Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Financial Statements

June 30, 2021 and 2020

Table of Contents

Galíndez LLC

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Cardiovascular Center Corporation of Puerto Rico and the Caribbean (the Corporation), a component unit of the Commonwealth of Puerto Rico, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Galíndez LLC

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Cardiovascular Center Corporation of Puerto Rico and the Caribbean as of June 30, 2021 and 2020, and the changes in net position (deficit), and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Uncertainty About Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note 15 to the financial statements, the Corporation has suffered losses and has a negative financial position. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 15. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Restatements

As discussed in Note 10 to the financial statements, the 2020 financial statements have been restated to correct a misstatement related to the elimination of debts with the Employees' Retirement System at the effective date of Act No. 106 of August 23, 2017, and to correct certain misstatements and reclassifications identified by the Corporation during certain reconciliation process. Our opinion is not modified with respect to this matter.

Puerto Rico Department of Health

As discussed in Note 1 to the financial statements, the accompanying financial statements present only the financial position and transactions attributable to the Corporation. They do not intent to present, and do not present, the financial position and transactions of the Puerto Rico Department of Health in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

Galíndez LLC

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information, and the schedules of the Corporation's proportionate share of the collective total pension liability and the other postemployment benefits (OPEB) collective net liability, as listed on the table of contents, 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.

Galindez LLC

San Juan, Puerto Rico
December 14, 2022
License No. LLC-322
Expires December 1, 2023

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, 2021 and 2020. Please read it along with the Corporation's financial statements, which begin on page 10.

Using this Annual Report

The Corporation's financial statements consist of three statements: Statement of Net Position (Deficit) (page 10), Statement of Revenues, Expenses and Changes in Net Position (Deficit) (page 11), and a Statement of Cash Flows (pages 12 and 13). These financial statements and related notes (pages 14 to 61) provide information about the activities of the Corporation, including resources held by the Corporation but restricted for specific purposes by enabling legislation.

The Statement of Net Position (Deficit) and the Statement of Revenues, Expenses and Changes in Net Position (Deficit)

The statement of net position (deficit) and the statement of revenues, expenses and changes in net position (deficit) 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 position (deficit) and changes thereto. You can think of the Corporation's net position (deficit), which is the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources, as one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net position (deficit) are indicators 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 financial health of the Corporation.

Statement of Cash Flow

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and non-capital related 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, 2021 and 2020 and for the years then ended, the Corporation's financial information is summarized as follows:

	2021	(Restated) 2020	Variance	%
Current assets	$ 49,221,076	$ 44,518,349	$ 4,702,727	11%
Non-current assets:				
Capital assets, net	19,501,781	13,271,794	6,229,987	47%
Total assets	68,722,857	57,790,143	10,932,714	19%
Deferred outflows of resources	7,119,958	3,787,203	3,332,755	88%
Current liabilities	90,257,492	91,897,601	(1,640,109)	-2%
Other non-current liabilities	29,844,571	32,023,470	(2,178,899)	-7%
Total liabilities	120,102,063	123,921,071	(3,819,008)	-3%
Deferred inflows of resources - pension related	1,198,284	1,558,050	(359,766)	-23%
Net position (deficiency)				
Net investment in capital assets	19,501,781	13,271,794	6,229,987	47%
Net deficiency	(64,959,313)	(77,173,569)	12,214,256	-16%
Total net (deficiency)	$ (45,457,532)	$ (63,901,775)	$ 18,444,243	-29%
Operating revenues, net	$ 81,843,932	$ 77,706,504	$ 4,137,428	5%
Operating expenses	76,449,440	77,133,917	(684,477)	-1%
Operating income	5,394,492	572,587	4,821,905	842%
Non-operating income	13,049,751	3,835,643	9,214,108	240%
Decrease in net deficiency	18,444,243	4,408,230	14,036,013	318%
Total net (deficiency)	$ (45,457,532)	$ (63,901,775)	$ 18,444,243	-29%

Analysis of Net Position (Deficit) and Results of Operations

Net Position (Deficit)

As indicated in the condensed financial information, the net position (deficit) of the Corporation changed as follows:

Total assets increased by approximately $10.9 million or 19% in comparison to fiscal year 2020. The reason for such increase relates principally to increases on cash and cash equivalents and net investment in capital assets amounting to approximately $4.7 million and $6.2 million, respectively.

Analysis of Net Position (Deficit) and Results of Operations – (continued)

Net Position (Deficit) – (continued)

This is mostly the result of the receipts of conditional contributions for capital expenditures from the Commonwealth of Puerto Rico and other federal grants and incentives received during the year ended on June 30, 2021.

Current liabilities decreased by approximately $1.6 million in comparison to fiscal year 2020. The decrease in current liabilities is mostly related to the net effect of: an increase in the current portion of the total pension liability for approximately $3.3 million, an increase due to the reclassification from noncurrent liabilities to current liabilities of Medicare Accelerated and Advance Payments program for approximately $2.7 million, a decrease in accounts payable and accrued payroll and other expenses for approximately $1.1 million, a decrease in the amount due to related parties of approximately $1.9 million, a decrease in the amount due to the Employees Retirement System amounting to approximately $1.5 million, and a decrease in unearned revenues of advances from medical plans and federal other assistance programs for approximately $3 million.

Other non-current liabilities decreased by approximately $2.2 million or 7% when compared to 2020, which is mostly related to the net effect of: a reclassification to current liabilities of Medicare Accelerated and Advanced Payments of approximately $3 million and an increase in total pension liability, net of current portion, of approximately $790,000. Following is the summary of the Corporation's pension related items in the financial statements:

	2021	2020	Variance	%
Deferred outflows of resources - pension related	$ 7,064,758	$ 3,727,224	$ 3,337,534	90%
Deferred inflows of resources - pension related	$ 1,198,284	$ 1,558,050	$ (359,766)	-23%
Total pension liability (current and non-current)	$ 30,201,269	$ 26,073,701	$ 4,127,568	16%

Results of Operations

The Corporation generates all of its operating revenues from activities related to patient services either directly or ancillary, which are typical of a hospital unit, such as cafeteria facility rent, physicians facility rent, parking facility rent, etc. In addition, the expenses incurred in those activities are accounted for as general operating expenses and are segregated between healthcare services and general and administrative. During the years ended June 30, 2021 and 2020, the Corporation reflected operating income of approximately $5.4 million and $573,000, respectively.

Analysis of Net Position (Deficit) and Results of Operations – (continued)

Results of Operations – (continued)

The following table presents comparative information of the patient services:

Indicator Description	June 30, 2021	June 30, 2020	Variance	% of Change
Admissions	2,456	2,352	104	4%
Discharges	2,481	2,428	53	2%
Patient days	22,067	24,138	-2,071	-9%
Occupancy percentage	37%	40%	-3%	-8%
Surgery procedures	1,575	1,595	-20	-1%
Invasive laboratory procedures	9,121	9,342	-221	-2%

As observed in the table above, during the fiscal year ended on June 30, 2021, the Corporation had reductions in patient services, mostly related to the enduring effects of the Coronavirus (COVID – 19) pandemic declared during March 2020.

Also, for the fiscal year ended June 30, 2021, total operating expenses of the Corporation reflected a decrease of approximately $684,000 or 1%, when compared to those of the fiscal year 2020. The most relevant change in operating expenses for the fiscal year ended June 30, 2021, compared to those of fiscal year ended June 30, 2020 are related to decreases in salaries and wages expense, utilities, and rent.

In addition, for the fiscal year ended on June 30, 2021, non-operating income of the Corporation reflected an increase of approximately $9.2 million, when compared to fiscal year 2020. The main reason for such an increase is that during the year ended June 30, 2021, the Corporation recognized as non-operating income contributions from the Commonwealth of Puerto Rico amounting to approximately $3.7 million and grant revenues amounting to approximately $7.8 million, in addition to a gain on debts released from Employee's Retirement System amounting to approximately $1.5 million.

Analysis of Net Position (Deficit) and Results of Operations – (continued)

Factors Affecting the Change in Net Position (Deficit) and the Availability of Funds

The investment made by the Puerto Rico Government in the Corporation was based on 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 offered to patients from the Caribbean, Central and South America. The original capital investment was approximately $65,000,000 in capital assets and the related effect on 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 and parking facilities. In the year 2000, the Central Government discontinued such subsidy to the Corporation resulting in an adverse effect in the Corporation's working capital.

As part of the approval of the Law No. 72 of September 7, 1993 (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.

