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CARDIOVASCULAR CENTER CORPORATION OF PUERTO RICO AND THE CARIBBEAN

Financial Statements
for the year ended
June 30, 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Cardiovascular Center Corporation of Puerto Rico and the Caribbean, a component of the Commonwealth of Puerto Rico as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairy, in all material respects, the financial position of Cardiovascular Center Corporation of Puerto Rico and the Caribbean as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principle generally accepted in United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2008 on our consideration of the Cardiovascular Center Corporation of Puerto Rico and the Caribbean's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of the audit.

The management's discussion and analysis on pages 3 to 7 is not a required part of the basic financial statements but it is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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October 14, 2008

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Our discussion and analysis of Cardiovascular Center Corporation of Puerto Rico and the Caribbean's (the Corporation) financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the Corporation's financial statements, which begin on page 8.

Using this Annual Report

The Corporation's financial statements consist of three statements: Balance Sheet (page 8), Statement of Revenues, Expenses, and Changes in Net Assets (page 9), and a Statement of Cash Flows (page 10). These financial statements and related notes (pages 11 to 23) provide information about the activities of the Corporation, including resources held by the Corporation but restricted for specific purposes by enabling legislation.

- The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets

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

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

- Statement of Cash Flows

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

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
June 30, 2008

Condensed Financial Information

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

	2008	2007	Variance	%
Current assets	$ 30,140,820	$ 28,072,238	$ 2,068,582	7%
Capital assets	17,063,408	12,917,522	4,145,886	32%
Assets limited as to use	-	500,000	(500,000)	-100%
Total assets	47,204,228	41,489,760	5,714,468	14%
Current liabilities	78,446,866	76,768,019	1,678,847	2%
Long-term liabilities under capital lease	456,486	634,289	(177,803)	-28%
Other noncurrent liabilities	235,765	739,764	(503,999)	-68%
Total liabilities	79,139,117	78,142,072	997,045	1%
Net assets invested in capital, net of related debt	17,063,408	12,917,522	4,145,886	32%
Net assets restricted	-	500,000	(500,000)	-100%
Net assets unrestricted	(48,998,297)	(50,069,834)	1,071,537	-2%
Total net (deficiency)	(31,934,889)	(36,652,312)	4,717,423	-13%
Operating revenues	76,699,286	69,978,498	6,720,788	10%
Operating expenses	(82,971,119)	(77,564,071)	(5,407,048)	7%
Non-operating revenues (expenses)	(131,903)	248,371	(380,274)	-153%
Contributions from the Commonwealth	11,121,000	2,500,000	8,621,000	345%
Change in net assets	4,717,264	(4,837,202)	9,554,466	-198%
Total net (deficiency)	$ (31,934,889)	$ (36,652,312)	$ 4,717,423	-13%

Analysis of Financial Position and Results of Operations

- Financial Position

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

Total assets increased by $5,714,468 or 14% in comparison to fiscal year 2006-2007. The reasons for such increase relate principally to an increase in estimated third party settlements with Medicare for approximately $1,500,000 and in capital assets by approximately $4.1 millions.

At June 30, 2008, the Corporation and COSVI (the intermediary between Medicare and the healthcare organizations in Puerto Rico for the processing of reimbursements for healthcare services), reached a Mediation Agreement with the Medicare's Division of Hearing and Decisions (Provider's Reimbursement Board), in order to setting forth the basis for resolving certain issues regarding, the reopening of Medicare Cost Reports for years 2002 to 2005. In such fiscal years the Corporation did not claim for reimbursement the allowable costs incurred by the Corporation in providing direct graduate medical education (GME) and indirect medical education (IME) to full time equivalent residents (FTE) of the Corporation for that year. COSVI agreed to issue a revised Notice of Program Reimbursements applicable to such services provided by the Corporation for the years 2002 to 2005, in order to reimburse such costs to the Corporation, as eligible provider of GME and IME services to FTE. Reimbursements have been determined following the guidelines set forth in 42 USC applicable to Medicare regulations.

The Corporation's specialist in Medicare reimbursement's processing has reasonably estimated that at June 30, 2008, the amount due to the Corporation amounted to $1,518,694, which is included in estimated amount due form third party payor at June 30, 2008.

