	-4%
Current liabilities	77,452,438	78,849,958	(1,397,520)	-2%
Other non-current liabilities	5,610,722	5,259,591	351,131	7%
Total liabilities	83,063,160	84,109,549	(1,046,389)	-1%
Net assets invested in capital assets, net of related debt	16,171,779	17,485,571	(1,313,792)	-8%
Net assets restricted	2,270,130	922,155	1,347,975	146%
Net assets (deficiency) unrestricted	(61,340,860)	(60,578,619)	(762,241)	1%
Total net (deficiency)	(42,898,951)	(42,170,893)	(728,058)	2%
Operating revenues	83,901,190	86,563,897	(2,662,707)	-3%
Operating expenses	(92,378,600)	(101,280,138)	8,901,538	-9%
Non-operating income (expenses)	5,749,352	10,480,503	(4,731,151)	-45%
Contributions from the Commonwealth	2,000,000	1,538,000	462,000	30%
Change in net assets (deficiency)	(728,058)	(2,697,738)	1,969,680	-73%
Total net (deficiency)	$ (42,898,951)	$ (42,170,893)	$ (728,058)	2%

Analysis of Financial Position and Results of Operations

Financial Position

As indicated in the condensed financial information presented above, the financial position of the Corporation changed as follows:

Total assets decreased by $1.7 million or 4% in comparison fiscal year 2010-2011. The reason for such decrease relates principally to; the decrease in patient accounts receivable, which is associated to the decrease in net patient service revenue and to; the decrease on capital assets investment funded with contributions from the Commonwealth of Puerto Rico.

The Corporation's specialist in Medicare reimbursements processing has reasonably estimated that at June 30, 2012 and 2011, the amount due to the Corporation by Medicare amounted to $227,309, for both periods, and it is disclosed in the accompanying balance sheet as estimated third party payor - Medicare.

The current liabilities of the Corporation decreased by approximately $1.4 million or 2% during the fiscal year ended June 30, 2012 principally because of a decline on accounts payable due to the reduction on the cost of supplies.

Results of Operations

The Corporation generates all of its revenues from activities related to patient services either directly or ancillary, which are typical of a hospital unit, such as cafeteria, facility rent to physicians, parking, etc. In addition, the expenses incurred in those activities are accounted for as general operating expenses and are divided as healthcare services and general and administrative.

During the year ended June 30, 2012, the Corporation reflected a deficiency of revenues over expenses of ($2,728,058) net of $5,749,352 of non-operating revenues. Such decrease is principally due to an excess of operating expenses over operating revenues for $8,477,410. The non-operating activities of the Corporation relate to the relationship between interest income and expense and contributions received for the payment of rent. The effects of the capital contributions are recorded as increase in the net assets as per GASB Statement No. 34 (Basic Financial Statement and Management Discussion and Analysis). The changes in net assets (deficiency) for the fiscal years ended June 30, 2012 and 2011 were $(728,058) and $(2,697,738), respectively. The decrease in the deficiency among both periods was principally related to a reduction in the provision for potential claim losses, provision for bad debts and cost of supplies, in comparison to the previous period.

The following table presents comparative information of the patient services:

Indicator Description	June 30, 2012	June 30, 2011	Variance	% of Change
Admissions	4,167	4,723	-556	-12%
Discharges	4,409	4,823	-414	-9%
Patient days	36,585	37,466	-811	-2%
Occupancy percentage	68%	70%	-2%	-3%
Surgery procedures	2,872	3,168	-296	-9%
Invasive laboratory procedures	12,142	11,776	366	3%

The Corporation reflected a decrease in the operating expenses of $8,901,538 or 9%. This was principally associated to a decrease in the provision for claim losses, provision for bad debts and the consumption of supplies, food and drugs in direct services to patients.

As part of its operations, the Corporation is subject to certain claims related to malpractice, labor and other. With the assistance of the Corporation legal counsels and based on the evaluation of the merits of each legal case, for the year ended June 30, 2012 a provision for claim losses was recorded for $353,631.

Factors Affecting the Change in Net Assets and the Availability of Funds

The investment made by the Puerto Rico Government in the Corporation was based in a higher operating level than the actual. Originally, the Corporation was created as the principal provider of cardiovascular services in Puerto Rico with extended services offer to patients from the Caribbean, Center and South America. The original capital investment was approximately $65,000,000 in capital assets and the related effect in working capital that this type of investment needs. During the first eight years of operations, the Corporation was subsided by the Puerto Rico Government for the payment of rent related to the Public Building Authority lease for the hospital facilities and parking. In the year 2000, the Central Government discontinued such subsidy to the Corporation resulting in an adverse effect in the Corporation's working capital. But, and as mentioned above, during the year ended June 30, 2012 the Corporation received contributions from the Central Government for $5,597,000 for the payment of rent to the Public Building Authority.

