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Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico

(A Component Unit of the Commonwealth of Puerto Rico)

Single Audit Package

June 30, 2015

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

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Kevane Grant Thornton

Report of Independent Certified Public Accountants

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To the Board of Directors of
Centro Comprensivo de Cáncer de la Universidad de Puerto Rico:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the **"Centro Comprensivo de Cáncer de la Universidad de Puerto Rico"** (the "Center"), a component unit of the Commonwealth of Puerto Rico (the "Commonwealth"), as of and for the year ended June 30, 2015, which collectively comprise the Center's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center'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 Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico** as of June 30, 2015, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 12 to the financial statements, the Commonwealth and several of its component units, including the Center, face significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they become due. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 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 statement 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

San Juan, Puerto Rico
March 31, 2016.

Kevane Grant Thornton LLP

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Management's discussion and analysis

This section represents a discussion and analysis of the "Centro Comprensivo de Cáncer de la Universidad de Puerto Rico" (the "Center") financial performance, which provides an overview of the Center's financial activities for the fiscal year ended June 30, 2015 and identifies changes in the Center's financial position. This section should be read, in conjunction with the Center's basic financial statements including the notes thereto.

Financial highlights

- Net position decreased by $2.2 million, from $16.2 million as of June 30, 2014 to $14 million as of June 30, 2015.

- During the year ended June 30, 2015, the Center incurred approximately $66 million in capital expenditures.

- Effective July 1, 2008, the Center began the administration of the Puerto Rico Cancer Registry Program. On July 1, 2012, the Cancer Prevention and Control Program was divided into Cancer Registry Program, Breast and Cervical Cancer Early Prevention Program and Community Cancer Control Program.

  The total revenues recorded during the year ended June 30, 2015 related to the administration of the Cancer Prevention and Control Program amounted to $958 thousand.

- San Juan Minority - Based Community Clinical Oncology Program – this multi-year grant started with a collaboration agreement between the Center and the Municipality of San Juan on June 2011. Program closed out on July 31, 2014, due to a new program approval by the National Cancer Institute Community Oncology Research Program ("NCORP") network by the National Cancer Institute ("NCI").

- Effective August 1, 2014, the Center operates as a grantee institution for the administration of NCORP. The NCI divided this program into Clinical Trials and Cancer Care Delivery. During the year ended June 30, 2015, the Center received revenues amounted to $350 thousand under this program. Total grant award for the five year period commenced on August 1, 2014 amounting to $2.8 million, subject to annual progress reports.

- The Center is a component unit that is investing significantly in capital assets under construction.

Overview of financial statements

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements. The Center's basic financial statements include three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplemental information in addition to the basic financial statements themselves.

- The first two statements are the government-wide financial statements that provide information about the Center's overall financial position and results. These statements, which are presented on the accrual basis of accounting, consist of the statement of net position and the statement of activities.
- The remaining statements are the fund financial statements of the Center's major governmental funds, for which activities are funded primarily from the Commonwealth of Puerto Rico (the "Commonwealth") appropriations and for which the Center follows the modified accrual basis of accounting.

The government-wide financial statements report information about the Center as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the Center's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid.

Fund financial statements

The fund financial statements provide more detailed information about the Center's most significant funds and not the Center as a whole. The Center has the following major funds:

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information is useful in evaluating the Center's near term financial requirements.

Cancer Prevention and Control Fund
This fund accounts for federal resources directed for the administration of the Breast and Cervical Cancer Early Prevention Program, Cancer Registry Program and Community Cancer Control Program.

National Cancer Institute Community Oncology Research Program (NCORP)
This fund accounts for federal resources directed by the National Cancer Institute and divided in two programs.

The NCI has awarded 53 new 5-year period grants to researchers across the country to conduct multi-site cancer clinical trials and cancer care delivery research studies in their communities. The grants are being awarded under the National Care Institute Community Oncology Research Program ("NCORP"), a national network of investigators, cancer care providers, academic institutions, and other organizations that provide care to diverse populations in community-based healthcare practices across the United States.

NCORP will design and conduct trials to improve cancer prevention, cancer control, screening, and post-treatment management. The new program will have an expanded portfolio of clinical trials and other studies, including an emphasis on cancer care delivery research. Cancer care delivery research within NCORP focuses on diverse and multi-level factors (e.g. social, financing systems, processes, technology, and others) that affect access to and quality of care in the community.

NCORP replaces two previous NCI community-based clinical research programs: the NCI Community Clinical Oncology Program (CCOP, made up of the Community Clinical Oncology Programs, Minority Based Clinical Oncology Programs and Research Bases) and the NCI Community Cancer Centers Program ("NCCCP"). The new program builds on the strengths of the previous programs and aims to better address the most pressing issues affecting the conduct and delivery of care in communities across the nation. Ongoing clinical trials will be seamlessly incorporated into NCORP and continue to completion to achieve continuity of care for patients.

Going Concern

The discussion in Note 12 to the financial statements provides information regarding the Center's financial risks and uncertainties, including liquidity risk. The severity of the risks and uncertainties facing the Center together with other factors further described in note 12 to the financial statements and summarized below, have led the Center's management to conclude that there is substantial doubt as to the ability of the Center to continue as a going concern.

Approximately 83% of the Center's total revenues are derived from Commonwealth appropriations which amounted to $8.5 million and $7 million for the years ended June 30, 2015 and 2014, respectively. The Center is highly dependent on the Commonwealth appropriations to finance its operations. Currently, the Center has limited ability to raise operating revenues. It is expected that once the construction of the Center's new medical facilities is completed, the Center will be able to generate additional revenues.

The Commonwealth and several of its component units face significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the Commonwealth, together with other factors, have led the Commonwealth's management to conclude that there is substantial doubt as to the ability of the primary government and of various discretely presented component units and fiduciary funds, to continue as a going concern.

The Commonwealth currently faces a severe fiscal and liquidity crisis, the culmination of many years of significant governmental deficits, a prolonged economic recession (which commenced in 2006), high unemployment, population decline, and high levels of debt and pension obligations. The Commonwealth's largest revenue streams are especially vulnerable during times of major economic downturns and have been affected by these same factors. Further stressing the Commonwealth's liquidity are large health care, pension and debt service costs. As the Commonwealth's tax base has shrunk and its revenues been affected by prevailing economic conditions, health care, pension and debt service costs have become an increasing portion of the General Fund budget, which has resulted in reduced funding available for other essential services. The Commonwealth's very high level of debt and unfunded pension liabilities and the resulting required allocation of revenues to service debt and pension obligations have contributed to significant budget deficits during the past several years, which deficits the Commonwealth has financed, further increasing the amount of its debt. More recently, the Commonwealth's continued economic recession, high level of debt and pension obligations, and structural budget deficits, among other factors, have adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates, if at all. As a result, the Commonwealth has relied more heavily on short-term financings and interim loans from the Government Development Bank for Puerto Rico ("GDB") and other instrumentalities of the Commonwealth, which reliance has constrained the liquidity of the Commonwealth in general and GDB in particular, and increased near-term refinancing risk. These factors have also resulted in delays in the repayment by the Commonwealth and its instrumentalities of outstanding GDB lines of credit, which delays have limited GDB's ability to continue providing liquidity to the Commonwealth.