The current liabilities of the Corporation increased by $1.6 million during the fiscal year ended June 30, 2008 principally because of the increase in the accounts payable due to the suppliers for purchases and services. This and the amount due to the Public Building Authority also are the main cause of the deficiency in net assets by $31,934,889. Finally, the patient services were increased during the year, and this resulted in a direct increase in the operational costs.

- Results of Operations

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

During the year ended June 30, 2008, the Corporation reflected a net deficiency before contributions of $6,403,736 net of $131,903 of non-operating expenses and the contribution of $11,121,000 from the Commonwealth. The non-operating activities of the Corporation relate to the relationship between interest income and expense. The effects of the capital contributions are recorded as increase in the net assets as per GASB Statement No. 34 (Basic Financial Statements and Management Discussion and Analysis). In comparison to fiscal year ended June 30, 2007, there was a decrease in the net deficiency of $4,717,264. This decrease in the change in net deficiency was principally related to the increase in the contribution from the Commonwealth of Puerto Rico.

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
June 30, 2008

The following table presents comparative information of the significant operating indicators for the increase in operating revenues:

Indicator Description	June 30, 2008	June 30, 2007	Variance	% of Change
Admissions	4,580	4,237	343	8%
Discharges	4,745	4,583	162	4%
Patient days	36,371	35,271	1,100	3%
Occupation percentage	77%	77%	-	-
Surgery procedures	3,756	3,524	232	7%
Invasive laboratory procedures	8,544	9,139	-595	-7%

The Corporation reflected an increase in the operating expenses of $4,877,878 or 6%. This was principally associated to an increase in salaries and benefits and in the consumption of supplies, food and drugs in direct services to patients.

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

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

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

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
June 30, 2008

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

Capital Assets and Debt Administration

- Capital Assets

At June 30, 2008, the Corporation had $17,063,408 capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statement. In fiscal year 2007-2008, the Corporation purchased capital assets by $10,864,860, including the acquisition of medical equipment.

- Capital Lease Obligations

At year-end, the Corporation had $634,759 in capital lease obligations outstanding. A detail of the capital lease obligations of the Corporation is presented in the notes to the financial statements.

Contacting the Corporation's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's Finance Director Office at P.O. Box 366528, San Juan Puerto Rico 00936-6528, phone no. (787) 274-0150.

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Balance Sheets

Assets

	June 30, 2008	June 30, 2007
Current assets		
Cash and cash equivalents (notes 1 and 3)	$ 3,078,369	$ 2,909,522
Patients accounts receivable, net of estimated uncollectibles of $12,295,811 in 2008 and $11,878,984 in 2007 (notes 7 and 10)	21,401,423	20,861,685
Estimated third-party payor - Medicare (note 2)	1,632,956	114,261
Other accounts receivable	1,100,275	1,129,448
Inventory of supplies (note 1)	2,433,526	2,638,307
Prepaid expenses and other current assets	494,271	419,015
Total current assets	30,140,820	28,072,238
Noncurrent assets		
Assets limited as to use (notes 1 and 3)	-	500,000
Capital assets, net of depreciation and amortization (notes 1, 4 and 6)	17,063,408	12,917,522
Total noncurrent assets	17,063,408	13,417,522
Total assets	47,204,228	41,489,760

Liabilities and Net (Deficiency)

	2008	2007
Current liabilities		
Current portion of capital lease obligations and other non-current liabilities (note 6)	178,273	273,185
Due to Public Building Authority (note 5)	43,189,153	44,073,023
Accounts payable (note 7)	30,803,335	28,241,560
Accrued payroll and other expenses (notes 1 and 9)	4,276,105	4,180,251
Total current liabilities	78,446,866	76,768,019
Capital lease obligations, net of current portion (note 6)	456,486	634,289
Reserve for claim losses (notes 1, 6 and 8)	235,765	739,764
Total liabilities	79,139,117	78,142,072
Commitments and contingencies (notes 1, 5, 6, 8 and 9)		
Net assets (deficiency) (note 1)		
Investment in capital assets, net of related debt	17,063,408	12,917,522
Restricted	-	500,000
(Deficiency)	(48,998,297)	(50,069,834)
Total net (deficiency)	(31,934,889)	(36,652,312)
Total liabilities and net (deficiency)	$ 47,204,228	$ 41,489,760