In addition, and as part of the approval of the Law 72 (Health Reform) as amended, the Central Government changed its policy and became a purchaser of health insurance instead of a provider of healthcare services. The Corporation was no longer the exclusive provider of cardiovascular services for the medically indigent population. In addition, the situation deteriorated when licenses were approved to other hospitals in Puerto Rico to provide catheterization, angioplasty and cardiovascular surgery services. Finally, the Corporation lost almost all the patients from the Medicaid program. However, the Corporation is the only provider of services to patients with congenital diseases and the only that has a program of heart transplant and services to cardiovascular patients with acute conditions.

Changes in the Corporation's cash flows are consistent with changes in operating losses and non-operating revenues and expenses and capital contributions, as discussed earlier.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2012, the Corporation had $16,171,779 in capital assets, net of accumulated depreciation, as detailed in the notes to the financial statements. In fiscal year 2011-2012, the Corporation made cash outlays for capital assets by $1,074,376, including improvements to leased property and the acquisition of equipment.

GASB Statement No. 45

The Corporation follows the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. GASB Statement No. 45 establishes standards for the measurement, recognition of Other Postemployment Benefits (OPEB), related liabilities and disclosures. The effect of such statement resulted in a decrease in net assets of approximately $14,200 and $14,200 for the years ended June 30, 2012 and 2011, respectively.

Labor Union Agreement

On October 20, 2011 was signed the agreement of the labor union and the Corporation, effective from January 1, 2011 to December 31, 2013. The financial effect of this agreement was an increase in the salary expense of $646,782 for the year ended on June 30, 2012.

Contacting the Corporation's Financial Management

The financial report is designed to provide our patients, suppliers and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Corporation's Finance Director Office at P.O. Box 366528, San Juan Puerto Rico 00936-6528, phone no. (787) 274-0151.

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Balance Sheets

June 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Unrestricted cash and cash equivalents	$ 8,924,953	$ 8,447,931
Patients accounts receivable, net of estimated uncollectibles of $19,545,414 in 2012 and $17,382,176 in 2011	7,671,432	11,086,837
Estimated third-party payor - Medicare	227,309	227,309
Other accounts receivable, net of estimated uncollectibles of $1,377,134 in 2012 and $1,244,807 in 2011	1,063,423	935,557
Inventory of supplies	2,598,638	2,433,735
Prepaid expenses and other current assets	1,236,545	312,127
Total current assets	21,722,300	23,443,496
Non-current assets		
Restricted cash	2,270,130	922,155
Capital assets, net of depreciation and amortization	16,171,779	17,573,005
	18,441,909	18,495,160
Total assets	40,164,209	41,938,656
Liabilities and Net Assets (Deficiency)		
Current liabilities		
Current portion of capital lease obligations	-	87,434
Due to related parties	45,054,957	45,837,482
Accounts payable	26,038,599	27,381,855
Accrued payroll and other expenses	6,358,882	5,543,187
Total current liabilities	77,452,438	78,849,958
Reserve for claim losses	5,610,722	5,259,591
Total liabilities	83,063,160	84,109,549
Net assets (deficiency)		
Investment in capital assets, net of related debt	16,171,779	17,485,571
Restricted	2,270,130	922,155
(Deficiency)	(61,340,860)	(60,578,619)
Total net assets (deficiency)	(42,898,951)	(42,170,893)
Total liabilities and net assets (deficiency)	$40,164,209	$41,938,656

See notes to financial statements

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Statements of Revenues, Expenses and Changes in Net Assets (Deficiency)

Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Net patient service revenue	$ 80,985,910	$ 84,134,223
Other revenue	2,915,280	2,429,674
Total operating revenues	83,901,190	86,563,897
Operating expenses		
Salaries and wages	26,054,075	25,163,005
Employee benefits	9,126,531	8,785,085
Professional fees and contracted services	5,129,041	5,408,130
Supplies, food and drugs	32,143,751	39,139,809
Repairs and maintenance	2,646,797	2,419,405
Utilities	4,311,614	3,729,827
Provision for bad debts	2,295,566	2,916,243
Depreciation and amortization	2,590,326	2,259,883
Insurance	157,718	155,257
Provision for claim losses	353,631	3,440,091
Rent and other	7,569,550	7,863,403
Total operating expenses	92,378,600	101,280,138
Operating (loss)	(8,477,410)	(14,716,241)
Non-operating income (expenses)		
Contributions from the Commonwealth of Puerto Rico	5,597,000	10,437,000
Interest income	155,383	55,198
Interest expense	(3,031)	(11,695)
Total non-operating income (expenses)	5,749,352	10,480,503
(Deficiency) of revenues over expenses	(2,728,058)	(4,235,738)
Contributions from the Commonwealth of Puerto Rico for capital assets acquisition	2,000,000	1,538,000
Increase in net assets (deficiency)	(728,058)	(2,697,738)
Net assets (deficiency), at beginning of year	(42,170,893)	(39,473,155)
Net assets (deficiency), at end of year	$ (42,898,951)	$ (42,170,893)