Recent studies commissioned by the Commonwealth indicate significant risks for holders of bonds of the Commonwealth and its component units. Governor García Padilla announced that the Commonwealth had no choice but to seek to renegotiate its debt with the goal of achieving a more sustainable debt service, and that if it was unable to do so, the Commonwealth could default on its debt. On November 30, 2015, the Governor signed Executive Order No. OE-2015-46, which provides that the Commonwealth may redirect certain funds originally set aside for another purpose as a result of projected shortfalls in cash flow estimates and its serious liquidity situation. Pursuant to this Executive Order, certain available resources of the Commonwealth assigned to various component units of the Commonwealth to pay debt service on their obligations were, and continue to be, retained by the Commonwealth and redirected to pay the Commonwealth's general obligation debt (referred as the claw back provisions). On January 4, 2016, the Commonwealth paid approximately $330 million of its General Obligation Bonds interest payment due on January 1, 2016 after exercising the claw back provisions of Executive Order OE-2015-46. In January 2016, Commonwealth officials and advisors met with the advisors to the Commonwealth's creditors to present the Commonwealth's restructuring proposal, which was subsequently made public. There can be no assurance, however, that the Commonwealth will be able to successfully consummate its proposal or any other debt restructuring. If management is unable to complete such restructuring by the end of fiscal year 2016, or to otherwise obtain additional funding or other arrangements with its creditors, the Commonwealth's management expects that the Commonwealth and various component units will be unable to comply with their scheduled debt obligations.

The Commonwealth expects that its ability to finance future budget deficits will be severely limited even if it achieves a comprehensive debt restructuring, and, therefore, that it will be required to, among other measures, reduce the amount of resources that fund important governmental programs and services in order to balance its budget. There is no assurance, however, that budgetary balance will be achieved and, if achieved, that such budgetary balance will be based on recurring revenues or expense reductions or that the revenue or expense measures undertaken to balance the budget will be sustainable on a long-term basis. Moreover, the measures to achieve budgetary balance through austerity may adversely affect the performance of the Commonwealth's economy which, in turn, may adversely affect governmental revenues. The current level of resources provided to the Center could be adversely affected in the future as a result of the severe financial condition of the Commonwealth.

The Commonwealth's liquidity position is extremely weak with very limited or no access to bank credit or the capital markets on terms that the Commonwealth considers reasonable. During the past few months, the Commonwealth has announced that it has been taking extraordinary measures to conserve cash, such as delaying payments to suppliers and its component units, delaying tax refunds to taxpayers, deferring the disbursement of certain budgetary assignments and borrowing from the workers' compensation and other insurance funds. These measures although necessary, are unsustainable on a long-term basis and have significant negative economic effects.

The Commonwealth is aggressively seeking assistance from the federal government to solve its financial crisis but without much success. During the past few months, the U.S. Congress has held various hearings to discuss the financial crisis of Puerto Rico. Discussions have been primarily centered on considering establishing a control or oversight board to supervise the Commonwealth's finances, providing financial assistance to the Commonwealth and allowing the Commonwealth access to U.S. bankruptcy laws to restructure its debts under court supervision, an option not currently available to U.S. territories. Although some of these measures have Executive and Congressional supporters, there is still significant opposition.

Unless the Commonwealth is able to obtain financing in the very near term or to reach restructuring or forbearance agreements with its creditors, it may not be able to honor all of its obligations as they come due while at the same time providing essential government services.

The Center is also highly reliant on GDB, a component unit of the Commonwealth, for the financing of the Center's new medical facilities currently under construction. GDB traditionally served as a source of emergency liquidity to bridge the Commonwealth deficits and now is also experiencing its own liquidity constraints and is thus unable to continue serving in such role. Loans granted by GDB to the Commonwealth and its component units constitute a significant portion of GDB's assets. As a result, GDB's liquidity and financial condition depends to a large extent on the repayment of loans made by the Commonwealth and its component units, which face significant fiscal and financial challenges. A significant portion of these loans are payable from budgetary appropriations, which, have been significantly reduced in recent years. GDB's liquidity and financial condition depends on the repayment of loans by the Commonwealth and its component units which face significant fiscal and financial challenges in their ability to generate sufficient funds from taxes, charges and/or future bond issuances. GDB's financial condition and liquidity has significantly deteriorated during fiscal years 2015 and 2016 as a result of some of the same factors that have affected the Commonwealth, including lack of market access and the inability of the Commonwealth and its instrumentalities to repay their loans to GDB.

Given the high dependency of the Center on Commonwealth appropriations and on GDB's potential credit extension to fund the Center's capital financing needs as they arise, as both Commonwealth's and GDB's liquidity continues to be challenged and their appropriations and financing ability become more uncertain, the Center's financial condition and liquidity could be similarly affected.

Financial analysis of the Center as a whole

We provide the readers of these basic financial statements with the following summarized discussion and analysis of the relevant facts that affected the government-wide financial statements as of June 30, 2015 and 2014.

	2015	2014	Change	Percent %
Assets:				
Cash	$ 11,679,919	$ 11,666,055	$ 13,864	0%
Accounts receivable:				
Federal government	751,643	743,182	8,461	1%
Other	60,509	1,468	59,041	4022%
Due from other governmental agency	-	773,335	(773,335)	-100%
Prepaid expenses	56,860	56,019	841	2%
Inventory	6,627	6,627	-	0%
Restricted asset - cash	587,995	442,626	145,369	33%
Capital assets:				
Land and other non-depreciable assets	95,121,167	28,528,763	66,592,404	233%
Other capital assets, net	19,956,201	20,661,550	(705,349)	-3%
Other non-current assets	73,314	15,642	57,672	369%
Total assets	128,294,235	62,895,267	65,398,968	104%
Liabilities:				
Accounts payable and accrued liabilities	36,393,625	13,269,160	23,124,465	174%
Due to other governmental agency	1,205,849	4,844,308	(3,638,459)	-75%
Non-current liabilities:				
Notes payable	76,462,862	28,272,422	48,190,440	170%
Other non-current liabilities	172,009	298,197	(126,188)	-42%
Total liabilities	114,234,345	46,684,087	67,550,258	145%
Net position:				
Net investment in capital assets, net of related debt	38,414,501	21,005,968	17,408,533	83%
Restricted for:				
Capital research and clinical trials	262,712	47,406	215,306	454%
Capital projects	325,283	395,220	(69,937)	-18%
Donated capital	200,000	200,000	-	0%
Unrestricted	(25,142,606)	(5,437,413)	(19,705,193)	362%
Total net position	$ 14,059,890	$ 16,211,181	$ (2,151,291)	-13%

The net position of the Center decreased $2.2 million as of June 30, 2015. Decrease in net position was the result of a net effect of an increase of $65.4 million in total assets and an increase of $67.6 million in total liabilities. The increase in total assets and the increase in total liabilities are mainly due to the following:

- Capital assets increased $65.6 million as a result of capital expenditures of $66.7 million, which was partially offset by the depreciation expense for the year ended June 30, 2015 amounted to $840 thousand.