See notes to financial statements

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended June 30, 2008	Years Ended June 30, 2007
Operating revenues (notes 1, 2 and 7)		
Net patient service revenue	$ 73,976,082	$ 67,667,632
Other revenue	2,723,204	2,310,866
Total operating revenues	76,699,286	69,978,498
Operating expenses (notes 1, 4, 5, 6, 7, 8, 9, and 11)		
Salaries and wages	22,523,134	20,532,559
Employee benefits	7,545,972	6,926,800
Professional fees and contracted services	5,302,316	4,998,904
Supplies, food and drugs	31,434,813	29,009,050
Repairs and maintenance	2,135,630	1,905,900
Utilities	3,513,325	2,885,180
Provision for bad debts	1,210,504	2,667,620
Depreciation and amortization	1,304,600	827,834
Insurance	135,493	84,530
Rent and other	7,865,332	7,725,694
Total operating expenses	82,971,119	77,564,071
Operating (loss)	(6,271,833)	(7,585,573)
Non-operating income (expenses)		
Interest income	275,373	290,969
Interest expense (note 6)	(23,200)	(42,438)
Loss on retirement of assets	(384,076)	(160)
Total non-operating revenues (expenses)	(131,903)	248,371
(Deficiency) of revenues over expenses, before contributions	(6,403,736)	(7,337,202)
Contributions from the Commonwealth of PR (note 1)	11,121,000	2,500,000
Change in net assets (note 1)	4,717,264	(4,837,202)
Net (deficiency), beginning of year (as previously reported)	(37,896,308)	(32,889,184)
Prior period adjustment (note 12)	1,243,996	1,074,074
	(36,652,312)	(31,815,110)
Net (deficiency), end of year	$ (31,934,889)	$ (36,652,312)

See notes to financial statements

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Statements of Cash Flows

	Years Ended June 30, 2008	2007
Cash flows from operating activities		
Receipts from patient services	$ 70,707,145	$ 64,217,934
Other receipts	2,752,377	1,971,956
Payments to suppliers	(49,083,549)	(40,571,875)
Payments to employees	(29,973,252)	(26,656,323)
Net cash (used in) operating activities	(5,597,279)	(1,038,308)
Cash flows from capital and related financing activities		
Cash outlays for capital assets	(5,834,403)	(1,390,446)
Cash deposited for future capital projects	-	566,981
Payments of interest in long-term debt and capital lease obligations	(50,123)	(42,438)
Contribution received from the Commonwealth of Puerto Rico	5,500,000	-
Principal paid on long-term debt and capital lease obligations	(245,721)	(406,224)
Net cash provided by (used in) capital and related financing actitivies	(630,247)	(1,272,127)
Non Capital Financing Activities		
Contribution received from the Commonwealth of Puerto Rico	5,621,000	2,500,000
Net cash provided by investing activities		
Retirement of investment in assets with limited use	500,000	-
Receipts of interest	275,373	290,969
	775,373	290,969
Increase in cash and cash equivalents	168,847	480,534
Cash and cash equivalents, at beginning of year	2,909,522	2,428,988
Cash and cash equivalents, at end of year	$ 3,078,369	$ 2,909,522
Reconciliation of operating (loss) to net cash (used in) operating activities		
Operating (loss)	(6,271,833)	(7,585,573)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation and amortization	1,304,600	827,834
Provision for bad debts	1,210,504	2,667,620
Changes in assets and liabilities		
(Increase) in patient accounts receivable	(1,750,343)	(3,777,000)
(Increase) decrease in other accounts receivable	29,173	(338,910)
(Increase) decrease in inventory of supplies	204,781	(814,487)
(Increase) decrease in prepaid expenses and other current assets	(75,256)	232,489
(Increase) decrease in estimated third-party payor - Medicare	(1,518,695)	327,302
Increase in accounts payable	2,561,775	4,732,875
Increase (decrease) in amount due to Public Building Autority	(883,840)	1,886,506
(Decrease) in reserve for claim losses	(503,999)	-
Increase in accrued payroll and other expenses	95,854	803,036
Total adjustments	674,554	6,547,265
Net cash (used in) operating activities	$ (5,597,279)	$ (1,038,308)
Supplementary disclosure of non cash capital related financing activities:		
Medical equipments acquired under capital lease obligations	$ -	$ 618,823