Finally, the adoption of the Governmental Accounting Standards Board (GASB) statements No. 71 and No. 68 by the Commonwealth of Puerto Rico and its instrumentalities brought change from the then existing "funding based" accounting model, where the Annual Required Contribution (ARC) was compared to the actual payments made and that difference determined the net pension obligation; to an "accrual basis" model, where the total pension obligation (actuarially determined) is compared to the plan net position and the difference represents the total pension liability. The Primary Government of the Commonwealth of Puerto Rico, as well as its component units and the municipalities, are considered "cost sharing" employers of the Employees Retirement System (ERS); therefore, the Corporation reports its allocated share of the ERS's total pension liability and the related pension amounts. Furthermore, because of the implementation of the pay-as-you-go (PayGo) system, as provided by Act No. 106 of 2017 (Act 106), the ERS no longer met the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, it was required to apply the guidance in GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective July 1, 2018.

Analysis of Net Position (Deficit) and Results of Operations – (continued)

Results of Operations – (continued)

Factors Affecting the Change in Net Position (Deficit) and the Availability of Funds – (continued)

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

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021 and 2020, the Corporation had approximately $19.5 million and $13.2 million, respectively, in capital assets, net of accumulated depreciation, as detailed in the notes to the financial statements. During fiscal years 2021 and 2020, the Corporation made cash outlays for capital assets of approximately $7.2 million and $996,000, respectively. Furthermore, during the years ended on June 30, 2021 and June 30,2020, the Corporation received conditional contributions from the Commonwealth of Puerto Rico amounting to $2.8 million and $3 million, respectively, which are conditioned to expenses of capital projects and equipment. Unexpended funds are included as part of restricted cash and unearned revenue - federal grants and other assistance programs in the accompanying statement of net position (deficit) as of June 30, 2021 and 2020.

Contacting the Corporation's Financial Management

This 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) 754-8500 extension 3006.

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Statements of Net Position (Deficit)

June 30, 2021 and 2020

	2021	(Restated) 2020
Assets:		
Current assets:		
Unrestricted cash and cash equivalents	$ 36,233,354	$ 29,547,436
Restricted cash	3,531,713	4,482,548
Patients accounts receivable, net	5,017,761	6,551,248
Estimated third-party payor - Medicare	745,383	856,267
Other accounts receivable, net of estimated uncollectibles of $2,916,491 and $2,829,529 in 2021 and 2020, respectively	588,870	538,053
Inventory of supplies	1,895,647	1,942,593
Prepaid expenses and other current assets	1,208,348	600,204
Total current assets	49,221,076	44,518,349
Non-current assets		
Capital assets, net of depreciation and amortization	19,501,781	13,271,794
Total assets	68,722,857	57,790,143
Deferred outflows of resources:		
Pension related	7,064,758	3,727,224
Other postemployment benefit related	55,200	59,979
Total deferred outflows of resources	7,119,958	3,787,203

Liabilities and Net Position (Deficit)

	2021	(Restated) 2020
Current liabilities:		
Total other postemployment benefit liability	55,200	59,979
Total pension liability	7,064,758	3,727,224
Due to Employee´s Retirement System	145,691	1,672,177
Due to related parties	39,808,647	41,727,352
Accounts payable	22,829,499	25,123,490
Accrued payroll and other expenses	7,289,246	6,103,305
Unearned revenues of advances from medical plans	6,306,061	8,387,660
Medicare Accelerated and Advance Payments Program	3,073,740	363,680
Unearned revenue - federal grants and other assistance programs	3,531,713	4,482,548
Reserve for claim losses	152,937	250,186
Total current liabilities	90,257,492	91,897,601
Non-current liabilities		
Medicare Accelerated and Advance Payments Program, net of current portion	-	3,071,320
Reserve for claim losses	5,910,956	5,876,207
Total other postemployment benefit liability	708,104	640,466
Total pension liability	23,136,511	22,346,477
Due to Medicare	89,000	89,000
Total liabilities	120,102,063	123,921,071
Deferred inflows of resources - pension related	1,198,284	1,558,050
Net position (deficit):		
Investment in capital assets	19,501,781	13,271,794
(Deficit)	(64,959,313)	(77,173,569)
Total net position (deficit)	$ (45,457,532)	$ (63,901,775)

See notes to financial statements

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Statements of Revenues, Expenses and Changes in Net Position (Deficit)

Years Ended June 30, 2021 and 2020

	2021	(Restated) 2020
Operating revenues		
Patient service revenue, net of contractual adjustments	$ 79,820,569	$ 75,508,868
Less: provision for bad debts	50,450	16,865
Net patient service revenue	79,770,119	75,492,003
Capitation revenue	65,031	102,610
Other revenue	2,008,782	2,111,891
Total operating revenues	81,843,932	77,706,504
Operating expenses		
Salaries and wages	21,706,789	23,174,708
Employee benefits	5,517,728	5,986,415
Professional fees and contracted services	6,512,245	5,602,747
Supplies, food and drugs	27,435,924	26,604,806
Repairs and maintenance	2,990,039	2,667,822
Utilities	3,657,338	3,953,289
Depreciation and amortization	983,497	1,064,663
Insurance	311,242	251,584
Provision for claim losses	-	283,875
Bad debt expense	86,962	103,792
Rent and other	5,223,284	6,187,744
Pension expense	1,900,954	1,222,849
Other postemployment benefit expense	123,438	29,623
Total operating expenses	76,449,440	77,133,917
Operating income	5,394,492	572,587
Non-operating income		
E.H.R. incentive payment	-	717,584
Gain on debts released from Employee's Retirement System	1,526,486	1,457,819
Grant revenues	7,826,805	152,740
Contributions from the Commonwealth of Puerto Rico	3,696,460	1,507,500
Total non-operating income	13,049,751	3,835,643
Net change in net position	18,444,243	4,408,230
Net position (deficit), at beginning of year, as previously reported	(63,901,775)	(70,102,549)
Restatement adjustment	-	1,792,544
Net position (deficit), at beginning of year, as restated	(63,901,775)	(68,310,005)
Net position (deficit), at end of year	$ (45,457,532)	$ (63,901,775)

See notes to financial statements

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	(Restated) 2020
Cash flows from operating activities:		
Receipts from patient services	$ 79,036,662	$ 72,223,048
Advances from medical plans	-	11,822,660
Other receipts	1,871,003	1,983,885
Payments to suppliers	(50,903,966)	(43,371,755)
Payments to employees and employee benefits	(27,565,062)	(27,934,145)
Payments on malpractice claims	(62,500)	(115,500)
Net cash provided by operating activities	2,376,137	14,608,193
Cash flows from capital and related financing activities:		
Cash outlays for capital assets	(7,213,484)	(995,799)
E.H.R. incentive payment	-	717,584
Contribution from the Commonwealth of Puerto Rico	2,800,000	3,000,000
Net cash (used in) provided by capital and related financing activities	(4,413,484)	2,721,785
Net cash provided by non capital and related financing activities:		
Contributions from the Commonwealth of Puerto Rico and federal grants	7,772,430	3,142,788
Net change in cash, cash equivalents and restricted cash	5,735,083	20,472,766
Cash, cash equivalents and restricted cash, at beginning of year	34,029,984	13,557,218
Cash, cash equivalents and restricted cash, at end of year	$ 39,765,067	$ 34,029,984
Reconciliation of cash, cash equivalents and restricted cash to the statements of net position:		
Unrestricted cash and cash equivalents	$ 36,233,354	$ 29,547,436
Restricted cash	3,531,713	4,482,548
Total cash, cash equivalents and restricted cash	$ 39,765,067	$ 34,029,984

(Continues)

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Statements of Cash Flows (Continued)

Years Ended June 30, 2021 and 2020

	2021	(Restated) 2020
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 5,394,492	$ 572,587
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	983,497	1,064,663
Provision for bad debts - patients accounts receivable	50,450	16,865
Provision for bad debts - other accounts receivable	86,962	103,792
Provision for claim losses	-	283,875
Changes in assets and liabilities		
(Increase) decrease in:		
Patient accounts receivable	1,483,037	(3,277,546)
Estimated third-party payor - Medicare	110,884	(110,884)
Other accounts receivable, net	(137,779)	(128,006)
Inventory of supplies	46,946	(19,613)
Prepaid expenses and other current assets	(608,144)	(161,709)
Deferred outflows of resources	(3,332,755)	(1,641,379)
Increase (decrease) in:		
Due to related parties	(1,918,705)	984,772
Accounts payable	(2,293,991)	2,037,815
Accrued payroll and other expenses	1,185,941	1,761,855
Unearned revenues of advances from medical plans	(2,081,599)	8,387,660
Medicare Accelerated and Advance Payments Program	(361,260)	3,435,000
Reserve for claim losses	(62,500)	(115,500)
Total other postemployment benefits liability	62,859	31,527
Total pension liability	4,127,568	1,380,933
Deferred inflows of resources	(359,766)	1,486
Total adjustments	(3,018,355)	14,035,606
Net cash provided by operating activities	$ 2,376,137	$ 14,608,193

See notes to financial statements

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

Reporting entity

Cardiovascular Center Corporation of Puerto Rico and the Caribbean (the Corporation) 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 (the Commonwealth).