- Total liabilities increase of $67.6 million was mainly due to the net effect of an increase in accounts payable and accrued liabilities of $23 million, which was mainly due to an increase in construction contract retainage accrual. Long-term debt increased by $48.2 million related to advances from Government Development Bank ("GDB"), amounted to approximately $48.3 million, from which $44.5 million were used for the construction of the hospital facilities and $3.8 million for the radiotherapy facilities. Total liabilities were offset with the decrease of $4 million paid to the Medical Science Campus ("MSC") during the fiscal year ended June 30, 2015.

Statement of activities

The statement of activities shows the sources of the Center's changes in net position as they arise through its various functions. Condensed statements of activities for the fiscal years ended June 30, 2015 and 2014 are shown in the table below.

	2015	2014	Change	Percent (%)
Revenues:				
Operating grants and contributions	$ 10,261,265	$ 6,765,011	$ 3,496,254	52%
Interest income	16,604	5,357	11,247	210%
Total revenues	10,277,869	6,770,368	3,507,501	52%
Expenditures:				
General and administrative	4,381,077	3,007,745	1,373,332	46%
Cancer research and clinical trials	3,910,277	3,396,967	513,310	15%
Interest expense	4,137,806	192,026	3,945,780	2055%
Total expenditures	12,429,160	6,596,738	5,832,422	88%
Change in net position	(2,151,291)	173,630	(2,324,921)	-1339%
Net position at beginning of the year	16,211,181	16,037,551	173,630	1%
Net position at end of the year	$ 14,059,890	$ 16,211,181	$ (2,151,291)	-13%

- Total revenues increased from $6.8 million in 2014 to $10.3 million in 2015 or $3.5 million. Operating grants and contributions increased when compared to the prior year is mainly due to the fact that during prior year the Center did a write off for $2 million related to 2007-2008 legislative appropriations declared uncollected by the Office of Management and Budget ("OGP") and an increase by $1.5 million on legislative appropriations under the Act No. 74, as amended on July 1, 2014.

- Function/program expenses increased from $6.6 million in 2014 to $12.4 million in 2015 or $5.8 million. Increase is due to the effect of two transactions recorded during prior year against salaries of $2.1 million. The first adjustment relates to an inter-agency reconciliation with a net effect of $724 thousand. The second adjustment pertains to a multi-annual collaboration and reimbursement agreement with MCS, which resulted in a credit of $1.4 million from costs related to the years 2009 through 2012. These prior year transactions created an offset on the actual costs incurred by the Center. Also due to an increase in interest costs related to the construction project.

Governmental funds results

Following is an analysis of the results of operations of the Center's major governmental funds:

General Fund - This fund accounts for all of the Center's activities, except for those activities related to the Cancer Prevention and Control Program federal grant and the NCORP grant. Total expenditures of this fund increased $49 million from $24 million in fiscal year 2014 to $73 million in fiscal year 2015. The increase was mainly the result of an increase in other expenses of $2.4 million and an increase in capital outlays of $47 million. Total revenues increased $1.7 million, from $7.2 million in 2014 to $8.9 million in 2015.

Cancer Prevention and Control Fund - This fund accounts for federal resources directed to administer and operate the Breast and Cervical Cancer Early Prevention Program, PR Cancer Registry Program and Community Cancer Control Program. Total expenditures of this fund amounted to $976 thousand during fiscal year ended June 30, 2015.

NCORP - This is a new program of clinical trials and other studies on cancer care delivery research which expenditures amounted to $373 thousands for the fiscal year ended June 30, 2015.

Capital assets

The Center's investment in capital assets at June 30, 2015 amounted to approximately $115.1 million, net of accumulated depreciation and amortization amounted to $5.9 million. Capital assets include land, construction in progress, building, building improvements and equipment. See Note 5.

Long-term debt

The Center uses long-term debt to finance the constructions of the new hospital and radiotherapy facilities. At June 30, 2015, the total debt outstanding amounted to $76.5 million. Debt issuances during 2015 totaled $48.3 million and consisted of drawdowns from a revolving credit facility with the Government Development Bank for Puerto Rico. No repayments of principal balance during the fiscal year ended June 30, 2015.

Contacting the Center's financial management

This financial report is designed to provide our citizens, taxpayers, customers, patients and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the funds it receives. If you have any question about this report, or need additional information, contact Mr. José Dávila, Executive Director at "Centro Comprensivo de Cáncer de la Universidad de Puerto Rico", P.O. Box 363027 San Juan, Puerto Rico 00936-3027.

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position
June 30, 2015

		Governmental Activities
Assets		
Current assets:		
Cash	$	11,679,919
Accounts receivable:		
Federal government		751,643
Others		60,509
Inventory		6,627
Prepaid expenses		56,860
Total current assets		12,555,558
Restricted assets--restricted cash		587,995
Capital assets:		
Land and other nondepreciable assets		95,121,167
Other capital assets, net of depreciation and amortization of $5,949,284		19,956,201
Other non-current assets		73,314
Total assets		128,294,235
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities		36,393,625
Due to other govermental entity		1,205,849
Total current liabilities		37,599,474
Non-current liabilities:		
Notes payable		76,462,862
Other non-current liabilities		172,009
Total non-current liabilities		76,634,871
Total liabilities		114,234,345
Net position:		
Net investment in capital assets, net of related debt		38,414,501
Restricted for:		
Capital research and clinical trials		262,712
Capital projects		325,283
Donated capital		200,000
Unrestricted		(25,142,606)
Total net position	$	14,059,890

The accompanying notes are an integral part of this statement.

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Activities
Year Ended June 30, 2015

	Expenses	Program Revenues-Operating Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
Governmental activities:			
General government and other	$ 4,381,077	$ 85,505	$ (4,295,572)
Cancer research and clinical trials	3,910,277	1,675,760	(2,234,517)
Interest expense	4,137,806	-	(4,137,806)
Total governmental activities	$ 12,429,160	$ 1,761,265	(10,667,895)
General revenues:			
Commonwealth appropriations			8,500,000
Interest income			16,604
Total general revenues			8,516,604
Change in net position			(2,151,291)
Net position at beginning of the year			16,211,181
Net position at end of year			$ 14,059,890

The accompanying notes are an integral part of this statement.

Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Cancer Prevention and Control Fund	NCORP Fund	Total
Assets:				
Cash	$ 11,679,919	$ -	$ -	$ 11,679,919
Accounts receivable:				
Federal government	-	540,603	211,040	751,643
Due from other funds	751,643	-	-	751,643
Others	60,509	-	-	60,509
Inventory	6,627	-	-	6,627
Restricted assets-- restricted cash	587,995	-	-	587,995
Total assets	$ 13,086,693	$ 540,603	$ 211,040	$ 13,838,336
Liabilities:				
Accounts payable and accrued liabilities	$ 31,887,749	$ -	$ -	$ 31,887,749
Due to other funds	-	540,603	211,040	751,643
Due to other governmental entity	1,205,849	-	-	1,205,849
Total liabilities	33,093,598	540,603	211,040	33,845,241
Fund balances:				
Non-spendable	6,627	-	-	6,627
Restricted	587,995	-	-	587,995
Assigned	10,697,528	-	-	10,697,528
Unassigned	(31,299,055)	-	-	(31,299,055)
Total fund balance (deficit)	(20,006,905)	-	-	(20,006,905)
Total liabilities and fund balances	$ 13,086,693	$ 540,603	$ 211,040	$ 13,838,336

The accompanying notes are an integral part of this statement.