See notes to financial statements

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Notes to Financial Statements
June 30, 2008

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

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

Reporting entity

Cardiovascular Center Corporation of Puerto Rico and the Caribbean is a public corporation created by Act No. 51 (the Act) of June 30, 1986, to provide treatment for cardiovascular diseases in Puerto Rico and the Caribbean. The Corporation operates a hospital facility with 192 certified beds as an independent and separate unit from any agency or instrumentality of the Commonwealth of Puerto Rico.

Use of estimates

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

Basis of accounting and measurement focus

The Corporation uses enterprise fund accounting. Revenues and expense are cognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20 as amended, the Corporation has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncement.

Assets limited as to use

Consist of funds deposited in bank accounts that have been restricted by the Commonwealth of Puerto Rico and are under the control of the board of directors of the Corporation to pay malpractice claims.

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Notes to Financial Statements (continued)
June 30, 2008

Cash and cash equivalents

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

Inventory of supplies

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

Capital assets

The Corporation capital assets are reported at historical cost. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3 to 30 years, and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Tax exemption

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

Contributions

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

Net assets (deficiency)

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

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Notes to Financial Statements (continued)
June 30, 2008

Restricted net assets are non-capital net assets that must be used for a particular purpose, as specified by contributor external to the Corporation. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

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

Operating revenues and expenses

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

Compensated absences

The accrued payroll and other expense include the following compensated absences activity:

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

	Beginning Balance	Additions	Deductions	Ending Balance
Year ended June 30, 2008:				
Vacations	$ 1,373,774	$ 2,151,141	$ (1,979,430)	$ 1,545,485
Sick Leave	1,099,845	2,210,073	(1,142,748)	$ 2,167,170
Total compensated absences	$ 2,473,619	$ 4,361,214	$ (3,122,178)	$ 3,712,655

	Beginning Balance	Additions	Deductions	Ending Balance
Year ended June 30, 2007:				
Vacations	$ 1,227,640	$ 1,984,823	$ (1,838,689)	$ 1,373,774
Sick Leave	873,738	1,263,329	(1,037,222)	$ 1,099,845
Total compensated absences	$ 2,101,378	$ 3,248,152	$ (2,875,911)	$ 2,473,619

Risk management

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

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Corporation is self-insured for medical malpractice claims and judgments, as discussed in Note 8 to the financial statements. Since August 23, 2005 the Corporation is insured by the coverage limits established by the Commonwealth of Puerto Rico.

Note 2 - Net patient service revenue

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

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

Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient capital costs are paid based on the fully prospective method. Medical education costs related to Medicare beneficiaries are paid based on a per-resident amount and predetermined formula as per Medicare regulations. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2006. The cost reports for 2007 and 2008 are subject to the Medicare fiscal intermediary examination. It is the opinion of management that the information in the accompanying financial statements will not be materially affected as a result of an audit by the intermediary.

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

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Notes to Financial Statements (continued)
June 30, 2008

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

	2008	2007
Gross patient service revenue	$ 128,016,240	$ 122,180,308
Less provisions for:		
Contractual adjustments under third party reimbursement programs, charity allowances and policy discounts	(54,040,158)	(54,512,676)
Net patient service revenue	$ 73,976,082	$ 67,667,632

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

The Corporation is authorized to deposit only in institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico. Such deposits should be kept in separate accounts in the name of the Corporation. Under Puerto Rico statutes, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance. The Corporation's policies regarding deposits consist in opening all bank accounts which are approved by its Board of Directors. During the years June 30, 2008 and 2007, the Corporation invested its funds in bank accounts bearing interest.