Summary of significant policies

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a description of the most significant accounting policies:

Basis of presentation

The Corporation's financial statements are presented as an enterprise fund and conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* GASB 34, as amended, establishes standards for external financial reporting for all state and local government entities, which includes a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net position into three components: net invested in capital assets, restricted, and unrestricted.

These classifications are defined as follows:

- Investment in capital assets – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to and spent in the acquisition, construction, or improvement of those assets.

  If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net invested in capital assets; rather, that portion of the debt is included in the same net assets component as the unspent proceeds. As of June 30, 2021 and 2020, net assets invested in capital assets, net of related debt consisted of the balance of capital assets.

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

Summary of significant policies – (continued)

Basis of presentation – (continued)

- Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), contributions, or laws or regulations of other governments of constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2021 and 2020, the Corporation did not have restricted net position.

- Unrestricted– This component of net position consists of net assets that do not meet the definition of "restricted" or "net invested in capital assets".

Measurement focus and basis of accounting

The financial statements of the Corporation are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental units. Under this basis, revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

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.

Cash and cash equivalents

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

Restricted cash

Funds set aside are federal grants and state contributions for the payment of certain expenses in relation to the COVID – 19 pandemic, improvements to medical facilities and purchase of equipment.

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

Summary of significant policies – (continued)

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 net realizable value 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. The Corporation capitalizes those capital assets with an individual cost in excess of $300. At the time capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the Corporation's books and the resulting gain or loss, if any, is credited or charged to operations.

Accounting for the impairment of capital assets

The Corporation accounts for assets impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its services utility has declined significantly and unexpectedly. This statement also establishes accounting requirements for insurance recoveries.

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

Summary of significant policies – (continued)

Accounting for the impairment of capital assets – (continued)

A capital asset generally should be considered impaired if both, (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event of change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. As of June 30, 2021 and 2020, no capital assets were considered impaired by the Corporation.

Compensated absences

The Corporation's employees were 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 annually. Vacation time was fully vested to the employees from the first day of work. However, as per Law No. 26 of April 29, 2017, Fiscal Plan Compliance Law, the accumulation is reduced to fifteen (15) days of vacation and eighteen (18) days of sick leave annually. Also, for any employee hired after February 4, 2017, the accumulation is reduced to fifteen (15) days of vacation and twelve (12) days of sick leave annually.

Under the collective bargain agreement, employees were entitled to the payment of the excess of sixty (60) days of vacation at a rate equal to double of their hourly rate. On the other hand, employees not covered under the collective bargain agreement were entitled to the payment of the excess of sixty (60) days of vacation at their hourly rate. However, as per Law No. 26 of April 29, 2017, payment of the excess of sixty (60) days of vacation cannot be completed and the excess of sixty (60) days of vacation would be eliminated at the end of each calendar year. Under the collective bargain agreement and the Corporation policies, all employees were entitled to the payment of the excess of fifteen (15) days in accumulated sick leave, up to a maximum of eighteen (18) days. However, as per Law No. 26 of April 29, 2017, the payment previously mentioned cannot be completed and the excess of ninety (90) days of sick leave would be eliminated at the end of each calendar year.

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

Summary of significant policies – (continued)

Pension benefits

The Corporation is a participant in the Commonwealth of Puerto Rico Employees Retirement System (the Pension Plan), a multiemployer retirement plan. The Corporation accounts for its participation in the Pension Plan in accordance with the provisions of GASB 73.

Pursuant to the provisions of GASB 73, the Corporation recognizes a pension liability for its proportionate share of the collective pension liability under the Pension Plan, as well as its proportionate share of the collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Corporation's allocation percentage is based on the ratio of the Corporation's benefit payments to total benefit payments under the Pension Plan. Changes in the total pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the total pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees, in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose.

Postemployment benefits other than pensions (OPEB)

The Corporation also participates in the Commonwealth's postemployment benefits other than pensions plan (the OPEB Plan). The Corporation accounts for other postemployment benefits in accordance with the provisions of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

Summary of significant policies – (continued)

Operating revenues and expenses

The Corporation's statement of revenues, expenses and changes in net position (deficit) 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. Operating expenses are all the expenses incurred to provide health care services, other than financing costs. Revenues and expenses are accounted for under the accrual basis of accounting were revenues are recognized when earned, even if not collected and expenses are recognized when incurred, even if not paid.

Non-exchange transactions

GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, establishes accounting and financial reporting standards for non-exchange transactions involving financial or capital resources (for example, grants, and contributions). In a non-exchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal value. Under the provisions of GASB No. 33, the provider and the recipient should recognize the non-exchange transaction as an expense and revenue, respectively, when all eligibility requirements are satisfied. Non-exchange revenues include contributions received from the Commonwealth of Puerto Rico for capital assets acquisition, which are reported as non-operating revenues when all eligibility requirements are satisfied.

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.

The Corporation follows the requirements of the Financial Accounting Standard Board (FASB) *Accounting Standards Update* No. 2011-07 *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Healthcare Entities.*

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

Summary of significant policies – (continued)

Net patient service revenue – (continued)

The standard update requires healthcare entities that recognize a significant amount of patient service revenue at the time the services are rendered, even though they do not assess the patient's ability to pay at that moment, to present as separate line items on the face of the statement of revenues, expenses and changes in net position (deficit), the provision for bad debts, related to patient service revenue, as a deduction from patient revenue (net of contractual allowances and discounts).

The standard update also requires disclosing by major payor source of revenue; the Corporation's policy for assessing collectability in determining the timing and amount of patient service revenue to be recognized, and qualitative and quantitative information about significant changes in the allowance for doubtful accounts related to patient accounts receivable.

Capitation revenue

The Corporation has an agreement with an insurance carrier to provide medical services to enrolled members. Under this agreement, the Corporation receives fixed monthly capitation payments, regardless of services performed by the Corporation. The Corporation's health care premiums (capitation revenues) are reported as revenue in the month that enrolled members are entitled to health care benefits.

Related parties

Related parties to the Corporation consist of governmental agencies, public corporations, and other instrumentalities of the Commonwealth of Puerto Rico.

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, and natural disasters, among others. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage since various 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. Since August 23, 2005, the Corporation is insured by the Commonwealth of Puerto Rico.

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

Summary of significant 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.

Deposits and investment risks

The Corporation follows GASB Statement No. 40, *Deposit and Investment Risk Disclosure* – an amendment of GASB Statement No. 3. The statement addresses common deposit and investment risks related to credit, concentration, interest rate and foreign currency. Among other disclosures, the statement requires certain disclosures applicable to deposits or investments having fair values that are highly sensitive to changes in interest rates.

Deferred outflows and inflows of resources

In addition to assets, the statement of net position (deficit) will sometimes report a separate section of deferred outflows of resources, which represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Also, in addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources, which represent an acquisition of net position and resources that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2021 and 2020, deferred outflows of resources are pension and other postemployment benefits related, and all deferred inflows of resources of the Corporation are pension related items.

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

Summary of significant policies – (continued)

New accounting standards

The provisions of the following Governmental Accounting Standards Board (GASB) Statements were effective during the year ended June 30, 2021:

GASB Statement No. 84 *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable, (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

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

Summary of significant policies – (continued)

New accounting standards – (continued)

GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5- 22 of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 90, *Majority Equity Interest*—An Amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.

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

Summary of significant policies – (continued)

New accounting standards – (continued)

This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows or resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

GASB 91, *Conduit Debt Obligations*. This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The adoption of these statements did not have a material effect on the basic financial statements of the Corporation.

Accounting pronouncements issued but not yet effective

The following new accounting standards have been issued but are not yet effective:

GASB 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease assets, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB 95.

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

Summary of significant policies – (continued)

Accounting pronouncements issued but not yet effective – (continued)

GASB 92, *Omnibus 2020*. This statement addresses a variety of topics and includes specific provisions about the following, the effective date of GASB 87 and Implementation Guide No. 2019-3, Leases, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPES) plan; the applicability of GASB 73 and GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. The applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to AROs in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The portion of this statement that relates to the effective date of GASB 87 and its associated implementation guidance are effective upon issuance. Provisions related to intra-entity transfers of assets and applicability of GASB 73 and 74 are effective for fiscal years beginning after June 15, 2020. The remaining requirements related to asset retirement obligations are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021, as amended by GASB 95.

GASB 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). Some governments have entered into agreements in which variable payments made or received depend on an IBOR-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB 95.