See notes to financial statements

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Receipts from patient services	$ 82,238,076	$ 84,332,568
Other receipts	1,864,851	2,173,274
Payments to suppliers	(48,901,069)	(51,278,298)
Payments to employees and employee benefits	(34,364,903)	(33,646,703)
Payments on malpractice claims	(2,500)	(60,000)
Net cash provided by operating activities	834,455	1,520,841
Cash flows from capital and related financing activities		
Cash outlays for capital assets	(1,074,376)	(1,146,257)
Payments of interest on capital lease obligations	(3,031)	(11,695)
Contribution received from the Commonwealth of Puerto Rico	2,000,000	1,538,000
Principal paid on capital lease obligations	(87,434)	(178,161)
Net cash provided by capital and related financing activities	835,159	201,887
Cash flows from investing activities		
(Increase) in restricted cash	(1,347,975)	(878,642)
Receipts of interest	155,383	55,198
Net cash (used in) investing activities	(1,192,592)	(823,444)
Increase in unrestricted cash and cash equivalents	477,022	899,284
Unrestricted cash and cash equivalents, at beginning of year	8,447,931	7,548,647
Unrestricted cash and cash equivalents, at end of year	$ 8,924,953	$ 8,447,931

(Continues)

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Statements of Cash Flows (Continued)

Years Ended June 30, 2012 and 2011

	2012	2011
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	$ (8,477,410)	$ (14,716,241)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation and amortization	2,590,326	2,259,883
Loss (gain) on capital assets disposition	87,680	260,137
Provision for bad debts	2,295,566	2,916,243
Provision for claim losses	353,631	3,440,091
Changes in assets and liabilities		
Decrease in patient accounts receivable	1,252,166	361,431
(Increase) in other accounts receivable	(1,138,103)	(516,535)
(Increase) in inventory of supplies	(164,902)	(54,276)
(Increase) decrease in prepaid expenses and other current assets	(46,506)	88,228
(Increase) in estimated third-party payor - Medicare	-	(163,081)
Increase (decrease) in accounts payable	(1,545,671)	2,446,711
Increase in amount due to related parties	4,814,474	4,956,862
(Decrease) in reserve for claim losses	(2,500)	(60,000)
Increase in accrued payroll and other expenses	815,704	301,388
Total adjustments	9,311,865	16,237,082
Net cash provided by operating activities	$ 834,455	$ 1,520,841
Supplemental disclosure of non capital financing activities:		
Rent fees paid on behalf of the Corporation with contributions from the Commonwealth of Puerto Rico	$ 5,597,000	$ 10,437,000
Supplemental disclosures of non cash capital and related financing activities:		
Retirement of capital assets	$ 726,519	$ 1,087,984
Acquisition of capital assets through short term financing by vendor	$ 202,404	$ 541,240

See notes to financial statements

Note 1 - Description of reporting entity and summary of significant accounting policies

Cardiovascular Center Corporation of Puerto Rico and the Caribbean (the Corporation) complies with the accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of the significant accounting policies:

Reporting entity

Cardiovascular Center Corporation of Puerto Rico and the Caribbean is a public corporation created by Act No. 51 (the Act) of June 30, 1986, to provide treatment for cardiovascular diseases in Puerto Rico and the Caribbean. The Corporation operates a hospital facility with 202 certified beds as an independent and separate unit from any agency or instrumentality of the Commonwealth of Puerto Rico.

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.

Basis of accounting and measurement focus

The Corporation uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis of accounting, using the economic resources measurement focus. Also, the Corporation follows Governmental Accounting Standards Board (GASB) Statement No. 62, which objective is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The GASB also allows the Corporation to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict or contradict with GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20. The adoption of GASB statement No. 62 did not have an effect on the Corporation's financial statements.

Note 1 - Description of reporting entity and summary of significant accounting policies – (continued)

Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less.

Restricted cash

Restricted cash consists of cash available from governmental contributions restricted for capital assets acquisition and improvements.

Valuation of accounts receivable

The Corporation makes judgments as to the collectability of accounts receivable based on historical trends and future expectations. Management estimates an allowance for doubtful accounts, which represents the collectability of patient service accounts receivable. This allowance adjusts gross patient service accounts receivable downward to their estimated net realizable value. To determine the allowance for doubtful accounts, management reviews specific customer risk for accounts over 365 days using the Corporation's accounts receivable aging.

Inventory of supplies

Inventory of supplies consisting of drugs, medicines, food and other supplies is stated at the lower of cost or market on the first-in, first-out basis.

Capital assets

The Corporation's capital assets are reported at historical cost. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3 to 30 years, and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

The Corporation capitalizes those capital assets with an individual cost of more than $300.

Note 1 - Description of reporting entity and summary of significant accounting policies – (continued)

Tax exemption

The Corporation is exempt from all income, municipal and excise taxes, including license fees, imposed by the Commonwealth of Puerto Rico (the Commonwealth) or any of its subdivisions, which includes all operations, fixed and movable property, capital, revenue and surplus. The Corporation has elected the reimbursement method for purposes of state unemployment taxes.