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balance (deficit) of governmental funds	$	(20,006,905)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in governmental funds balance sheet		115,077,368
The statement of net position reports prepaid expenses and other assets non-current not available to pay for current period expenditures are deferred in governmental funds		130,174
Some expenses reported in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in governmental funds		(1,270)
Liabilities not due and payable in the current period, and therefore, are not reported in governmental funds balance sheet		
Accrued interest		(4,233,099)
Compensated absences		(443,516)
Notes payable		(76,462,862)
Total net position of governmental activities	$	14,059,890

The accompanying notes are an integral part of this statement.

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2015

	General Fund	Cancer Prevention and Control Fund	NCORP Fund	Total
Revenues:				
Legislative appropriations	$ 8,500,000	$ -	$ -	$ 8,500,000
Federal grants	-	958,002	350,909	1,308,911
Other grants and contributions	452,356	-	-	452,356
Interest income	16,604	-	-	16,604
Total revenues	8,968,960	958,002	350,909	10,277,871
Expenditures:				
General and administrative	3,445,514	-	-	3,445,514
Cancer research and clinical trials	2,581,353	967,529	361,394	3,910,276
Capital expenditures	66,707,626	8,428	11,272	66,727,326
Total expenditures	72,734,493	975,957	372,666	74,083,116
Excess of expenditures over revenues	(63,765,533)	(17,955)	(21,757)	(63,805,245)
Transfers in/(out)	(39,712)	17,955	21,757	-
Other financing sources:				
Proceeds from notes payable	48,278,517	-	-	48,278,517
Deficiency of revenues and other financing sources under expenditures and other financing uses	(15,526,728)	-	-	(15,526,728)
Fund balances at beginning of year	(4,480,177)	-	-	(4,480,177)
Fund balances at end of year	$ (20,006,905)	$ -	$ -	$ (20,006,905)

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds in the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds	$ (15,526,728)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and amortization exceed capital outlays in the current period	65,887,053
Note payable and accrued interest regarding the line of credit and obligation under capital lease are not due and payable in the current period and therefore not included in the funds	(52,511,616)
Change in net position of governmental activities	$ (2,151,291)

The accompanying notes are an integral part of this statement.

(1) Reporting entity:

"Centro Comprensivo de Cáncer de la Universidad de Puerto Rico" (the "Center") was created by Law No. 230 (the "Law") of the Legislature of the Commonwealth of Puerto Rico (the "Legislature") on August 26, 2004 as a separate and independent entity from any other agency or instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"). The Center was created to be the governmental entity principally responsible to execute public policy related to the prevention, orientation, investigation, and treatment of cancer in Puerto Rico. The Center is exempt from all taxation in Puerto Rico pursuant to the Law, as amended. Also pursuant to the Law, the Center has complete administrative and fiscal autonomy, and will be excluded from the dispositions of Law No. 230 of July 23, 1974 of the Legislature, as amended, also known as the "Law of Accounting of the Government of Puerto Rico."

On July 13, 2011, the Legislature through Law 141 amended the Law No. 230 and, among others, changed the composition of the Board. The Board will consist of nine members as follows:

- Four ex-officio members, which are the President of the University of Puerto Rico, the Chancellor of the Medical Science Campus of the University of Puerto Rico, the Secretary of the Department of Health, and the Dean of the School of Medicine of the Medical Science Campus of the UPR.

- Five citizens of Puerto Rico who have shown commitment to the fight against cancer; one of which will be a member of the "Liga Puertorriqueña Contra el Cáncer"; two of which will be members of the cancer research, study, and/or treatment community; one of which will be a member with experience in finance, business administration or with previous experience in hospital or research clinic management; and one of which will be a cancer patient. These five individuals will be appointed by the Governor of Puerto Rico with the consent of the Senate.

On October 31, 2013, the Legislature through Law No. 128 amended Law No. 230 and, among others, required direct participation of Ex-Officio members which previously could delegate their functions. Also this amendment change the use of Funds and assigned the total amount of recurring Funds or $15 million on an annual basis, to be used for Capital related purposes, particularly for the construction of the Center's clinical facilities.

On July 1, 2014, the Legislature of the Commonwealth issued Act No. 74 to amend section (1)(a) of Article 3 of Act No. 60 of 2013 to modify the use of the amounts allocated for the Comprehensive Cancer Center Infrastructure Fund for Science and Technology. To this end, it provides for fiscal year 2014-15, eight million five hundred thousand dollars ($8,500,000) will be used to cover operating expenses of the Center.

(2) **Summary of significant accounting policies:**

(a) **Government-wide and fund financial statements** –

Government-wide financial statements - The statement of net position and the statement of activities report information on all the activities of the Center. The Center only has mainly governmental activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange revenues. Following is a description of the Center's government-wide financial statements.

The statement of net position presents the Center's assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- *Invested in capital assets, net of related debt* - consists of capital assets, net of accumulated depreciation and amortization, and reduced by any outstanding balances for notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- *Restricted net position* - results when constraints are placed on net position use, either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net position* - consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, in order to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not meeting the definition of program revenues, if any, are reported as general revenues.

Fund financial statements - Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Center reports all of its governmental activities in the General Fund, Cancer Prevention and Control Fund, and National Cancer Institute Community Oncology Research Fund ("NCORP").

The Center's governmental activities are accounted for in the following major funds:

- **General Fund** - This fund accounts for all financial resources of the Center, except for those activities related to the federal grants.

- **Cancer Prevention and Control Fund** - This fund accounts for federal resources directed to administer the Breast and Cervical Cancer Early Prevention Program, Cancer Registry Program and Community Cancer Control Program ("the Centers for Disease Control and Prevention - Investigations and Technical Assistance Program").

- **NCORP – NCI Community Oncology Research Program** – The National Cancer Institute ("NCI") combined two community-based research networks and created a single network that builds on the strengths of the Community Clinical Oncology Program/Minority-Based Community Clinical Oncology Program ("CCOPs") and the NCI Community Cancer Centers Program ("NCCCP"). This fund accounts for federal resources directed to support the activities of the NCI Community Oncology Research Program ("NCORP"), will support a wide range of clinical research, including treatment-focused as well as cancer prevention and control–based clinical trials; population-based studies; and behavioral, health services, and outcomes research. It will encompass community-based cancer specialty organizations in the same manner as have the CCOPs and NCCCP, and will work closely with the National Clinical Trials Network ("NCTN").

(b) Measurement focus and basis of accounting –

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues to be available if they are collected within 90 days after the end of the fiscal year. Principal revenue sources considered susceptible to accrual include Commonwealth and federal funds to be received by the Center. Other revenues are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Modifications to the accrual basis of accounting include:

- Interest on general long-term obligations is generally recognized when paid.
- Proceeds from general long term debt are reported as expenditures in the governmental funds.
- Compensated absences are reported when paid (except for vacation expenses).
- Debt service principal expenditures and claims and judgments are recorded only when payment is due.
- Capital assets acquisitions are reported as expenditures in the governmental funds.