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

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

Depository Account	Bank Balance at June 30, 2008	Bank Balance at June 30, 2007
Insured	$ 100,000	$ 200,000
Collateralized:		
Collateral held in the Corporation's name	4,075,827	4,523,403
Total deposits	$ 4,175,827	$ 4,723,403

CARDIOVASCULAR CENTER CORPORATION
OF PUERTO RICO AND THE CARIBBEAN

Notes to Financial Statements (continued)
June 30, 2008

The carrying amounts of deposits at June 30, shown above are included in the Corporation's balance sheets as follows:

	2008	2007
Cash and cash equivalents	$ 3,078,369	$ 2,909,522
Assets limited as to use	-	500,000
	$ 3,078,369	$ 3,409,522

Note 4 - Capital assets

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

	2007	Additions	Retirements	2008
Land	$ 94,123	$ -	$ -	$ 94,123
Improvements to leased property	928,652	5,167,035	-	6,095,687
Fixed equipment	1,376,146	-	(600,165)	775,981
Movable equipment	15,512,176	5,697,825	(3,884,404)	17,325,597
Movable equipment under capital lease	1,818,873	-	-	1,818,873
Library	14,736	-	-	14,736
Vehicles	112,726	-	-	112,726
Works of art	8,849	-	-	8,849
Total cost	19,866,281	10,864,860	(4,484,569)	26,246,572
Less accumulated depreciation and amortization for:				
Improvements to leased property	336,769	211,743	-	548,512
Fixed equipment	784,145	-	-	784,145
Movable equipment	10,645,191	856,141	(3,392,304)	8,109,028
Library	6,509	-	-	6,509
Vehicles	97,518	-	-	97,518
Total accumulated depreciation and amortization	11,870,132	1,067,884	(3,392,304)	9,545,712
	7,996,149	9,796,976	(1,092,265)	16,700,860
Construction in progress	4,921,373	608,210	(5,167,035)	362,548
Capital assets, net	$ 12,917,522	$ 10,405,186	$ (6,259,300)	$ 17,063,408

CARDIOVASCULAR CENTER CORPORATION
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Notes to Financial Statements (continued)
June 30, 2008

	2006	Additions	Retirements	2007
Land	$ 94,123	$ -	$ -	$ 94,123
Improvements to leased property	928,652	-	-	928,652
Fixed equipment	775,981	-	-	775,981
Movable equipment	13,729,611	1,784,160	(1,595)	15,512,176
Movable equipment under capital lease	1,200,050	618,823	-	1,818,873
Library	14,736	-	-	14,736
Vehicles	112,726	-	-	112,726
Works of art	8,849	-	-	8,849
Total cost	16,864,728	2,402,983	(1,595)	19,266,116
Less accumulated depreciation and amortization for:				
Improvements to leased property	297,261	39,508	-	336,769
Fixed equipment	780,058	-	4,087	784,145
Movable equipment	9,818,951	227,669	(1,594)	10,045,026
Library	6,509	-	-	6,509
Vehicles	97,518	-	-	97,518
Total accumulated depreciation and amortization	11,000,297	267,177	2,493	11,269,967
	5,864,431	2,135,806	(4,088)	7,996,149
Construction in progress	4,921,373	-	-	4,921,373
Capital assets, net	$ 10,785,804	$ 2,135,806	$ (4,088)	$ 12,917,522

Depreciation and amortization expense for the years ended June 30, 2008 and 2007 amounted to $1,304,600 and $827,834, respectively.

Note 5 - Due to the Public Building Authority

Since 1992, the Corporation maintains an agreement with the Public Building Authority (the Authority) regarding the operating lease for the building and parking facilities in which the Corporation operates. The Authority financed the construction of these facilities through an issuance of bonds. The rent expense for the years ended June 30, 2008 and 2007 amounted to $4,386,939 and $4,386,506, respectively. In addition, amounts due by the Corporation to the Authority at June 30, 2008 and 2007 were $43,189,153 and $44,073,023, respectively.