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

Summary of significant policies – (continued)

Accounting pronouncements issued but not yet effective – (continued)

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange like transaction. This statement requires that PPPs that meet the definition of a lease apply the guidance in GASB 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement (SCA). This statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of GASB 87, as amended (as clarified in this statement). This statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. This statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB 95, *Postponements of Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

Summary of significant policies – (continued)

Accounting pronouncements issued but not yet effective – (continued)

GASB 96, *Subscription Based Information Technology Arrangements*. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right- to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87, Leases, as amended. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate cost associated with the reporting of certain defined contribution pension plans other than pension plans or OPEB plans (other employee benefits plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement that are related to the accounting and financial reporting for Sections 457 plans are effective for fiscal years beginning after June 15, 2021.

GASB 98, *The Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

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

Summary of significant policies – (continued)

Accounting pronouncements issued but not yet effective – (continued)

GASB 99, *Omnibus 2022*. This statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships, SBITA arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program, nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements of this statement apply to the financial statements of all state and local governments. This statement supersedes certain provisions of GASB 24 and GASB 62. In addition, GASB 99 amends specific provisions of GASB 10, 24, 30, 33, 34, 53, 62, 72, 87, 93 and 96, and certain implementation guides. Certain requirements of GASB 99 are effective upon issuance, while others are effective for fiscal years beginning after June 15, 2022 and June 15, 2023.

GASB 100, *Accounting Changes and Error Corrections* – An Amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements.

This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement for changes in accounting principles apply to the

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

Summary of significant policies – (continued)

Accounting pronouncements issued but not yet effective – (continued)

GASB 100, *Accounting Changes and Error Corrections – (continued)*

implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

Summary of significant policies – (continued)

Accounting pronouncements issued but not yet effective – (continued)

GASB 101, *Compensated Absences – (continued)*

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management is evaluating the impact that these statements may have on the Corporation's financial statements upon adoption.

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 2018. The cost reports from 2018 through 2021 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.

Also, the Corporation is subject to periodic audits by the U.S. Office of the Inspector General (OIG). At June 30, 2021 and 2020, the Corporation provided for a reserve in the amount of $89,000 in both periods, in relation to the expected recovered amounts by the Medicare Program through the Recovery Audit Contractor Program or RAC. These amounts are recorded as Due to Medicare in the accompanying statements of net position.

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 patient service revenue, net of contractual allowances and discounts, for the years ended June 30, 2021 and 2020 follows:

	2021	2020
Third-party payors	$ 79,472,780	$ 75,139,399
Self-pay patients	347,789	369,469
Patient service revenue (net of contractual allowances and discounts)	$ 79,820,569	$ 75,508,868

Note 3 - Patients accounts receivable

Patients' accounts receivable at June 30, 2021 and 2020 consist of:

	2021	2020
Patient and third-party payors	$ 27,216,519	$ 29,912,582
Less: allowance for doubtfull accounts	22,198,758	23,361,334
Patient and third-party payors, net	$ 5,017,761	$ 6,551,248

Changes in allowance for doubtful accounts on patients' accounts receivable for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Balance, beginning of year	$ 23,361,334	$ 24,194,370
Small balance write-offs	(1,213,026)	(849,901)
Provision for bad debts	50,450	16,865
Balance, end of year	$ 22,198,758	$ 23,361,334

Net patient service revenue from third-party payors and uninsured patients is recorded when the health care services are provided. The Corporation records provision for bad debts related to receivables from third-party payors and uninsured patients as a deduction of net patient service revenue in the accompanying statements of revenues, expenses and changes in net position (deficit), for accounts with balances over 365 days, for which collection efforts have been followed in accordance with the Corporation's policies.

At June 30, 2021 and 2020, approximately 97%, of the amounts reserved as uncollectible are related to third-party payors and approximately 3%, are related to self-pay patients, which includes deductibles and co-insurance which the Corporation accounts for as patient balance.

Note 4 - Cash and cash equivalents – custodial credit risk deposits

The Corporation is authorized to deposit funds 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. During the years ended June 30, 2021 and 2020, the Corporation invested its funds in interest bearing bank accounts. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, with the remaining balance collateralized with financial instruments held by a trust of the Commonwealth. Based on these provisions, deposits are not considered to be subject to custodial credit risk, which is the risk that in the event of a bank's failure, the Corporation's deposits may not be returned.

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, 2021	Bank Balance at June 30, 2020
Insured	$ 250,000	$ 250,000
Collateralized:		
Collateral held in the Corporation's name	40,539,092	34,878,655
Total deposits	$ 40,789,092	$ 35,128,655

The current amounts of deposits at June 30, 2021 and 2020, shown above are included in the Corporation's statements of net position (deficit) under unrestricted cash and cash equivalents, amounting to $36,233,354 and $29,547,436, respectively, and restricted cash, amounting to $3,531,713 and $4,482,548, respectively.

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Note 5 - Capital assets

Capital assets, additions, retirements and balances for the years ended June 30, 2021 and 2020 were as follows:

	2020 (Restated)	Additions	Retirements	2021
Land	$ 94,123	$ -	$ -	$ 94,123
Improvements to leased property	9,810,320	330,969	-	10,141,289
Fixed equipment	775,981	-	-	775,981
Movable equipment	31,975,642	3,101,571	-	35,077,213
Licenses in process of installation	-	1,406,050	-	1,406,050
Equipment in process of installation	-	274,671	-	274,671
Construction in progress	-	2,100,223	-	2,100,223
Library	14,736	-	-	14,736
Vehicles	67,290	-	-	67,290
Works of art	8,849	-	-	8,849
Total cost	42,746,941	7,213,484	-	49,960,425
Less accumulated depreciation and amortization for:				
Improvements to leased property	4,120,368	334,461	-	4,454,829
Fixed equipment	775,981	-	-	775,981
Movable equipment	24,504,999	649,036	-	25,154,035
Library	6,509	-	-	6,509
Vehicles	67,290	-	-	67,290
Total accumulated depreciation and amortization	29,475,147	983,497	-	30,458,644
Capital assets, net	$ 13,271,794	$ 6,229,987	$ -	$ 19,501,781

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Note 5 - Capital assets – (continued)

	2019	Additions	Retirements	2020 (Restated)
Land	$ 94,123	$ -	$ -	$ 94,123
Improvements to leased property	9,568,700	241,620	-	9,810,320
Fixed equipment	775,981	-	-	775,981
Movable equipment	31,293,446	754,179	(71,983)	31,975,642
Library	14,736	-	-	14,736
Vehicles	67,290	-	-	67,290
Works of art	8,849	-	-	8,849
Total cost	41,823,125	995,799	(71,983)	42,746,941
Less accumulated depreciation and amortization for:				
Improvements to leased property	3,804,035	316,333	-	4,120,368
Fixed equipment	775,981	-	-	775,981
Movable equipment	23,828,652	748,330	(71,983)	24,504,999
Library	6,509	-	-	6,509
Vehicles	67,290	-	-	67,290
Total accumulated depreciation and amortization	28,482,467	1,064,663	(71,983)	29,475,147
Capital assets, net	$ 13,340,658	$ (68,864)	$ -	$ 13,271,794

Note 6 - Compensated absences

Compensated absences correspond to accrued vacations at June 30, 2021 and 2020 and are as follow:

Years ended June 30:	Beginning Balance	Additions	Deductions	Ending Balance
2021	$ 1,921,522	$ 1,703,148	$ 1,495,155	$ 2,129,515
2020	$ 1,279,013	$ 1,500,746	$ 858,237	$ 1,921,522

Compensated absences amounts are included in accrued payroll and other expenses in the accompanying statements of net position.

Note 7 - Reserve for claim losses

A summary of the reserve for claim losses at June 30, 2021 and 2020 follows:

Year ended June 30, 2021	Beginning Balance	Additions	Payments	Ending Balance
Reserve for claim losses	$ 6,126,393	$ -	$ 62,500	$ 6,063,893
Year ended June 30, 2020				
Reserve for claim losses	$ 5,958,018	$ 283,875	$ 115,500	$ 6,126,393

Note 8 - Related party transactions

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

The accounts receivable of the Corporation include, as of June 30, 2021 and 2020, the following amounts due from other governmental entities considered related parties:

	2021	2020
Patients accounts receivable	$ 1,230,090	$ 1,287,839
Other accounts receivable	2,452,358	2,297,893
Less: reserve for uncollectible accounts	2,257,217	2,170,255
Other accounts receivable, net	195,141	127,638
Total amounts due from related parties, net	$ 1,425,231	$ 1,415,477

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Note 8 - Related party transactions – (continued)

The balance due to related parties as of June 30, 2021 and 2020 consists of the following:

	2021	2020
Puerto Rico Electric Power Authority (PREPA)	$ 6,218,932	$ 8,361,560
Puerto Rico Aqueduct and Sewer Authority (PRASA)	63,517	219,316
P.R. Public Building Authority	33,455,166	32,568,456
Accounts payable to other governmental entities	71,032	578,020
Total	$ 39,808,647	$ 41,727,352

Due to PREPA and PRASA.