Contributions

From time to time, the Corporation receives contributions from the Commonwealth. Revenues from contributions (including contributions for capital assets) are recognized when all eligibility requirements, including time requirements are met. Contributions are restricted for operations purposes (payment of rent to Public Buildings Authority) and for capital purposes. Amounts for the payment of rent to Public Buildings Authority are reported as non-operating income. Amounts for capital assets acquisitions are reported after non-operating income and expenses.

During the year ended June 30, 2012 the Commonwealth contributed $5,597,000 and $2,000,000 for the payment of rent and capital assets acquisitions, respectively. During the year ended June 30, 2011 the Commonwealth contributed $10,437,000 and $1,538,000 for the payment of rent and capital assets acquisitions, respectively.

Net assets (deficiency)

Net assets of the Corporation are classified in three components. Net assets invested in capital assets net of related debt, consist of capital assets net of accumulated depreciation and reduced by the spent portion of outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. Unspent related debt proceeds at year end are not included in the determination of amount invested in capital assets.

Restricted net assets are non-capital net assets that must be used for a particular purpose, as specified by contributor external to the Corporation. As of June 30, 2012 and 2011, restricted net assets consist mainly of cash available from governmental contributions received for improvements to the Corporation's facilities and other capital acquisitions.

Unrestricted net assets (deficiency) is the component of net assets that do not meet the definition of invested in capital assets net of related debt or restricted net assets.

Note 1 - Description of reporting entity and summary of significant accounting policies – (continued)

Operating revenues and expenses

The Corporation's statement of revenues, expenses and changes in net assets (deficiency) distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Corporation's principal activity. Non-exchange revenues include contributions received from the Commonwealth of Puerto Rico for purposes other than capital assets acquisition, which are reported as non-operating revenues. Operating expenses are all the expenses incurred to provide health care services, other than financing costs.

Compensated absences

The Corporation's employees are entitled to 2.5 days per month, up to a maximum of 60 days, for vacations, and 1.5 days per month, up to a maximum of 90 days for sick leave. Earned vacations and sick leave are recorded as benefits when earned.

Net patient service revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursement costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others, for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

GASB Statement No. 45

The Corporation follows the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

The Corporation provides post-retirement benefits to all employees who meet certain age and years of services requirements. Such benefits consist of health care benefits which are provided for a period of approximately six (6) months after retirement (see Note 10).

Note 1 - Description of reporting entity and summary of significant accounting policies – (continued)

GASB Statement No. 45-(continued)

The adoption of the above accounting standard resulted in a decrease in net assets of approximately $13,900 and $14,200 for the years ended June 30, 2012 and 2011, respectively.

Risk management

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption, errors and omissions, natural disasters, among other. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the four preceding years.

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Corporation is self-insured for medical malpractice claims and judgments. Since August 23, 2005, the Corporation is insured by the Commonwealth of Puerto Rico.

Note 2 - Net patient service revenue

The Corporation has agreements with medical insurance companies, governmental entities of the Commonwealth of Puerto Rico and the Medicare program for payments to the Corporation, at amounts different from its established rates. A summary of the most significant agreements, with these entities is as follows:

Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient capital costs are paid based on the fully prospective method. Medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Corporation is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2010. The cost report for 2012 should be filed on or before November 30, 2012 and along with the 2011 cost report, both are subject to the Medicare fiscal intermediary examination. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 2 - Net patient service revenue-(continued)

Others - The Corporation has entered into payment agreements with some commercial insurance carriers and other healthcare organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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

	2012	2011
Gross patient service revenue	$130,141,250	$136,836,124
Less provisions for:		
Contractual adjustments under third party reimbursement programs, charity allowance and policy discounts	(49,155,340)	(52,701,901)
Net patient service revenue	$ 80,985,910	$ 84,134,223

Note 3 - Cash and cash equivalents – custodial credit risk deposits

The Corporation is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico. Such deposits should be kept in separate accounts in the name of the Corporation. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. The Corporation's polices regarding deposits consist in opening all bank accounts which are approved by its Board of Directors. During the years ended June 30, 2012 and 2011, the Corporation invested its funds in bank accounts bearing interest.

THE REMAINDER OF THIS PAGE WAS LEFT IN BLANK INTENTIONALLY.

Note 3 - Cash and cash equivalents – custodial credit risk deposits-(continued)

Custodial credit risk is the risk that, in an event of a bank failure, the Corporation's deposit might not be recovered. The Commonwealth requires that public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth.

The Corporation had the following depository accounts in commercial banks. All deposits are carried at cost plus accrued interest.

Depository Accounts	Bank Balance at June 30, 2012	Bank Balance at June 30, 2011
Insured	$ 250,000	$ 250,000
Collateralized:		
Collateral held in the Corporation's name	12,438,309	9,854,382
Total deposits	$12,688,309	$10,104,382

The current amounts of deposits at June 30, 2012 and 2011, shown above are included in the Corporation's balance sheets an amounted to $11,195,083 and $9,370,086, respectively.

THE REMAINDER OF THIS PAGE WAS LEFT IN BLANK INTENTIONALLY.