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Notes to Financial Statements (continued)
June 30, 2008

The lease contract between the Corporation and the Authority is subject to the resolutions of the issuance of bonds by the Authority to finance the building and parking facilities. In any circumstances in which the lease agreement is in contest with the bond resolution, the latest will prevail. As a result from a bond refinancing made by the Authority, the rent imputed to the Corporation for the lease agreement was adjusted to $4,386,939 for the fiscal year 2007-2008. Rent commitment for fiscal years subsequent to June 30, 2008 will be determined by the Authority's annual calculation of the portion corresponding to the Corporation's share of the resolution of issuance of bonds applicable to the building and parking facilities.

Note 6 - Capital Lease Obligations and Other Non-current Liabilities

A summary of capital lease obligations and other non-current liabilities follow:

	June 30 2007	Additions	Payments	June 30 2008	Amounts Of Principal Due Within One Year
Capital lease obligations, at average rate of 4.75% for medical equipment in the amount of $904,881, payable in monthly installments of $27,019, including interest until October 2007	$ 107,064	$ -	$ 107,064	$ -	$ -
Capital lease obligations, at average rate of 6.00% for medical equipment in the amount of $155,775, payable in monthly installments of $3,012, including interest until March 2011	121,432	-	29,683	91,749	31,646
Capital lease obligations, at average rate of 5.75% for medical equipment in the amount of $139,304, payable in monthly installments of $2,677, including interest until November 2010	101,915	-	27,022	74,893	28,699
Capital lease obligations, at average rate of 6% for medical equipment in the amount of $262,782, payable in monthly installments of $5,106, including interest until July 2011.	221,023	-	48,841	172,182	52,270
Capital lease obligations, at average rate of 7.25% for medical equipment in the amount of $356,040, payable in monthly installments of $7,110, including interest until June 2012.	356,040	-	60,105	295,935	65,658
Total and capital lease obligations	907,474	-	272,715	634,759	178,273
Other liabilities: Reserve for claim losses	739,764	-	503,999	235,765	-
Total noncurrent liabilities	$ 1,647,238	-	$ 776,714	$ 870,524	$ 178,273

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Notes to Financial Statements (continued)
June 30, 2008

	June 30 2006	Additions	Payments	June 30 2007	Amounts Of Principal Due Within One Year
Capital lease obligations, at average rate of 4.75% for medical equipment in the amount of $904,881, payable in monthly installments of $27,019, including interest until October 2007	$ 418,464	$ -	$ 311,400	$ 107,064	$ 107,064
Capital lease obligations, at average rate of 6.00% for medical equipment in the amount of $155,775, payable in monthly installments of $3,012, including interest until March 2011	149,152	-	27,720	121,432	29,683
Capital lease obligations, at average rate of 5.75% for medical equipment in the amount of $139,304, payable in monthly installments of $2,677, including interest until November 2010	127,260	-	25,345	101,915	27,022
Capital lease obligations, at average rate of 6% for medical equipment in the amount of $262,782, payable in monthly installments of $5,106, including interest until July 2011.	-	262,782	41,759	221,023	48,841
Capital lease obligations, at average rate of 7.25% for medical equipment in the amount of $356,040, payable in monthly installments of $7,110, including interest until June 2012.	-	356,040	-	356,040	60,575
Total and capital lease obligations	694,876	618,822	406,224	907,474	273,185
Other liabilities: Reserve for claim losses	739,764	-	-	739,764	-
Total noncurrent liabilities	$ 1,434,640	$ 618,822	$ 406,224	$ 1,647,238	$ 273,185

CARDIOVASCULAR CENTER CORPORATION
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Notes to Financial Statements (continued)
June 30, 2008

Scheduled payments on capital lease obligations at June 30, 2008 are as follows:

	Capital Lease Obligations	
	Principal	Interest
Year ended June 30,		
2009	178,273	36,585
2010	190,893	23,965
2011	178,201	11,559
2012	87,392	3,031
	$ 634,759	$ 75,140

Note 7 - Related party transactions

The accounts receivable from patients and accounts payable of the Corporation includes at June 30, the following amounts considered as related party transactions:

	2008	2007
Accounts receivable from other governmental entities	$ 4,873,496	$ 4,970,662
Accounts payable to other governmental entities	$ 10,640,320	$ 8,459,302

Note 8 - Commitments and contingencies

Commitments

a) The Corporation leases equipment under operating leases expiring at various dates through March 2011. Total rent expense for the years ended June 30, 2008 and 2007 for all operating leases was approximately $488,800 and $229,300, respectively.

b) The Corporation subleases the parking facilities to Fontan Associates, Inc. for a five-year term. There are three renewal clauses for additional five years for each clause. Fontan Associates, Inc. will pay the Corporation a monthly rental fee which will increase annually. Rental income for the years ended June 30, 2008 and 2007 was $289,556 and $283,880.