The balance due to PREPA and PRASA. at June 30, 2021 and 2020 corresponds to electricity and water services, respectively. During the years ended June 30, 2021 and 2020, the Corporation incurred approximately $2,925,000 and $3,124,000, respectively, for electricity services. During the years ended June 30, 2021 and 2020, the Corporation incurred approximately $643,000 and $752,000, respectively, for water services.

Due to the Puerto Rico Public Building Authority

Since 1992, the Corporation maintains an agreement with the Puerto Rico 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, 2021 and 2020 amounted to $963,053 and $2,217,461 respectively.

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Note 9 - Commitments and contingencies

Commitments

Operating leases

The Corporation leases equipment under cancellable operating leases, with terms ranging from one to six years, expiring at various dates through November 2024. Total rent expense for the years ended June 30, 2021 and 2020 for all operating leases was approximately $1,513,000 and $1,433,000, respectively. The rent commitment related to non-cancellable operating leases as of June 30, 2021 is as follows:

Year ending June 30,	Amount
2022	$ 328,020
2023	25,994
2024	39,350
	$ 393,364

Parking rental agreement

The Corporation subleases the parking facilities to Fontán Associates, Inc. for a five-year term which expires in February 2025. Fontán Associates, Inc. pays the Corporation a monthly rental fee, which will increase annually. Also, effective on July 1, 2020, the Corporation granted certain credit of the rent fees to Fontán Associates, Inc. due to the emergency of COVID - 19. Parking rent income for the years ended June 30, 2021 and 2020 was approximately $383,000 and $393,000, respectively.

Future minimum parking rent income as of June 30, 2021, follows:

Year ending June 30,	Amount
2022	$ 459,590
2023	482,569
2024	506,698
2025	348,874
	$ 1,797,731

Note 9 - Commitments and contingencies – (continued)

Commitments – (continued)

Parking rental agreement – (continued)

The Corporation records rent as income over the lease term as it becomes receivable according to the provisions of the underlying lease agreement. Accounting principles generally accepted in the United States of America require that income from leases with scheduled rent increases be recognized on a straight-line basis over the lease term. However, the difference in methodology used does not have a material effect in the accompanying financial statements.

Food and nutrition service facility rental agreement

The Corporation subleased the food and nutrition services facilities to Nugen Group, Inc. on a five-year term agreement, which was effective June 30, 2021. Before this agreement, the Corporation subleased the food and nutrition services facilities to Metropolitan Food Services, Inc. on a one-year term agreement. Under such agreements, the Corporation bills monthly rental fees, plus a staggered percentage of the gross earnings for food sales and utilities. Total income related to the sublease of food and nutrition services facilities for the years ended June 30, 2021 and 2020, was approximately $163,000 and $192,000, respectively.

Future minimum income as of June 30, 2021, follows:

Year ending June 30,	Amount
2022	$ 90,888
2023	90,888
2024	90,888
2025	90,888
2026	90,888
	$ 454,440

Note 9 - Commitments and contingencies – (continued)

Commitments – (continued)

Fourth floor facilities rental agreement

The Corporation subleased the fourth-floor facilities to Hostales de Puerto Rico, Inc. on a twenty-year term agreement expiring on August 31, 2027. Hostales de Puerto Rico, Inc. was scheduled to pay a staggered monthly rental fee of $5,000 up to $8,500 between 2008 and 2027, however, effective on September 30, 2021, this agreement was cancelled. Furthermore, effective in March 2022, the Corporation entered into a new agreement with Ficus Hospitality LLC for the sublease of the fourth floor facilities, for a term of eight (8) years. Total income related to the agreement for the years ended June 30, 2021 and 2020 amounted to approximately $90,000 and $84,000, respectively.

Other rental agreements

The Corporation leases space to various other unrelated parties under operating leases with average terms from three (3) to five (5) years. Rent income for the years ended June 30, 2021 and 2020 on the other rental agreements was approximately $691,000 and $707,000, respectively.

Future minimum income as of June 30, 2021, follows:

Year ending June 30,	Amount
2022	$ 188,137
2023	204,849
2024	84,000
	$ 476,986

Contingencies

Malpractice and legal claims

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.

Note 9 - Commitments and contingencies – (continued)

Contingencies – (continued)

Malpractice and legal claims – (continued)

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 $6,063,893 and $6,126,393 at June 30, 2021 and 2020, respectively.

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 statutes 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 the 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 inquiries or actions.

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 - Commitments and contingencies – (continued)

Contingencies – (continued)

Implementation requirements of an Electronic Health Record System

The Health Information Technology for Economic and Clinical Health Act set meaningful use of interoperable Electronic Health Record (EHR) adoption in the health system as a critical national goal and incentivize the EHR adoption. Its goal is not adoption alone but meaningful use of EHRs, that is, their use by providers to achieve significant improvements in care. The Centers for Medicare and Medicaid Services (CMS) manages and has implemented an incentive program for those hospitals that implement EHR and that also, comply with certain specific requirements. CMS EHR Incentive Programs provide incentive payments to eligible hospitals as they adopt, implement, upgrade or demonstrate meaningful use, as defined by CMS, of certified EHR technology. As of June 30, 2021 and 2020, the Corporation is under the implementation of its EHR system. During the year ended on June 30, 2020, the Corporation received an EHR incentive payment amounting to $717,584, included in non-operating income in the accompanying statement of revenues, expenses and changes in net position (deficit) for the year then ended. Pursuant to the Consolidated Act of 2016, the Puerto Rico hospitals become eligible under the Medicare EHR Incentive Program. This enables the hospitals to not only receive the incentive payments but also be subject to the Medicare negative payment adjustments. The hospitals may begin participation for EHR reporting periods in 2016 and would have to successfully demonstrate meaningful use in order to avoid a negative payment adjustment. The Puerto Rico hospitals could earn up to four consecutive years of Medicare EHR Incentive Program payments.

Pharmacy management services

On December 1, 2018, the Corporation entered into an agreement with Cardinal Health Puerto Rico (Cardinal Health), whereby they agreed that Cardinal Health will manage, direct, and operate the pharmacy area and inventory of the Corporation. The agreement includes a monthly department charge, plus the drugs utilization cost, based on a pre-determined cost. The total expense for the monthly department charge related to this agreement amounted to approximately $1,600 for both years ended June 30, 2021 and 2020. Also, the drugs utilization fees amounted to approximately $4,131,000 and $4,700,000 for the years ended June 30, 2021 and 2020, respectively.

Note 10 - Restatement

Restatement of due to Employee´s Retirement System and net position (deficit)

As provided by Article 2.5 of the Act No. 106 of August 23, 2017 – *Law to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants* (Act No. 106-2017), payments related to Pay-Go done by the Central Government, municipalities, public corporations, the Legislative Assembly and the Court Administration will be applied to unpaid contributions and other debts outstanding with the Employees' Retirement System (ERS), at the effective date of Act No. 106-2017. The balance due by the Corporation to ERS at June 30, 2017 was approximately $5.6 million, which consisted principally of amounts related to Uniform Additional Contribution, special laws and interest. However, due to differences in the interpretation regarding the application of Article 2.5 of Act No. 106-2017, the Corporation had not eliminated the balance due to ERS related to debts from before June 30, 2017.

At June 30, 2021 and 2020, the Corporation had an outstanding balance of approximately $146,000 and $1.7 million, respectively, due to the Employee's Retirement System.

Restatement of capital assets, net of depreciation and amortization

The Corporation revised certain capital assets and the related accumulated depreciation and determined that there was an error in the recording of depreciation expense and accumulated depreciation of certain movable equipment as of and for the year ended June 30, 2020. Accordingly, the 2020 financial statements have been restated to reflect the corrected amounts.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform them to the 2021 financial statement presentation, and to correct the presentation of certain miscellaneous grant and certain amount due to related party.