Note 4 - Capital assets

Capital assets, additions, retirements and balances for the years ended June 30, 2012 and 2011 were as follows:

	2011	Additions (Reclassifications)	Retirements	2012
Land	$ 94,123	$ -	$ -	$ 94,123
Improvements to leased property	8,856,819	123,500	-	8,980,319
Fixed equipment	775,981	-	-	775,981
Movable equipment	21,837,221	1,153,280	(726,519)	22,263,982
Movable equipment under capital lease	913,901	-	-	913,901
Library	14,736	-	-	14,736
Vehicles	67,290	-	-	67,290
Works of art	8,849	-	-	8,849
Total cost	32,568,920	1,276,780	(726,519)	33,119,181
Less accumulated depreciation and amortization for:				
Improvements to leased property	1,452,835	281,474	-	1,734,309
Fixed equipment	775,981	-	-	775,981
Movable equipment	12,726,170	2,299,744	(638,839)	14,387,075
Library	6,509	-	-	6,509
Vehicles	34,420	9,108	-	43,528
Total accumulated depreciation and amortization	14,995,915	2,590,326	(638,839)	16,947,402
Capital assets, net	$17,573,005	$(1,313,546)	$ (87,680)	$16,171,779

Note 4 - Capital assets – (continued)

	2010	Additions (Reclassifications)	Retirements	2011
Land	$ 94,123	$ -	$ -	$ 94,123
Improvements to leased property	8,743,281	113,538	-	8,856,819
Fixed equipment	775,981	-	-	775,981
Movable equipment	21,351,245	1,573,960	(1,087,984)	21,837,221
Movable equipment under capital lease	913,901	-	-	913,901
Library	14,736	-	-	14,736
Vehicles	67,290	-	-	67,290
Works of art	8,849	-	-	8,849
Total cost	31,969,406	1,687,498	(1,087,984)	32,568,920
Less accumulated depreciation and amortization for:				
Improvements to leased property	1,155,475	297,360	-	1,452,835
Fixed equipment	775,981	-	-	775,981
Movable equipment	11,600,239	1,953,778	(827,847)	12,726,170
Library	6,509	-	-	6,509
Vehicles	25,675	8,745	-	34,420
Total accumulated depreciation and amortization	13,563,879	2,259,883	(827,847)	14,995,915
Capital assets, net	$18,405,527	$ (572,385)	$ (260,137)	$17,573,005

Note 5 - Compensated absences

Compensated absences at June 30, 2012 and 2011 are as follow:

	Beginning Balance	Additions	Deductions	Ending Balance
June 30, 2012				
Vacations	$1,591,180	$2,482,537	$ 2,382,621	$1,691,096
Sick Leave	1,567,054	1,511,406	1,399,377	1,679,083
Total compensated absences	$3,158,234	$3,993,943	$ 3,781,998	$3,370,179
June 30, 2011				
Vacations	$1,631,807	$2,284,362	$ 2,324,989	$1,591,180
Sick Leave	1,471,294	1,544,985	1,449,225	1,567,054
Total compensated absences	$3,103,101	$3,829,347	$ 3,774,214	$3,158,234

Compensated absences amounts are included in accrued payroll and other expenses.

THE REMAINDER OF THIS PAGE WAS LEFT IN BLANK INTENTIONALLY.

Note 6 - Capital lease obligations and other non-current liabilities

A summary of capital lease obligations and other non-current liabilities at June 30, 2012 and 2011 follows:

	June 30, 2011	Additions	Payments	June 30, 2012	Amounts of principal due within one year
Capital lease obligation, at average rates of 6% for medical equipment in the amount of $262,782 payable in monthly installments for $5,106, including interest until July 2011.	$ 5,085	$ -	$ 5,085	$ -	$ -
Capital lease obligation, at average rate of 7.25% for medical equipment in the amount of $356,040, payable in monthly installments of $7,110, including interest until June 2012.	82,349	-	82,349	-	-
Total capital lease obligations	87,434	-	87,434	-	-
Other liabilities: Reserve for claim losses	5,259,591	353,631	2,500	5,610,722	-
Total capital lease obligations and other non-current liabilities	$5,347,025	$ 353,631	$ 89,934	$5,610,722	$ -

Note 6 - Capital lease obligations and other non-current liabilities – (continued)

	June 30, 2010	Additions	Payments	June 30, 2011	Amounts of principal due within one year
Capital lease obligation, at average rate of 6.00% for medical equipment in the amount of $155,775, payable in monthly installments of $3,012, including interest until April 2011.	$26,496	$ -	$26,496	$ -	$ -
Capital lease obligation, at average rate of 5.75% for medical equipment in the amount of $139,304, payable in monthly installments of $2,677, including interest until December 2010.	15,817	-	15,817	-	-
Capital lease obligation, at average rates of 6.00% for medical equipment in the amount of $262,782 payable in monthly installments for $5,106, including interest until July 2011.	64,212	-	59,127	5,085	5,085