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Notes to Financial Statements (continued)
June 30, 2008

Future minimum rental income as of June 30, follows:

Year	Amount
2009	295,344
2010	301,252
2011	308,296
2012	317,548
2013-2017	1,742,459
2018-2022	2,107,982
2023-2026	1,671,741
	$ 6,744,622

c) The Corporation subleased the food and nutrition services facilities to Metropolitan Food Services, Inc. on a five-year term agreement, plus an additional five-year term option, at the discretion of the Corporation. Metropolitan Food Services, Inc. will pay a monthly rental fee of $4,000, plus a percentage of the gross earnings for food sales and utilities, which will vary from 2.5% to 5%. Billing to patients and employees is based on an established rate for meals served. Total income for the years ended June 30, 2008 and 2007, was $48,000.

d) The Corporation subleased the fourth floor facilities to Hoteles de Puerto Rico, Inc. on a twenty-year term agreement. Hoteles de Puerto Rico, Inc. will pay a staggered monthly rental fee of $5,000 up to $8,500 between 2008 and 2027.

Contingencies

The Corporation's medical malpractice insurance coverage expired in February 2002; thus the Corporation is self-insured for claims received from February that have not been reported to its insurance carrier. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. Accrued malpractice losses in management's opinion provide an adequate reserve for loss contingencies. Since August 23, 2005 the Corporation is insured by the coverage limits established by the Commonwealth of Puerto Rico.

At June 30, 2008 and 2007 the Corporation has set aside zero and $500,000, respectively, in a bank account to cover medical malpractice insurance claims.

Regulatory issues

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

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June 30, 2008

Health Insurance Portability and Accountability Act

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

Note 9 - Retirement system

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

Commonwealth legislation required employees to contribute 5.775% for the first $550 of their monthly gross salary and 8.275% for the excess over $550 of monthly gross salary. The Corporation is required by the same statute to contribute 9.275% of the participants' gross salary. Total employer contributions during the years ended June 30, 2008 and 2007 was approximately $1,743,100 and $1,517,000, respectively.

The financial statements of the Corporation do not include any provision related to the deficiency that might result from actuarial reports up to June 30, 2006.

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

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

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For the years ended June 30, 2008 and 2007, total covered payroll for employees was approximately $18,793,500 and $15,277,000, respectively. Covered payroll refers to all compensation paid by the Corporation to employees covered by the ERS on which contributions to the pension are based.

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

Additional information of the Retirement System is available in their financial statements for the year ended June 30, 2008, which copy is available at the Retirement System, Minillas Station, Box 42003, San Juan Puerto Rico 00940.

Note 10 - Concentrations of credit risk - patients' accounts receivable

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

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

	2008	2007
Medicare	4%	6%
Humana Healthcare	9%	12%
Triple S	23%	25%
Other	64%	57%
	100%	100%

Note 11 - Functional Expenses

The Corporation provides general health care services to patients with Cardiovascular conditions. Expenses, related to providing these services for the years ended June 30, are as follows:

	2008	2007
Health care services	$ 59,688,809	$ 56,122,500
General and administrative	23,282,310	21,441,571
	$ 82,971,119	$ 77,564,071

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June 30, 2008

Note 12 - Prior period adjustments

The beginning net assets for fiscal years ended June 30, 2008 and 2007 have been restated to reflect the correction of the following errors:

	2008	2007
To correct capital assets balance and the related accumulated depreciation	$ 600,165	$ 1,243,996
Depreciation expense	259,914	(170,082)
Loss on retirement of assets	383,917	160
	$ 1,243,996	$ 1,074,074