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Note 10 - Restatement – (continued)

Effect on the 2020 financial statements

The aforementioned changes are reflected in the financial statements as follows:

	Original	Change	As Restated
Capital assets, net of depreciation and amortization	$ 12,876,737	$ 395,057	$ 13,271,794
Total assets	$ 57,395,086	$ 395,057	$ 57,790,143
Due to Employee´s Retirement System	$ 5,365,097	$ (3,692,920)	$ 1,672,177
Due to related parties	$ 41,284,795	$ 442,557	$ 41,727,352
Total current liabilities	$ 95,147,964	$ (3,250,363)	$ 91,897,601
Total liabilities	$ 127,171,434	$ (3,250,363)	$ 123,921,071
Net position (deficit):			
Net investment in capital assets	$ 12,876,737	$ 395,057	$ 13,271,794
(Deficit)	$ (80,423,932)	$ 3,250,363	$ (77,173,569)
Total net position (deficit)	$ (67,547,195)	$ 3,645,420	$ (63,901,775)
Patient service revenue, net of contractual adjustments	$ 75,661,608	$ (152,740)	$ 75,508,868
Depreciation and amortization	$ 1,459,720	$ (395,057)	$ 1,064,663
Gain on debts released from Employee's Retirement System	$ -	$ 1,457,819	$ 1,457,819
Grant revenues	$ -	$ 152,740	$ 152,740
Total non-operating income	$ 2,225,084	$ 1,610,559	$ 3,835,643
Net change in net position	$ 2,555,354	$ 1,852,876	$ 4,408,230
Net position (deficit), at beginning of year	$ (70,102,549)	$ 1,792,544	$ (68,310,005)

Note 11 - Retirement plan

The Employees' Retirement System of the Government of the Commonwealth of Puerto Rico and its Instrumentalities (ERS) was created pursuant to Act No. 447 on May 15, 1951, as amended to provide pension and other benefits to retired employees of the Commonwealth, its public corporation and municipalities.

However, on September 30, 2016, ERS was designated by the Oversight Board as a Covered Territorial Instrumentality under PROMESA. On May 21, 2017, the Oversight Board filed a petition for relief under Title III of PROMESA for ERS in the United States District Court of the District of Puerto Rico, commencing a Title III case for ERS. On June 15, 2017, the United States Trustee appointed an Official Committee of Retired Employees in the Commonwealth's Title III cases.

Note 11 - Retirement plan – (continued)

On August 23, 2017, the Governor signed into a law the Act No. 106 of 2017, known as the *Act of Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants* (Act 106-2017), which provides the legal framework for the Commonwealth to implement the PayGo system effective as of July 1, 2017. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payment by the applicable participant employers, including the Administration. The Commonwealth allocation percentages are based on the ratio of each participating entity's actual benefit payments relative to the total aggregate benefit payments made by all participating entities for the year ending on the measurement date.

Act 106-2017, among other things, amended Act No. 447 with respect to ERS's governance, funding and benefits for active members of the actual program and new hired members. Under Act 106-2017, the ERS's Board of Trustees was eliminated, and a new retirement board was created (the Retirement Board), which is currently responsible for governing all Commonwealth Retirement Systems.

Act 106-2017 terminated the previously existing pension programs for ERS participants as of June 30, 2017 and created a new defined contribution plan (the New Defined Contribution Plan) for existing active members and new employees hired on or after July 1, 2017. Under the New Defined Contribution Plan, members of the prior programs and new government employees hired on or after July 1, 2017, will be enrolled in the New Defined Contributions Program.

Act 106-207 also ordered a suspension of the ERS's loan programs and ordered a merger of the administrative structures of the Commonwealth's retirement systems. At the Retirement Board's discretion, the administration of benefits under the New Defined Contribution Plan may be managed by a third-party service provider. In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating incentives, opportunities, and retraining program for public workers.

Plan Description Prior to July 1, 2017

This summary of ERS' pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. It should be noted that all eligibility requirements and benefit amounts shall be determined in strict accordance with the applicable law and regulations, and these benefits were not changed or amended with the enactment of Act 106-2017.

Note 11 - Retirement plan – (continued)

Plan Description Prior to July 1, 2017 – (continued)

For employees who became ERS members prior to July 1, 2013, ERS operated under the following three benefit structures:

- Act No. 447 of May 15, 1951 (Act No. 447), effective on January I, 1952 for members hired up to March 31, 1990;
- Act No. 1 of February 16, 1990 (Act No. I), for members hired on or after April I, 1990, and ending on or before December 31, 1999;
- Act No. 305 of September 24, 1999, (Act No. 305), which amended Act No. 447 and Act No. 1, for members hired from January 1, 2000, up to June 3, 2013.

Employees under Act No. 447 and Act No. 1 were participants in a cost-sharing multiple employers defined benefit plan (the Defined Benefit Program). Act No. 305 members were participants under a pension program known as the System 2000 Program, a hybrid defined contribution plan. Under the System 2000 Program, benefits at retirement age were no0t guaranteed by the Commonwealth and were subjected to the total accumulated balance in the participant's account.

Thereafter, under Act No. 3 of 2013, effective July 1, 2013, the Commonwealth created a hybrid plan where the employee no longer accrued employee benefits, and upon retirement would receive an annuity from the accumulated defined benefits until that date, plus the employee contributions made thereafter, adjusted by investment yields and market fluctuations. Other charges were also made to the Plan. Upon the enactment of Act. No. 3, the Commonwealth discontinued contributing a proportionate share on behalf of the employee, instead employer contributions were redirected to pay accrued pensions. Act No. 3 of 2013 (Act No. 3) amended the provisions of the different benefits structures under the ERS. Act No. 3 moved all participants (employees) under the Defined Benefit Program and System 2000 Program to a new defined contribution hybrid plan (the Contributory Hybrid Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. Act No. 3 benefits were terminated with the enactment of Act. No. 106-2017.

Note 11 - Retirement plan – (continued)

Total pension liability and actuarial information

The total pension plan liability recorded by the Corporation as of June 30, 2021 and 2020 (measurement date June 30, 2020 and 2019, respectively) amounted to $30,201,269 and $26,073,701, respectively, representing its proportionate share of the total pension liability of the pension plan as of such date. The total pension liability as of June 30, 2021 and 2020 (measurement date June 30, 2020 and 2019) was determined by actuarial valuations as of July 1, 2019 and 2018, that were rolled forward to June 30, 2020 and 2019, respectively (measurement date).

The Corporation's proportion of the total pension liability was actuarially determined based on the ratio of the Corporation's benefit payments to the total benefit payments made by all participating employers under the pension plan for the year ending on the measurement date. At June 30, 2020 and 2019 (measurement date), the Corporation's proportion was .10759% and .10492%, respectively.

(a) Actuarial methods and assumptions

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period.

Discount rate

The discount rate for June 30, 2020, and 2019 (measurement date) was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as selected by the Commonwealth. The source is the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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Note 11 - Retirement plan – (continued)

Total pension liability and actuarial information – (continued)

(a) Actuarial methods and assumptions – (continued)

Mortality

The mortality tables used in the June 30, 2020 (measurement date) actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127 of 1958, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. For members covered under Act No. 127 of 1958, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

  100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127 of 1958.

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Pension Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020 on a generational basis. Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2020 on generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

- Post-Retirement Disabled Mortality – Rates which vary by gender are assumed for disabled retirees based on a study of the Pension Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvements. The PubG-2010 disable retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Note 11 - Retirement plan – (continued)

Total pension liability and actuarial information – (continued)

(a) Actuarial methods and assumptions – (continued)

Other assumptions as of June 30, 2020

Actuarial cost method	Entry age normal
Inflation rate	Not applicable
Salary increases	3.00% per year. No compensation increases are assumed until July 1, 2021 as a result of Act No. 3 of 2017, four-year extension Act No. 66 of 2014 and the current general economy.

(b) Sensitivity of the total pension liability to changes in the discount rate

The following presents the Corporation's proportionate share of the total pension liability as of June 30, 2021 (measurement date June 30, 2020) for ERS, calculated using the discount rate of 2.21%, as well as what the Corporation's proportionate share of the total pension liability would be if it was calculated using a discount rate of 1% point lower (1.21%) or 1% point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Corporation's proportionate share of total pension liability	$ 34,643,361	$ 30,201,269	$ 26,619,143

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Note 11 - Retirement plan – (continued)

Deferred outflows of resources and deferred inflows of resources from pension activities

Deferred outflows and deferred inflows of resources from pension activities reported in the Corporation's statements of net position (deficit) as of June 30, 2021 and 2020 are as follows:

	Deferred outflows of resources	
	June 30, 2021	June 30, 2020
Difference between expected and actual experience	$ 62,295	$ -
Changes in assumptions	3,791,472	846,678
Changes in proportion	1,684,506	1,422,727
Pension benefits paid subsequent to the measurement date	1,526,485	1,457,819
	$ 7,064,758	$ 3,727,224

	Deferred inflows of resources	
	June 30, 2021	June 30, 2020
Difference between actual and expected experience	$ 679,858	$ 1,556,564
Changes in assumptions	518,426	1,486
	$ 1,198,284	$ 1,558,050

Amounts reported as deferred outflows/inflows of resources from pension activities as of June 30, 2020 (measurement date) will be recognized in the pension expense as follows:

Years ending June 30,	Amount
2021	$ 1,084,997
2022	1,084,997
2023	1,084,997
2024	1,084,997
	$ 4,339,988

Note 12 - Total other postemployment benefit liability

The Corporation participates in the other postemployment benefit plan (the OPEB plan) of the Commonwealth of Puerto Rico for retired participants of the Employee's Retirement System, which is unfunded, multi-employer defined benefit other postemployment healthcare benefit plan. The OPEB plan is administered on a pay-as-you-go basis. Accordingly, there are no assets accumulated in a qualifying trust for the OPEB plan that meet the criteria in paragraph 4 of GASB 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*.