Note 6 - Capital lease obligations and other non-current liabilities – (continued)

	June 30, 2010	Additions	Payments	June 30, 2011	Amounts of principal due within one year
Capital lease obligation, at average rate of 7.25% for medical equipment in the amount of $356,040, payable in monthly installments of $7,110, including interest until June 2012.	159,070	-	76,721	82,349	82,349
Total capital lease obligations	265,595	-	178,161	87,434	87,434
Other liabilities: Reserve for claim losses	1,879,500	3,440,091	60,000	5,259,591	-
Total capital lease obligations and other non-current liabilities	$2,145,095	$3,440,091	$238,161	$5,347,025	$87,434

Note 7 - Related party transactions

For the purpose of these financial statements all Commonwealth of Puerto Rico's agencies, instrumentalities and public companies are considered related parties of the Corporation.

The accounts receivable of the Corporation include at June 30, 2012 and 2011 the following amounts due from other governmental entities considered related parties:

	2012	2011
Patients accounts receivable	$1,480,216	$1,580,785
Other accounts receivable	1,527,455	1,289,091
Total	$3,007,671	$2,869,876

At June 30, 2012 and 2011, a reserve for uncollectible accounts was recorded for $923,648 and $836,687, respectively, corresponding to the other accounts receivable above.

The balance due to related parties as of June 30, 2012 and 2011 consists of the following:

	2012	2011
Autoridad de Energía Eléctrica (A.E.E.)	$15,762,209	$13,236,535
Autoridad de Acueductos y Alcantarillados de Puerto Rico (A.A.A.)	194,658	493,141
Public Building Authority	28,769,020	31,669,951
Accounts payable to other governmental entities	329,070	437,855
Total	$45,054,957	$45,837,482

Note 7 - Related party transactions – (continued)

Due to A.E.E. and A.A.A.

The balance due to A.E.E. and A.A.A. at June 30, 2012 and 2011 corresponds to electricity and water services, respectively. During the years ended June 30, 2012 and 2011, the Corporation incurred approximately $3,884,000 and $3,282,000, respectively, for electricity services. During the years ended June 30, 2012 and 2011, the Corporation incurred approximately $334,000 and $341,000, respectively, for water services.

Due to the Public Building Authority

Since 1992, the Corporation maintains an agreement with the Public Building Authority (the Authority) regarding the operating lease for the building and parking facilities in which the Corporation operates. The Authority financed the construction of these facilities through a bond issuance. The rent expense for the years ended June 30, 2012 and 2011 amounted to $3,243,929 and $3,847,733, respectively.

The lease contract between the Corporation and the Authority is subject to the resolutions of the bond issuance by the Authority to finance the building and parking facilities. In any circumstances in which the lease agreement is in contest with the bond resolution, the latest will prevail. Rent commitment for fiscal years subsequent to June 30, 2012 will be determined by the Authority's annual calculation of the portion corresponding to the Corporation's share of the resolution of the bond issuance applicable to the building and parking facilities.

Note 8 - Commitments and contingencies

Commitments

Operating leases

The Corporation leases equipment under operating leases expiring at various dates through May 2012. Total rent expense for the years ended June 30, 2012 and 2011 for all operating leases was approximately $694,400 and $701,700, respectively.

Note 8 - Commitments and contingencies – (continued)

Commitments – (continued)

Parking rental agreement

The Corporation subleases the parking facilities to Fontán Associates, Inc. for a five-year term which expires on February 28, 2016. There are two renewal clauses for additional five years of each clause. Fontán Associates, Inc. will pay the Corporation a monthly rental fee, which will increase annually. Parking rent income for the years ended June 30, 2012 and 2011 was approximately $317,500 and $307,100, respectively.

Future minimum parking rent income as of June 30, 2012, follows:

Year	Amount
2013	$ 327,074
2014	336,886
2015	346,992
2016	358,582
	$1,369,534

Food and nutrition service facility rental agreement

The Corporation subleased the food and nutrition services facilities to Metropolitan Food Services, Inc. on a five-year term agreement which expires on August 31, 2013, plus an additional five-year term option, at the discretion of the Corporation. Metropolitan Food Services, Inc. will pay a monthly rental fee of $5,000, plus a 3% percent of the gross earnings for food sales and utilities. Total income related to this agreement for the years ended June 30, 2012 and 2011, was approximately $117,200 and $121,000, respectively.

Fourth floor facilities rental agreement

The Corporation subleased the fourth floor facilities to Hostales de Puerto Rico, Inc. on a twenty-year term agreement which expires on August 31, 2027. Hostales de Puerto Rico, Inc. will pay a staggered monthly rental fee of $5,000 up to $8,500 between 2008 and 2027. Total income related to the agreement for the years ended June 30, 2012 and 2011, amounted to $60,000 for both periods.