(c) Basis of presentation –

The Center's fiscal year ends on June 30th of each year. All references of year in these notes to financial statements represent calendar year then ended, unless otherwise noted. The Center has evaluated subsequent events through March 31, 2016, the date the financial statements were available to be issued.

(d) **Fund balance** –

The Center implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* - amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts constrained to specific purposes by their providers (such as grantors), through constitutional provisions, or by enabling legislation
- *Committed* - amounts constrained to specific purposes by the Center itself, using its highest level of decision-making authority (such as legislation). To be reported as committed, amounts cannot be used for any other purpose unless the Center takes the same highest level action to remove or change the constraint.
- *Assigned* - amounts the Center intends to use for a specific purpose. Intent can be expressed by the Center or by an official or body to which the Center delegates the authority.
- *Unassigned* - all amounts not included in other expendable classifications.

The Center establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Center through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes). In the general fund, the Center strives to maintain an unassigned fund balance to be used for unanticipated expenditures and other financing sources and uses.

(e) **Prepaid expenses** –

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

(f) **Capital assets** –

Capital assets, which include land, building, construction in progress, laboratory equipment, office furniture and equipment, computer equipment, and information systems are reported in the government-wide financial statements.

Capital assets are defined by the Center as assets that have a cost of $500 or more at the date of acquisition and expected useful life of two or more years. Purchased capital assets are valued at historical cost. Donated fixed assets are recorded at fair value at the date of the donation.

Capital assets transferred from other governmental entities within the same financial reporting entity are recorded at carrying value of the transferor. The cost of normal maintenance and repairs that do not add value to the assets or materially extend assets lives are not capitalized.

Capital assets are depreciated on the straight-line method over the assets estimated useful lives as follows:

Description	Useful lives
Building	40
Cancer research and clinical trial equipment	10
Office furniture and equipment	3 - 7
Computer equipment	5
Vehicles	5

(g) Impairment of capital assets –

The Center has implemented GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* The objective of GASB No. 42 is to establish accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries.

Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage among others.

The Center evaluated its capital assets as required by GASB No. 42 and no impairment was identified during the year ended June 30, 2015.

(h) Compensated absences –

The Center accumulates vacation and sick leave when earned (or estimated to be earned) by the employee. The employees of the Center hired before January 1, 2015 are entitled to thirty (30) days of vacations and eighteen (18) days of sick leave annually. Employees hired on or after January 1, 2015, are entitled to fifteen (15) days of vacations and twelve (12) days of sick leave annually. Vacations and sick leave can be accumulated up to a maximum of sixty (60) days and ninety (90) days, respectively. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed. Separation from employment prior to use of all or part of the sick leave, terminates all rights for compensation.

The Center accrued a liability for compensated absences when meet the following criteria:

(i) Obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered
(ii) The obligation relates to rights that vest or accumulate
(iii) Payment of the compensation is probable
(iv) The amount can be reasonably estimated

In accordance with the above criteria and requirements as established by GASB No. 16, *Accounting for Compensated Absences*; the Center has accrued a liability for compensated absences, which has been earned but not taken by the Center's employees as of June 30, 2015. For the government-wide statements, the amount is presented as current and noncurrent liabilities.

For the governmental funds statements is not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

(i) Use of estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(j) New accounting pronouncements –

The Governmental Accounting Standards Board ("GASB") has issued the following statements:

(i) GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* — an amendment of GASB Statement N0. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter- period equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

(ii) GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration.

This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

(iii) GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. The provisions of this Statement are effective for financial statements for reporting beginning after June 15, 2013.

(iv) GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which is effective for periods beginning after June 15, 2014. GASB Statement No. 71 amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The adoption of these statements had no impact on the Center's financial statements.

(k) **Future adoption of accounting pronouncements** –

(i) GASB Statement No. 72, Fair Value Measurement and Application - this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015.

(ii) GASB Statement No. 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.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

(iii) GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016.

(iv) GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

(v) GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

(vi) GASB Statement No. 77, *Tax Abatement Disclosures* - Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015.

(vii) GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.

(viii) GASB Statement. No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015.

(ix) GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*, for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

(x) GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

(3) <u>Budget policy</u>:

The Center is not required by the Law to submit a budget for approval by the Legislature of the Commonwealth of Puerto Rico.

(4) Cash:

Credit Risk
The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth ("STC"). Funds deposited with Government Development Bank for Puerto Rico ("GDB") or Economic Development Bank for Puerto Rico, which are component units of the Commonwealth, are not covered by this Commonwealth's requirement.

As of June 30, 2015, the Center's custodial credit risk on bank balances were as follow:

General fund balance	Bank balance	Credit Risk Category 1	Credit Risk Category 2
$12,267,914	$12,487,030	$4,280,971	$8,206,059

Following is a description of the categories of custodial credit risk:

Category	Description
1	The deposits are collateralized by the Federal Deposit Insurance Corporation and by the securities pledged with the STC.
2	The deposits are uncollateralized (GDB).

Restricted Cash
As of June 30, 2015, cash deposited at GDB or $158,098 represent the unspent proceeds from the issuance of a note payable that is restricted for the construction of a tertiary care hospital (the "Hospital") and $167,185 for Radiotherapy. Also, cash in the amount of $262,712 represent contributions from private organizations and individuals for cancer research and clinical trial purposes. The total balance or $587,995 has been included as restricted cash in the accompanying statement of net position and balance sheet - governmental funds.

(5) Capital assets:

The following schedule summarizes the capital assets held by the Center as of June 30, 2015:

	Balance at June 30, 2014	Additions	Retirements/ Adjustments	Balance at June 30, 2015
Nondepreciable				
Land	$ 175,001	$ -	$ -	$ 175,001
Construction in progress	28,353,763	66,592,403	-	94,946,166
	28,528,764	66,592,403	-	95,121,167
Depreciable				
Building	20,997,854	-	-	20,997,854
Building improvments	46,874	36,900	-	83,774
Equipment	4,725,834	98,023	-	4,823,857
	25,770,562	134,923	-	25,905,485
Total	54,299,326	66,727,326	-	121,026,652
Less: accumulated depreciation and amortization	(5,109,011)	(840,273)	-	(5,949,284)
	$ 49,190,315	$ 65,887,053	$ -	$ 115,077,368

Land includes a land lot with a carrying value of $1, but with an appraised value of $7,500,000 as of August 2007. The land serves as collateral for the $196 million note payable to the GDB as described in Note 7.

Depreciation expense amounted to $840,273 for the year ended June 30, 2015, and is included within the governmental activities in the accompanying statement of activities.