OPEB plan description

The OPEB plan covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provide that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The OPEB plan is financed by the Commonwealth through legislative appropriations. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act. No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

GASB 75 requires participating employers to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense.

Total OPEB liability and actuarial information

The total OPEB liability recorded by the Corporation as of June 30, 2021 and 2020 (measurement dates June 30, 2020 and June 30, 2019, respectively) amounted to $763,304 and $700,445, respectively, representing its proportionate share of the total OPEB liability of the OPEB plan as of such dates. The total OPEB liability as of June 30, 2021 and 2020 (measurement dates June 30, 2020 and June 30, 2019, respectively) was determined by actuarial valuations as of July 1, 2019 and July 1, 2018 that were rolled forward to June 30, 2020 and June 30, 2019, respectively (measurement dates).

The Corporation's proportion of the OPEB plan liability was actuarially determined based on the ratio of the Corporation's benefit payments to the total benefit payments made by all participating employers under the OPEB plan for the year ending on the measurement dates. At June 30, 2020 and June 30, 2019 (measurement dates), the Corporation's proportion of the OPEB Plan liability was 0.08727% and 0.08416%, respectively.

Note 12 - Total other postemployment benefit liability – (continued)

Actuarial assumptions

The actuarial valuation used the following actuarial methods and assumptions applied to all periods in the measurement period.

Discount rate

The discount rate for June 30, 2020 and 2019 (measurement dates) was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

The mortality tables used in the June 30, 2020 (measurement date) actuarial valuation were as follows:

- Pre-Retirement Mortality - For general employees not covered under Act No. 127, PubG-2010 Employee Mortality Rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2020 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

  100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

- Post-Retirement Healthy Mortality - Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2020. Prior to retiree’s death, beneficiary mortality is assumed to be the same as the post-retirement healthy retiree mortality. For periods after the retiree’s death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2020 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Note 12 - Total other postemployment benefit liability – (continued)

- Post-Retirement Disabled Mortality - Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvements. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2020 on a generational basis. As a generational table, it reflects mortality improvements before and after the measurement date.

Sensitivity of total OPEB liability to changes in the discount rate

The following table presents the Corporation's proportionate share of the OPEB liability at June 30, 2021 (measurement date June 30, 2020) calculated using the discount rate of 2.21%, as well as what the Corporation's proportionate share of the OPEB liability would be if it were calculated using a discount rate of 1% point lower (1.21%) or 1% point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Corporation's proportionate share of OPEB liability	$ 841,536	$ 763,304	$ 697,202

Deferred outflows of resources and deferred inflows of resources

Because all participants are inactive, there are no deferred inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year. Deferred outflows of resources for other postemployment benefits paid subsequent to the measurement dates amounted to $55,200 and $59,979 as of June 30, 2021 and 2020, respectively.

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Note 13 - Concentration of credit risk – patients' accounts receivable

The Corporation grants credit without collateral to its patients, most of whom 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, 2021 and 2020 is as follows:

	2021	2020
Triple S	21%	21%
MMM Healthcare	10%	10%
Medical Card System	5%	4%
Self Pay (mostly deductibles, non-covered charges and private patient accounts)	30%	26%
Other third-party payors	34%	39%
	100%	100%

Note 14 - Functional expenses

The Corporation provides general health care services to patients with cardiovascular conditions. Operating expenses related to providing these services for the years ended June 30, 2021 and 2020 are as follow:

	2021	2020
Health care services	$ 66,069,144	$ 67,052,690
General and administrative	10,380,296	10,081,227
	$ 76,449,440	$ 77,133,917

Note 15 - Going concern and management plans

The financial condition of the Corporation has been weakened by past recurring operating losses, which have affected its ability to pay its suppliers, governmental agencies and other creditors on a regular basis. As of June 30, 2021 and 2020, the Corporation has a total deficit of approximately $45 million and $64 million, respectively. These conditions raise substantial doubt about the Corporation's ability to continue as a going concern.

Note 15 - Going concern and management plans – (continued)

The Corporation's operations will depend on the following management plans and critical factors to partially subsidize existing and future operating losses:

- Maximize collections from patients, medical plans and rent agreements.
- Achieve governmental agencies deferred debt payments agreements for amounts owed to the Puerto Rico Power Electric Authority and Public Buildings Authority, among others.
- Maintain and improve the control of costs and maximization of the resources available.
- Acquire new technological medical equipment and devices, in an effort towards innovation and competitiveness in times when cardiovascular diseases have increased.
- Accomplish a more continuous monitoring of services, procedures and patient census in order to identify areas of opportunity.
- Recruitment of cardiovascular surgeons in order to increase patients access to procedures and treatments.

The ability of the Corporation to continue as a going concern is dependent on the success of management's plans. The financial statements do not include any adjustments that might be necessary if the Corporation is unable to continue as a going concern.

Note 16 - Grant revenues and other assistance programs

In March 2020, the World Health Organization declared the coronavirus disease COVID-19 a global pandemic. This highly contagious disease has spread across the world including Puerto Rico and has resulted in local government enforced business lockdowns and curfews on non-essential services, as well as other restrictions on social, government and business activities involving large numbers of individuals and/or participants.

These conditions have negatively affected the normal operations of the Corporation and other private and governmental entities, however, the potential impact on the Corporation's financial statements, which have been substantially mitigated with funds received from the Federal and State Governments, cannot be reasonably estimated at this time.

On March 27, 2020, the President of the United States of America signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance to individuals, families, and businesses, including healthcare providers, affected by the COVID-19 pandemic. As part of the CARES Act, the Department of Health and Human Services and the Commonwealth of Puerto Rico provided financial assistance to healthcare providers, including the Corporation, in support of the national response to the COVID-19 pandemic under the Provider Relief Fund program.

Note 16 - Grant revenues and other assistance programs – (continued)

These funds were to be used to support healthcare related expenses or lost revenue attributable to COVID-19 and to ensure uninsured patients can get treatment for COVID-19. These were payments, not loans, to healthcare providers.

Also, the Corporation received federal financial assistance through the Commonwealth of Puerto Rico as part of the Coronavirus Relief Fund program under the CARES Act. Payments received under the Coronavirus Relief Fund program must be used for incremental expenditures incurred due to the public health emergency with respect to COVID–19 during a specified period of time.

Such funds may only be used for eligible expenditures, including qualifying medical equipment, COVID-19 testing supplies, medical worker wages, public safety, public health communications, among other, as well as second-order effects, such as providing economic support to those suffering from employment or business interruptions due to COVID-19 related business closures.

In connection with other assistance programs under the CARES Act, the Corporation requested and received certain accelerated and advance payments from CMS and the Commonwealth of Puerto Rico corresponding to future Medicare and Medicaid services, and Plan Vital patient services, respectively.

During the years ended June 30, 2021 and 2020, the Corporation received conditional contribution grants from the U.S. Treasury Department, the U.S. Department of Health and Human Services (HHS), and through the local government. Contributions were received for the purpose of providing financial support to the Corporation, rather than for the direct benefit of the grantor, therefore, such grants were considered as nonexchange contributions. The grantors have restricted the use of these funds as conditional contributions. The Corporation accounts for conditional contributions received before the specified condition has been substantially met as a refundable advance liability (unearned revenues). Upon complying with the applicable restrictions, the refundable advances are recognized as revenue or gain in the statements of revenues, expenses and changes in net position (deficit).

Funds received from federal funded programs are subject to financial and compliance audits in accordance with the provisions of Title 2 of the U.S. Code of Federal Regulation, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the Uniform Guidance) or to compliance audits by the corresponding federal agencies and pass-through entities, as applicable. The Uniform Guidance requires compliance audits for entities receiving financial assistance in excess of $750,000 in the aggregate in a single year. Related compliance reports are required to be submitted to the corresponding federal agencies.

Note 16 - Grant revenues and other assistance programs – (continued)

Grant revenues for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Provider Relief Fund	$ 1,465,048	$ -
Coronavirus Relief Fund	5,593,406	-
Other miscellaneous grants	768,351	152,740
Total	$ 7,826,805	$ 152,740

As of June 30, 2021 and 2020, the Corporation has recognized unearned revenues for unexpended federal grants and other programs as follows:

	2021	2020
Provider Relief Fund	$ -	$ 1,465,048
Coronavirus Relief Fund	1,170,673	-
Local government conditional contributions	2,361,040	3,017,500
Total	$ 3,531,713	$ 4,482,548

The Corporation believes that the compliance with the grant's requirements will be achieved within the timeframe prescribed by the grant, however, there is no assurance that compliance will be attained.