Note 8 - Commitments and contingencies – (continued)

Other rental agreements

The Corporation leases space to various other unrelated parties under operating leases with average terms from three (3) to twenty (20) years. Rent income for the years ended June 30, 2012 and 2011 on the other rental agreements was approximately $1,081,600 and $1,155,900, respectively. Future minimum rent income as June 30, 2012, follows:

Year	Approximate amount
2013	$ 895,895
2014	734,893
2015	236,086
2016	237,286
2017	212,086
Thereafter	2,156,204
	$4,472,450

Contingencies

The Corporation's medical malpractice insurance coverage expired in February 2002; thus the Corporation is self-insured for claims received for the period through February 2002 that were not reported to its insurance carrier and for claims for the period from March 2002 through August 22, 2005. Since August 23, 2005, the Corporation is insured by the Commonwealth of Puerto Rico. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients.

The Corporation is also involved in other legal and administrative proceedings arising out of the normal operation of its business.

Based on a review of current facts and circumstances management has provided for what it is believed to be a reasonable estimate of the exposure to loss associated to litigation. The Corporation has established an accrual reserve for claim losses in the amount of $5,610,722 and $5,259,591 at June 30, 2012 and 2011, respectively. The reserve for claim losses includes approximately $353,600 and $4,500,000 at June 30, 2012 and 2011, respectively, corresponding to a claim from the employees' union regarding the implementation of a classification and compensation plan.

Note 8 - Commitments and contingencies – (continued)

Contingencies – (continued)

Regulatory issues

The healthcare industry is subject to numerous laws and regulations which include, among other things, matters such as government healthcare participation requirements, various license and accreditations, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government action has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse and false claims statues and/or regulations by healthcare providers. Providers that are found to have violated these laws and regulations may be excluded from participating in government healthcare programs, subjected to fines or penalties or required to repay amounts received from government for previously billed patient services. While management of the Corporation believes its policies, procedures and practices comply with governmental regulations, no assurance can be given that the Corporation will not be subject to governmental inquires or actions.

On March 14, 2011, the U.S Office of the Inspector General (OIG) notified the Corporation its intention to conduct an audit, which actually began on July 22, 2011 and was completed at the end of 2012 without the submission of the final report. The objective of the OIG audit is to determine whether the Corporation complied with certain Medicare regulations for the period of July 1, 2008 through June 30, 2010. As of the date of the accompanying financial statements the final outcome of the audit is uncertain. The accompanying financial statements do not include any adjustments that might be necessary as a result of the outcome of this uncertainty.

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act (HIPAA) was enacted in August 1996 to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations are required to be in compliance with HIPAA provisions. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. The Corporation's management believes that they are in compliance.

Note 9 - Retirement system

The Corporation participates in the Employee's Retirement System of the Government of Puerto Rico and its instrumentalities (ERS), a multiple-employer contributory retirement plan, which covers only eligible full-time employees. The system provides retirement, death, and disability benefits and annuities to Commonwealth of Puerto Rico (Commonwealth) employees not covered by their own systems.

Commonwealth legislation required employees to contribute 5.275% for the first $550 of their monthly gross salary and 8.275% for the excess over $550 of monthly gross salary. The Corporation is required by the same statute to contribute 10.275% of the participants' gross salary. Effective July 1, 2011, the employer contribution will increase 1% annually. Total employer contributions during the years ended June 30, 2012 and 2011 were approximately $2,110,700 and $1,966,900, respectively.

The financial statements of the Corporation do not include any provision related to the deficiency that might result from actuarial reports up to June 30, 2012.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1991, which created the Retirement System, was enacted with the purpose of establishing a new pension program (System 2000). Employees participating in the current system as of December 31, 1999 may elect to stay in the defined benefit plan or transfer to the new program. Persons joining on or after January 1, 2000 will only be allowed to become members of the System 2000. System 2000 will reduce the retirement age from 65 to 60 for those employees who joined the current plan on or after April 1, 1990.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the System, together with those of the current defined benefit plan. The Commonwealth of Puerto Rico will not guarantee benefits at retirement age. The annuity will be based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employees' salary up to a maximum of 10%) will be invested in an account which either; (1) earn a fixed rate based on the two year Constant Maturity Treasury Note or (2) earn a rate equal to 75% of the return of the System investment portfolio (net of management fees), or (3) earn a combined of both alternatives. Participants will receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions will not be granted under System 2000. The employer's contribution (9.275% of the employee's salary) will be used to fund the current plan.

Note 9 - Retirement system – (continued)

For the years ended June 30, 2012 and 2011, total covered payroll for employees was approximately $20,521,500 and $21,206,500, respectively. Covered payroll refers to all compensation paid by the Corporation to employees covered by the ERS on which contributions to the pension are based.

The amount of the annuity shall be one and one-half percent of the average compensation multiplied by the number of years of creditable service up to twenty years, plus two percent of the average compensation multiplied by the number of years of creditable service in excess of twenty years. For those employees covered after March 31, 1990, the annuity shall be equal to one and one-half percent of the average compensation multiplied by the number of years of creditable service. In no case shall the annuity be less than $2,400.

Additional information of the Retirement System is available in their financial statement for the year ended June 30, 2012, which copy is available at the Retirement System, Minillas Station, Box 42003, San Juan, Puerto Rico 00940.