(6) Compensated absences:

The following is a summary of the changes in compensated balances for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Retirement/ Adjustments	Balance at June 30, 2015	Due within one year	Due over one year
Compensated absences	$ 386,274	$ 428,744	$ 371,502	$ 443,516	$ 271,507	$ 172,009

(7) Notes payable to GDB:

The activity of notes payable for the year ended June 30, 2015, is as follows:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due within one year
Governmental actvities:					
Note payable $75m	$ 21,688,817	$ 3,786,334	$ -	$ 25,475,151	$ -
Notes payable $196m	6,495,528	44,492,183	-	50,987,711	-
Total governmental activities	$ 28,184,345	$ 48,278,517	$ -	$ 76,462,862	$ -

Description	Amount
On August 22, 2007, the Center entered into an $18 million non-revolving line of credit agreement with the Puerto Rico Government Development Bank ("GDB")to build the Center's administrative offices and research facilities. On May 29, 2008, the agreement was amended, mainly to increase the maximum borrowing amount to $75 million, to extend the maturity date up to October 31, 2021 and to finance the construction of the Hospital and Radiotherapy facilities. Balance will be repaid from future annual contributions of the Commonwealth pursuant to Law 230, as negotiated between the Puerto Rico Office of Management and Budget and GDB. The non-revolving line of credit bears interest at a fixed rate of 6.00%.	$ 25,475,151
On November 18, 2013, the Center entered into a non-revolving line of credit agreement facility up to an aggregate principal amount not to exceed $196 million with GDB, for the construction and development of a ninety-six (96) beds hospital, a multi-disciplinary outpatient clinic, a diagnostic imaging center and a medical oncology infusion unit in a land lot property of the Center, located in the Municipality of San Juan. The principal amount of shall be payable in twenty-eight (28) consecutive annual installments of principal and interest computed at 6.5% annually, with the funds assigned by Law No. 128 dated on October 31, 2013, as amended, that have been legally pledged to the Center, on the last business day of December of each year. The annual installments payments will commence the last business day of December 2016.	50,987,711
	$ 76,462,862

The interest related to the construction of the Cancer Center is recorded as an expense in the Statement of Activities. The contribution from the Commonwealth has been recorded as part of the operating grants and contributions - general government in the accompanying statement of activities and as part of contributions from the Commonwealth in the accompanying statement of revenues, expenditures, and changes in fund balance.

The Center has no responsibility for the repayment on the notes. Refer to related Note 8(a).

The credit agreements include various affirmative and negative covenants, which the Center should comply with. Management is not aware of any violations to the covenants.

(8) Related parties transactions:

A summary of the most significant related party transactions as of June 30, 2015, and for the year then ended are as follows:

(a) Commonwealth

Law No. 230 of August 26, 2004 requires the Commonwealth to provide Legislative appropriations for operating purposes of the Center as follows:

Year Ended June 30th	Amount
2005	$ 1,000,000
2006	1,000,000
2007	3,000,000
2008	3,500,000
2009	3,500,000
2010	3,500,000
2011	5,500,000
2012	7,000,000
2013	7,000,000
2014	7,000,000
2015	8,500,000
	$ 50,500,000

Also, pursuant to amendments to Law No. 230, the Commonwealth is required to repay the Notes through future legislative appropriations. From fiscal year 2015 up to fiscal year 2044, the Commonwealth will provide annual legislative appropriations up to a maximum amount of $15,000,000 for debt service purposes. During the year ended June 30, 2015, the Center received legislative appropriations amounting to $8,500,000.

(b) **University of Puerto Rico**
There is no outstanding balance as of June 30, 2015 with the University of Puerto Rico ("UPR"). An affiliation agreement as well as a Memorandum of Understanding ("MOU") is been develop to manage future business transactions with UPR.

(c) **Medical Science Campus**
The Medical Science Campus ("MSC") is part of the University and the Center charges for utilities expenses related to the research facilities. Also the MSC charges salaries and fringe benefits of faculty which has joint appointments or support personnel who work directly with the faculty. During the year ended June 30, 2015, the Center was charged approximately $1,326,000 for these services and billed to the MSC for utilities the amount of $118,676.

The Center reimburses the MSC for payments made on behalf of the Center by requiring the University to transfer funds received from legislative appropriations to the MSC. On May 2015, the board of directors of the Center, approved $4,073,961 in payments to settled amounts due to MSC until June 30, 2014.

Amount due to MSC as of June 30, 2015 amounts to $1,205,849.

(9) **PR Cancer Registry, Cancer Prevention and Control Programs:**

Through an MOU with the Department of Health, effective July 1, 2008, the Center was appointed as the Bona-fide administrator of the PR Cancer Registry. This appointment made possible the transfer of the PR Cancer Registry grant issued by the U.S. Centers for Disease Control and Prevention ("CDC"). The Cancer Registry Program's objectives are to assist state and local health authorities and other health related organizations in controlling communicable diseases, chronic diseases and disorders, and other preventable Health conditions.

The programs are divided into the Breast and Cervical Cancer Early Prevention Program, Cancer Registry Program, and Community Cancer Control Program. During the year ended June 30, 2015, the Center's federal expenditures related to these programs amounted to approximately $1,140,710, which have been recorded in the Cancer Prevention and Control Program Fund as part of the cancer research and clinical trials function in the statement of revenues, expenditures, and changes in fund balances. Law 113 of July 30, 2010 assigned the responsibility to the Department of Health of allocating an annual amount of $250,000 to be transferred to the Center to support the PR Cancer Registry operations.

Furthermore, the Center's expenditures to support clinical trials and cancer research through federal and state programs for approximately $3.8 million, which have been recorded in the General Fund as part of the cancer research and clinical trials expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

(10) Commitments:

(a) The Center leases the radiotherapy facilities under a non-cancellable operating lease agreement on premises located in the "Dr. Isaac Gonzalez Martinez" Hospital (the Oncology Hospital). The lease contract expires in March 2024.

Future rental payments for the next five years and in the aggregate thereafter are as follows:

Year ending June 30,	Amount
2016	$ 220,114
2017	220,114
2018	220,114
2019	220,114
2020	220,114
Thereafter	816,257
	$ 1,916,827

The rental expense for these facilities amounted to $142,000 for the year ended June 30, 2015.

(b) The Center established other commitments related to the construction of the Radiotherapy facilities located between the Research Center and the Oncologic Hospital. The Center is required to pay all insurance and maintenance costs on the property. Some of the commitments related to this project are as follows:

Name	Description	Original contract amount	Outstanding commitment
Varian Medical Systems	Vendor	$ 9,188,206	$ 8,195,916
Gilbane	Project management	4,373,484	358,223
De la Torre Esteves Arq.	Designer	297,100	61,437

Other consultants and minor commitments were established for a total Construction Budget of approximately $15,000,000.

(c) On November 9, 2013, the Center entered into an agreement with a FR - RB/Bird General Contractors for the construction of the Cancer Center in the Municipality of San Juan. Total estimated construction costs, including charge orders for the project was approximately $133,000,000. Amount certified under this agreement, including charge orders, amounts to $65,130,164, as of June 30, 2015. Through this endeavor, several other commitments were established as follows:

Name	Description	Original contract amount	Outstanding commitment
HDR Architects	Design Team	$ 4,250,000	$ 752,000
PGES	Inspection	1,191,880	1,366,270
MD Anderson	Consulting	1,080,000	545,405
Mitchell Planning Associates	Consultant-medical equipment	482,000	278,319

Other consultants and minor commitments were established for a total Construction Budget of approximately $196,000,000.

(d) Also, the Center entered into an agreement with an engineering company for the inspection in the improvement and construction projects of the Center, and other related services for approximately $2,500,000 up to June 30, 2016.