Moreover, the Corporation applied for and received $3,435,000 through the Medicare Accelerated and Advance Payment Program under the CARES Act for the year ended June 30, 2020. The purpose of the program is to assist in providing needed liquidity to care delivery providers. In October 2020, the Centers for Medicare and Medicaid Services (CMS) released updated payment guidance to extend the repayment period beginning one year from the date the accelerated or advance payment was issued. After that first year, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the provider for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. If the provider or supplier is unable to repay the total amount of the accelerated or advance payment during this time-period (a total of 29 months), CMS will issue demand letters requiring repayment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. The Corporation's required repayment period started in April 2021.

Note 16 - Grant revenues and other assistance programs – (continued)

As of June 30, 2021 and 2020 the Corporation had a liability for Medicare Accelerated and Advance Payments Program amounting to $3,073,740 and $3,435,000, respectively.

Furthermore, subsequent to the year ended June 30, 2021, the Corporation has received approximately $19,800,000 from the Coronavirus Relief Fund (CRF) grant, the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) grant and other Commonwealth contributions.

Funds received from federal funded programs are subject to financial and compliance audits in accordance with the provisions of Title 2 of the U.S. Code of Federal Regulation, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the Uniform Guidance) or to compliance audits by the corresponding federal agencies and pass-through entities, as applicable. The Uniform Guidance requires compliance audits for entities expending federal financial assistance in excess of $750,000 in the aggregate in a single year. Related compliance reports are required to be submitted to the corresponding federal agencies. Since the Corporation received and expended federal financial assistance in excess of $750,000, it is subject to compliance audits under the Uniform Guidance for the fiscal year ended on June 30, 2021.

Federal agencies have the authority to recoup, as well as to limit, suspend, or terminate the federal financial assistance programs. If any unallowed costs are detected as a result of such compliance audits, the Corporation may be required to reimburse such amounts to the corresponding federal agencies from its own non-federal resources.

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Note 17 - Contributions from the Commonwealth of Puerto Rico

Governmental contributions, included in non-operating income in the statements of revenues, expenses and changes in net position (deficit) for the years ended June 30, 2021 and 2020, consist of the following:

Description	2021	2020
Funds received from the Puerto Rico Treasury Department for the payment of the employees' Christmas Bonus.	$ -	$ 341,000
Funds received during May and June 2020 from the COVID-19 Emergency Measures Support Package FY2020 authorized by the Puerto Rico Fiscal Agency and Financial Advisory Authority and assigned under the custody of the Office of Management and Budget for the payment of bonus for public sector nurses and other medical personnel.	-	1,166,500
Funds received from the Puerto Rico Treasury Department for capital and medical equipment expenditures.	3,696,460	-
	$ 3,696,460	$ 1,507,500

Total funds received under the COVID - 19 Emergency Measures Support Package FY 2020 amounted to $1,184,000, however, the Corporation recognized funds amounting to $17,500 as part of restricted cash and unearned revenue - federal grants and other assistance programs, for funds not used for the designated purpose as of June 30, 2021 and 2020. The unearned revenue funds were returned to the Commonwealth of Puerto Rico during the fiscal year 2022.

During the years ended June 30 2021 and 2020, the Corporation received conditional contributions from the Commonwealth of Puerto Rico amounting to $3,040,000 and $3,000,000, respectively, for capital and medical equipment expenditures and for surgery house staff. As of June 30, 2021 and 2020, $2,343,540 and $3,000,000, respectively, have not been used yet for the designated purpose and thus, are included as part of restricted cash and unearned revenue - federal grants and other assistance programs in the accompanying statements of net position (deficit) for the years then ended.

Note 18 - <u>Subsequent events</u>

The Corporation evaluated subsequent events through December 14, 2022, which is the date the financial statements were available to be issued. Except as described below and in Notes 16 and 17, no events have occurred subsequent to the statement of net position (deficit) date that would require additional adjustment to, or disclosure in the financial statements.

<u>Certified Fiscal Plan</u>

The certified Fiscal Plan for the Commonwealth of Puerto Rico dated January 27, 2022, requires that the Department of Health consolidate six of the healthcare entities with centralized support functions: Department of Health (DOH); Medical Services Administration (ASEM); Health Insurance Administration (ASES); Mental Health and Addiction Services Administration (ASSMCA); Cardiovascular Center Corporation of Puerto Rico and the Caribbean; and Center for Research, Education, and Medical Services for Diabetes. Consolidating these six entities should provide the opportunity for rightsizing support functions, as well as centralizing procurement to provide savings on costly medical materials, equipment and services. This new DOH should enable efficiencies while maintaining a high-quality public healthcare system. As of the date of the financial statement were available to be issued, the Government has achieved no progress toward this requirement. Legislation presented in December 2019 that was needed to execute the first phase of the consolidation (consolidation of ASES and DOH) was not recommended by the Senate's Health Commission, and legislation to consolidate the remaining health entities has not been drafted.

Also, on April 27, 2022, the Puerto Rico Public Buildings Authority (AEP) notified to the Corporation that, as part of the certified Fiscal Plan, the amounts payable to the AEP that are related to the bonds and notes debt service of the AEP are to be excluded from the balance that the Corporation owes to the AEP. Thus, the balance due to the AEP will have an adjustment (a decrease) for approximately $23.8 million, leaving a balance payable to the AEP amounting to approximately $9.7 million as of March 31, 2022. Furthermore, the approval of the House of Representatives Joint Resolution No. 324 discussed below, requires that the Corporation and the AEP reconcile the amount due from the Corporation to the AEP and that certain credits for improvements made to the building and parking facilities, certain repairs and maintenance costs and other costs related to the facilities paid by the Corporation, be applied to the amount payable to the AEP. As of the date these financial statements are available to be issued, the Corporation has not completed the reconciliation process with the AEP.

Note 18 - Subsequent events – (continued)

Hospital building and parking facilities

Pursuant to the Joint Resolution No. 324 of the House of Representatives, which was converted to law on October 31, 2022 by the Governor of the Commonwealth of Puerto Rico, the AEP must transfer the main building of the hospital and the parking lot to the Corporation.

Therefore, once the transaction is completed, the Corporation will not be able to sell, dispose of, or give in usufruct or privatize the transferred real estate. Mortgage liens will only be allowed on any of the transferred assets; as long as said assessment is executed to carry out permanent improvements required for the best functioning of the Corporation.

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Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Required Supplementary Information

Schedule of Proportionate Share of the Collective Total Pension Liability

June 30, 2021

	2021	2020	2019
Proportionate share (percentage) of the net collective total pension liability	0.10759%	0.10492%	0.10083%
Proportion (amount) of the net collective total pension liability	$ 30,201,269	$ 26,073,701	$ 24,692,768

Notes to required supplementary information

1. As a result of the implementation of the PayGo system, as provided by Act No. 106 of 2017 (Act 106), the Pension Plan no longer met the criteria to be considered a plan that is administered through a trust or equivalent arrangement under GASB 68 and, therefore, was required to apply the guidance in GASB 73 effective July 1, 2018. Act 106 eliminated all employer contributions and required ERS to liquidate its assets and to transfer the proceeds to the Commonwealth for the payment of pension benefits.

2. The Corporation's proportion of the total pension liability was actuarially determined based on the ratio of the Corporation’s benefit payments to the total benefit payments made by all participating employers under the Pension Plan for the year ending on the measurement date.

3. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

4. The amounts presented were determined by actuarial valuations as of July 1, 2018 and July 1, 2017 that were rolled forward to June 30, 2019 and 2018, and then rolled forward to June 30, 2020 and 2019, the measurement dates, respectively.

5. There are no assets accumulated in a trust to pay related benefits.

Cardiovascular Center Corporation
of Puerto Rico and the Caribbean

Required Supplementary Information

Proportionate Share of the Collective Net OPEB Liability

	2021	2020	2019	2018
Proportion of the collective net OPEB liability	0.08727%	0.08416%	0.07943%	0.07909%
Proportionate share of the collective net OPEB liability	$ 763,304	$ 700,445	$ 668,918	$ 728,015
Covered employee payroll	N/A	N/A	N/A	N/A
Proportionate share of the collective net OPEB liability as a percentage of the covered employee payroll	N/A	N/A	N/A	N/A
Plan's fiduciary net position as a percentage of the total OPEB liability	N/A	N/A	N/A	N/A

Notes to required supplementary information

1. The Corporation's proportion of the net OPEB liability was actuarially determined based on the ratio of the Corporation's benefit payments to the total benefit payments made by all participating employers under the OPEB plan for the year ending on the measurement date.

2. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

3. The amounts presented for 2021 and 2020 were determined by actuarial valuations as of July 1, 2019 and July 1, 2018 that were rolled forward to June 30, 2020 and 2019, the measurement dates, respectively.

4. There are no assets accumulated in a trust to pay related benefits.