Note 10 - Post-employment benefits other than pensions

The Corporation provides to its unionized employees through the Collective Bargain Agreement and to its non-unionized employees through a Board of Directors Certification certain post-employment benefits. Such benefits consist in the payment of healthcare plan coverage during the period from the date of the employee's retirement and the date the employee commences to receive the retirement benefits. The benefit provided by the Corporation includes the basic coverage for hospitalization, ambulatory and pharmacy services. The employee retains the option to maintain a similar coverage he/she actually enjoyed and should assume the cost of any optional coverage such as major medical and dental services.

Funding Policy – The required contribution is based on projected pay-as-you-go financing requirements. The contributions requirements of the plan are established and may be amended in accordance with the Collective Bargain Agreement reached by the Corporation and the Labor Union for those unionized employees and by the Board of Directors for the non-unionized employees.

Note 10 - Post-employment benefits other than pensions – (continued)

Annual OPEB Cost – The annual other postemployment benefit (OPEB) Cost is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The ARC represents a level of funding that, if paid on ongoing basis, is projected to cover normal cost each year and amortize any funded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Corporation's annual OPEB Plan cost, the amount actually contributed, and the changes in the net OPEB Plan obligation for the years ended June 30, 2012 and 2011:

	2012	2011
Net OPEB obligation, beginning of year	$42,246	$28,007
Annual OPEB cost (AOC):		
Annual required employer contribution (ARC)	14,656	15,747
Less amortization of net OPEB obligation	(1,487)	(1,000)
Plus interest on net OPEB obligation	1,666	1,120
Total annual OPEB cost	14,835	15,867
Actual contributions made	(918)	(1,628)
Net OPEB obligation, end of year	$56,163	$42,246

	Three Year Trend Information		
Year Ended June 30,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$15,023	54%	$28,007
2011	$15,867	10%	$42,246
2012	$14,835	6%	$56,163

The net OPEB obligation at June 30, 2012 and 2011 is recorded as a component of accrued payroll and other expenses in the accompanying balance sheet.

Note 10 - Post-employment benefits other than pensions – (continued)

Funded status and funding progress – As of June 30, 2012, the actuarial valuation date (latest available), the OPEB plan was 0% funded, the actuarial accrued liability for benefits was $175,773, and the actuarial value of assets was nil, resulting in an unfunded actuarial accrued liability (UAAL) of $175,773. The annual covered payroll was approximately $20,000,000 and the ratio of the UAAL to the covered payroll was .9%.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2008	$ -	$140,927	$140,927	0.0%	$18,793,500	0.7%
June 30, 2009	$ -	$151,789	$151,789	0.0%	$19,321,800	0.8%
June 30, 2010	$ -	$158,487	$158,487	0.0%	$20,000,000	0.8%
June 30, 2011	$ -	$162,206	$162,206	0.0%	$20,000,000	0.8%
June 30, 2012	$ -	$175,773	$175,773	0.0%	$20,000,000	0.9%

Actuarial methods and assumptions - Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

Note 10 - Post-employment benefits other than pensions – (continued)

The actuarial methods are:

Actuarial cost method	Entry age cost method
Amortization method	Level percent of projected payroll, closed period
Amortization period	30 year

The actuarial assumptions are:

Interest rate	4.0%
Plan coverage period	Up to six (6) months after retirement.
Projected annual salaries increase	3.5%
Inflation rate	Included in the healthcare cost trend
Healthcare cost trend rate	9.5% for the years ended June 30, 2012 and 2011, grading to an ultimate rate of 5.50% for the year ending June 30, 2018

Note 11 - Concentration of credit – patients' accounts receivable

The Corporation grants credit without collateral to its patients, most of who are residents of Puerto Rico and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors at June 30, 2012 and 2011 is as follows:

	2012	2011
Humana Healthcare	6%	5%
Triple S	17%	11%
Medical Card System	6%	15%
MMM Healthcare	6%	4%
Others	65%	65%
	100%	100%

Note 12 - Functional expenses

The Corporation provides general health care services to patients with cardiovascular conditions. Expenses, related to providing these services for the years ended June 30, 2012 and 2011 are as follow:

	2012	2011
Health care services	$77,835,821	$ 80,546,820
General and administrative	14,542,779	20,733,318
	$92,378,600	$101,280,138

Note 13 - Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform them to the 2012 financial statements presentation.

Note 14 - Subsequent events

On July 12, 2012 the Commonwealth of Puerto Rico contributed $14,477,754 to the Corporation for the payment of rent to the Public Building Authority. The contribution represents a decrease of the due to related party and an increase of non-operating income for the fiscal year ending on June 30, 2013.

The Corporation evaluated subsequent events through September 25, 2012, which is the date the financial statements were available to be issued. Except for the event described in the preceding paragraph, no events have occurred subsequent to the balance sheet date and to the date the financial statements were available to be issued, that would require additional adjustment to, or disclosure in, the financial statements.