(11) Contingencies:

(a) The Health Insurance Portability and Accountability Act ("HIPAA") was enacted in August of 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 subject to significant fines and penalties if they are found not to be in compliance with the provisions outlined in the regulations. Management is of the opinion that all its facilities are in compliance with HIPAA such regulations.

(b) The Center participates in a number of federal financial assistance programs. Entitlement to the resources is generally based on compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Any non-compliance or disallowed costs, including amounts already collected, may constitute a liability of the applicable agreements. The amount of expenditures which may be disallowed under these agreements, if any, cannot be determined at this time.

(c) The Center is a defendant in various claims and litigation arising in the ordinary course of business. Management is of the opinion, with the advice of legal counsel, that the outcome of such actions will not have a material effect on the Center's financial position, results of operations or cash flows.

(12) Going Concern:

The discussion in the following paragraphs regarding the Center's financial and liquidity risks provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Center's ability to continue as a going concern for 12 months beyond date of the financial statements or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter. GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, establishes that the continuation of a legally separate governmental entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to a governmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions. Indicators such as negative trends in operating losses and negative cash flows, possible financial difficulties such as nonpayment or default of debt and/or restructurings or noncompliance with capital or reserve requirements, and internal or external matters impacting the governmental entity's ability to meet its obligations as they become due, are factors that are considered in this evaluation. The Center faces significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the Center together with other factors further described below, have led management to conclude that there is substantial doubt as to the ability of the Center o continue as a going concern in accordance with GASB Statement No. 56.

Approximately 83% of the Center's total revenues are derived from Commonwealth appropriations which amounted to $8.5 million and $7 million for the years ended June 30, 2015 and 2014, respectively. The Center is highly dependent on the Commonwealth appropriations to finance its operations. Currently, the Center has limited ability to raise operating revenues. It is expected that once the construction of the Center's new medical facilities is completed, the Center will be able to generate additional revenues.

The Commonwealth and several of its component units face significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The risks and uncertainties facing the Commonwealth, together with other factors, have led the Commonwealth's management to conclude that there is substantial doubt as to the ability of the primary government and of various discretely presented component units and fiduciary funds, to continue as a going concern.

The Commonwealth currently faces a severe fiscal and liquidity crisis, the culmination of many years of significant governmental deficits, a prolonged economic recession (which commenced in 2006), high unemployment, population decline, and high levels of debt and pension obligations. The Commonwealth's largest revenue streams are especially vulnerable during times of major economic downturns and have been affected by these same factors. Further stressing the Commonwealth's liquidity are large health care, pension and debt service costs. As the Commonwealth's tax base has shrunk and its revenues been affected by prevailing economic conditions, health care, pension and debt service costs have become an increasing portion of the General Fund budget, which has resulted in reduced funding available for other essential services. The Commonwealth's very high level of debt and unfunded pension liabilities and the resulting required allocation of revenues to service debt and pension obligations have contributed to significant budget deficits during the past several years, which deficits the Commonwealth has financed, further increasing the amount of its debt. More recently, the

Commonwealth's continued economic recession, high level of debt and pension obligations, and structural budget deficits, among other factors, have adversely affected its credit ratings and its ability to obtain financing at reasonable interest rates, if at all. As a result, the Commonwealth has relied more heavily on short-term financings and interim loans from the Government Development Bank for Puerto Rico ("GDB") and other instrumentalities of the Commonwealth, which reliance has constrained the liquidity of the Commonwealth in general and GDB in particular, and increased near-term refinancing risk. These factors have also resulted in delays in the repayment by the Commonwealth and its instrumentalities of outstanding GDB lines of credit, which delays have limited GDB's ability to continue providing liquidity to the Commonwealth. These factors are reflected in the deterioration of the Commonwealth's credit ratings. During the past few years, the principal rating agencies have continued to lower their rating on the general obligation bonds of the Commonwealth, which had already been placed within non-investment grade ratings. They also lowered their ratings on the bonds of other component units of the Commonwealth including GDB, all of which were lowered multiple notches in the grading levels.

The causes of these challenges have been analyzed in a report on the Commonwealth's economic and financial stability and growth prospects prepared by former IMF economists and released on June 29, 2015 (subsequently updated as of July 13, 2015). This report is commonly referred to as the Krueger Report. In addition, the Governor created the Working Group for the Fiscal and Economic Recovery of Puerto Rico, which prepared a Fiscal and Economic Growth Plan (the "FEGP") that was released on September 9, 2015 and updated on January 18, 2016. The FEGP, among other things, projects significant financing gaps for the next ten fiscal years, identifies measures that could be implemented to reduce such gaps, and concludes that there is a need for a significant restructuring of the debt of the Commonwealth and various of its component units that have issued tax-supported debt. The conclusions drawn by both the Krueger Report and the FEGP indicate significant risks for holders of bonds of the Commonwealth and its component units. Governor García Padilla announced that the Commonwealth had no choice but to seek to renegotiate its debt with the goal of achieving a more sustainable debt service, and that if it was unable to do so, the Commonwealth could default on its debt. On November 30, 2015, the Governor signed Executive Order No. OE-2015-46, which provides that the Commonwealth may redirect certain funds originally set aside for another purpose as a result of projected shortfalls in cash flow estimates and its serious liquidity situation. Pursuant to this Executive Order, certain available resources of the Commonwealth assigned to various component units of the Commonwealth to pay debt service on their obligations were, and continue to be, retained by the Commonwealth and redirected to pay the Commonwealth's general obligation debt (referred as the claw back provisions). On January 4, 2016, the Commonwealth paid approximately $330 million of its General Obligation Bonds interest payment due on January 1, 2016 after exercising the claw back provisions of Executive Order OE-2015-46. Following the release of the FEGP, the Commonwealth proposed to seek a consensual restructuring of its outstanding debt and other tax-supported debt issued by certain component units. In January 2016, Commonwealth officials and advisors met with the advisors to the Commonwealth's creditors to present the Commonwealth's restructuring proposal, which was subsequently made public. There can be no assurance, however, that the Commonwealth will be able to successfully consummate its proposal or any other debt restructuring. If management is unable to complete such restructuring by the end of fiscal year 2016, or to otherwise obtain additional funding or other arrangements with its creditors, the Commonwealth's management expects that the Commonwealth and various component units will be unable to comply with their scheduled debt obligations.

The Commonwealth expects that its ability to finance future budget deficits will be severely limited even if it achieves a comprehensive debt restructuring, and, therefore, that it will be required to, among other measures, reduce the amount of resources that fund important governmental programs and services in order to balance its budget. There is no assurance, however, that budgetary balance will be achieved and, if achieved, that such budgetary balance will be based on recurring revenues or expense reductions or that the revenue or expense measures undertaken to balance the budget will be sustainable on a long-term basis. Moreover, the measures to achieve budgetary balance through austerity may adversely affect the performance of the Commonwealth's economy which, in turn, may adversely affect governmental revenues. The current level of resources provided to the Center could be adversely affected in the future as a result of the severe financial condition of the Commonwealth.

The Commonwealth's liquidity position is extremely weak with very limited or no access to bank credit or the capital markets on terms that the Commonwealth considers reasonable. During the past few months, the Commonwealth has announced that it has been taking extraordinary measures to conserve cash, such as delaying payments to suppliers and its component units, delaying tax refunds to taxpayers, deferring the disbursement of certain budgetary assignments and borrowing from the workers' compensation and other insurance funds. These measures although necessary, are unsustainable on a long-term basis and have significant negative economic effects.

GDB, in its role as fiscal agent to the Commonwealth and its instrumentalities, hired Conway MacKenzie to: (i) perform a liquidity analysis of the Commonwealth's Treasury Department Single Account held at GDB ("TSA"), in which the Treasury Department deposits and from which it disburses amounts managed by the Treasury Department, (ii) assist with the implementation of measures to improve cash management, forecasting and budgeting procedures, and (iii) provide assistance to the Treasury Department and OMB in the development of short and medium-term cash flow projections. Given the timing of tax collections and other inflows to the TSA, Conway projects a gradual improvement in the liquidity projection through the end of fiscal year 2016 to reach a Bank Cash surplus of $50.7 million in June 2016. As of the end of October 2015, actual tax collections and other non-General Fund revenue inflows to the TSA have been approximately $115 million lower than projected by Conway's Baseline projections, which were based on Treasury's forecast at the time of the report. Conway's Adjusted TSA Cash Flow identified additional liquidity risks of $562.3 million for fiscal year 2016 due to $306.4 million of revenue risk shortfall, net spending and debt expenditure risks of $132.1 million and cash disbursements related to deferred fiscal year 2015 appropriations of $123.8 million. Conway's Adjusted TSA Cash Flow reflected a Bank Cash deficit in the TSA of approximately $29.8 million in November 2015 and a peak Bank Cash deficit of $511.6 million in June 2016.

Conway's base projections are based on various assumptions and estimates and do not take into consideration the potential impact of (i) certain cash management, revenue raising and expense reduction initiatives the Commonwealth has identified to reduce the fiscal year 2016 TSA cash flow deficiency , (ii) any new cash management, revenue raising and expense reduction measures that could potentially be identified later in fiscal year 2016 to provide additional liquidity to the TSA, (iii) liquidity from new financing sources, including the issuance of additional TRANs.

The Commonwealth is aggressively seeking assistance from the federal government to solve its financial crisis but without much success. During the past few months, the U.S. Congress has held various hearings to discuss the financial crisis of Puerto Rico. Discussions have been primarily centered on considering establishing a control board to supervise the Commonwealth's finances, providing financial assistance to the Commonwealth and allowing the Commonwealth access to U.S. bankruptcy laws to restructure its debts under court supervision, an option not currently available to U.S. territories. Although some of these measures have Executive and Congressional supporters, there is still significant opposition.

Unless the Commonwealth is able to obtain financing in the very near term or to reach restructuring or forbearance agreements with its creditors, it may not be able to honor all of its obligations as they come due while at the same time providing essential government services.

The Center is also highly reliant on GDB, a component unit of the Commonwealth, for the financing of the Center's new medical facilities currently under construction. GDB traditionally served as a source of emergency liquidity to bridge the Commonwealth deficits and now is also experiencing its own liquidity constraints and is thus unable to continue serving in such role. Loans granted by GDB to the Commonwealth and its component units constitute a significant portion of GDB's assets. As a result, GDB's liquidity and financial condition depends to a large extent on the repayment of loans made by the Commonwealth and its component units, which face significant fiscal and financial challenges. A significant portion of these loans are payable from budgetary appropriations, which, have been significantly reduced in recent years. GDB's liquidity and financial condition depends on the repayment of loans by the Commonwealth and its component units which face significant fiscal and financial challenges in their ability to generate sufficient funds from taxes, charges and/or future bond issuances. GDB's financial condition and liquidity has significantly deteriorated during fiscal years 2015 and 2016 as a result of some of the same factors that have affected the Commonwealth, including lack of market access and the inability of the Commonwealth and its instrumentalities to repay their loans to GDB.

Given the high dependency of the Center on Commonwealth appropriations and on GDB's potential credit extension to fund the Center's operational and short-term needs as they arise, as both Commonwealth's and GDB's liquidity continues to be challenged and their appropriations and financing ability become more uncertain, the Center's financial condition and liquidity could be similarly affected.

(13) Subsequent events:

On July 2, 2015, the Commonwealth of PR approved Law No. 106 to amend Article 15 of Law No. 230 of 2004 in summary as follows:

- The obligations incurred by the Center shall be honored by annual appropriations pursuant to a fixed amount up to $15 million by the Government Development Bank for Puerto Rico and the Office of Management and Budget, taking into consideration each year the balance of the principal of the obligation and the interest indebted.

- For fiscal year 2015-2016, legislative appropriations amounted to $8.5 million were assigned for the operation and administration of the Center, Radiotherapy Center and to the Hospital, $3.5 million were assigned for the Hospital operations startup costs and $7 million for the research development activities.

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Centers for Disease Control and Prevention-			
Investigations and Technical Assistance Program	93.283		$ 1,140,710
Cancer Treatment Research	93.395		402,042
Sub-total Direct Programs			1,542,752
U.S. Department of Health and Human Services:			
Pass-through the Municipality of San Juan:			
Cancer Control	93.399	3U10CA052667-23	43,605
Total Expenditures of Federal Awards			$ 1,586,357

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of "Centro Comprensivo de Cáncer de la Universidad de Puerto Rico" (the "Center") under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is further explained in Note 2 to the accompanying financial statements. The amounts in the Schedule agree with the amounts reported in the accompanying financial statements.

Pass-through entity identifying numbers are presented when available.

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Grant Thornton

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Trustees of the
Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
San Juan, Puerto Rico

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Centro Comprensivo de Cáncer de la Universidad de Puerto Rico (the "Center"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated March 31, 2016. Our report includes an emphasis of a matter paragraph which states along with other matters, that the Center is highly dependent on the Commonwealth of Puerto Rico (the "Commonwealth") to finance its operations and that the severity of the financial risks and uncertainties, including liquidity risks faced by the Commonwealth, raises substantial doubt about the Center's ability to continue as a going concern.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Center in a separate letter dated March 31, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico,
March 31, 2016.

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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The Board of Trustees of the
Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico** (the "Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2015. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Major Federal Programs

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico,
March 31, 2016.

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Section I - Summary of Auditor's Results

Financial Statements -

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ yes _X_ none reported

Noncompliance material to financial statements noted? ____ yes _X_ no

Federal Awards -

Internal control over major programs:

- Material weakness(es) identified? ____ yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ yes _X_ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? ____ yes _X_ no

Identification of Major Programs –

Name of Federal Program	CFDA Number
Centers for Disease Control and Prevention - Investigations and Technical Assistance Program	93.283
Cancer Treatment Research	93.395

Dollar threshold used to distinguish Between Type A and Type B programs: **$300,000**

Auditee qualified as low-risk auditee? ____ yes _X_ no

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section II- Financial Statements Findings

None for the year ended June 30, 2015.

Section III- Federal Award Findings and Questioned Costs

None for the year ended June 30, 2015.

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

None for the year ended June 30, 2014.