

# The University of Texas M.D. Anderson Cancer Center and Subsidiaries, a Division of The University of Texas System

Annual Financial Report as of and  
for the Years Ended August 31, 2024 and 2023,  
Required Supplementary Information, and  
Independent Auditor's Reports

# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER AND SUBSIDIARIES

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December 11, 2024

Fiscal Year 2024 was an extraordinary year for The University of Texas at MD Anderson Cancer Center as the dedication and talent of our 26,000+ employees created outstanding experiences for our patients, exciting breakthroughs in research and impactful educational and prevention efforts. We were recognized for our excellence this year by Forbes, Glassdoor, Newsweek and Vizient. This was capped off by MD Anderson again being named the number one hospital in the nation for cancer care by U.S. News and World Report for the 10<sup>th</sup> year in a row.

The health care industry continues to face challenges that include but are not limited to the following: labor shortages, cost of drugs and supplies, third party payor reimbursement, and cybersecurity threats. MD Anderson is not immune to these external forces but, thanks to the strategic efforts we have collectively adopted, the institution is meeting these challenges better than many others. Specifically, in FY24, we focused on:

- Targeting clinical growth driven by impact analysis and cost-benefit considerations.
- Managing expenses with smart growth and stewardship, including strategic hiring to reduce agency staff and overtime costs.
- Maintaining market competitiveness to attract and retain our talented workforce by funding critical physician and staff positions to support hospital volumes and increasing the living wage.
- Increasing critical research funding in federal grants to fuel our Breakthroughs theme of Our Strategy
- Improving accuracy in billing to reduce denials and maintain strong revenue collections.
- Identifying opportunities to negotiate rates with vendors to establish stable trend lines for expenses.

I am pleased to share that MD Anderson finished FY24 by exceeding its financial performance targets and reaching \$7 billion in total operating revenue, the highest total ever for the institution. In addition:

- Our total operating revenue grew by almost 11% over the prior year as volumes increased in multiple areas.
- Federal grants increased by 19% from FY23, largely driven by our research enterprise's focus on expanding an externally funded research model, a 24% increase in Federal subcontracts, and the hiring of new faculty recruits and their associated externally funded research.
- Workforce shortages reduced and we saw a significant decline in turnover for nursing as we made strategic hiring decisions in clinical areas to support patient demands and through our nursing transformation efforts focused on professional growth, wellness, and innovation.

In Fiscal Year 2025, we will execute on Our Strategy with a hybrid approach as we launch a smaller number of decisions, while continuing the work we already have started within our Clinical Focus Areas. Within our Reach theme, we will focus on becoming the leading health care digital resource for cancer information and expanding our geographic footprint in Texas as our plans for Austin continue to take shape. Within our Breakthroughs theme, we will focus on enhancing research infrastructure and driving stewardship, connecting basic, translational, and clinical research, and strengthening our Research Management System. In alignment with the Value theme, the outcomes from our Clinical Focus Areas will directly enhance our Experience Management System, addressing the experiences of patients and our teams.

Our performance in FY24 demonstrates how we can leverage our strengths to move forward with confidence. Our people have the expertise needed and an institutional focus to execute the strategies developed to address the key drivers for our financial performance.

Attached, you will find the Management's Discussion and Analysis ("MD&A") and the consolidated financial statements for MD Anderson for the years ended August 31, 2023, and 2024.

Peter WT Pisters, M.D.  
**President**

CARING

INTEGRITY

DISCOVERY

SAFETY

STEWARDSHIP

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Audit, Compliance, and  
Risk Management Committee of the  
University of Texas System Board of Regents:

### Report on the Audits of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of The University of Texas M.D. Anderson Cancer Center and subsidiaries (the "Center"), a division of The University of Texas System, as of and for the years ended August 31, 2024 and 2023, and the related notes to the consolidated financial statements, which collectively comprise the Center's consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center, as of August 31, 2024 and 2023, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 1, the consolidated financial statements of the Center are intended to present the financial position, the changes in financial position, and cash flows of only that portion of The University of Texas System that is attributable to the transactions of the Center. They do not purport to, and do not, present fairly the financial position of The University of Texas System as of August 31, 2024 and 2023, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Consolidated Financial Statements***

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

### ***Auditor's Responsibilities for the Audits of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Center's Proportionate Share of the Net Pension Liability, the Schedule of the Center's Contributions for the Teacher Retirement System Pension Plan, the Schedule of the Center's Proportionate Share of the Total OPEB Liability, and the Schedule of the Center's PRS SRP/RBP Pension Liability be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the

consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated 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**

Management is responsible for the other information included in the annual financial report. The other information comprises the Introductory Section but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024 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 solely 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 effectiveness of the Center's 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.

The logo for Deloitte & Touche LLP, featuring the company name in a stylized, handwritten-style font.

December 11, 2024

**University of Texas MD Anderson Cancer Center**  
**Management’s Discussion and Analysis**  
**For the Years Ended August 31, 2024 and 2023**

**Introduction:**

The University of Texas MD Anderson Cancer Center (the “Center”) was created in 1941 as a component of The University of Texas System (“System”). The mission of the Center is to eliminate cancer in Texas, the nation, and the world through outstanding programs that integrate patient care, research, and prevention, and through education for undergraduate and graduate students, trainees, professionals, employees, and the public. In fiscal year (FY) 24, the Center, ranked number 1 in Cancer Care, America’s Best Hospitals, had the following:

- Approximately 26,400 employees
- Approximately 187,130 patients
- More than 1,500 clinical research protocols

**Overview of the Financial Statements and Financial Analysis:**

The objective of Management’s Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the Center for the year ended August 31, 2024, with selected comparative information for the years ended August 31, 2023 and 2022. The complete set of financial statements includes:

- Management’s Discussion and Analysis
- Consolidated Financial Statements
  - Consolidated Balance Sheets
  - Consolidated Statements of Revenues, Expenses, and Changes in Net Position
  - Consolidated Statements of Cash Flow
- Notes to Consolidated Financial Statements
- Required Supplementary Information
  - Teacher Retirement System Pension Plan
  - Other Postemployment Benefit Plan
  - Physicians Referral Service (PRS) Supplemental Retirement Plan (SRP)/Retirement Benefit Plan (RBP)

The financial statements of the Center were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Center’s financial records are reported as a business-type activity in the State of Texas’ Annual Comprehensive Financial Report. For purposes of the MD&A, references to the Center in the discussion of financial results relate to the Center’s business-type activity.

**Financial Highlights:**

The Center continues to maintain and protect its strong financial condition, with net position of \$11.4 billion as of August 31, 2024. Operating and nonoperating revenues totaled \$8.9 billion, and operating expenses totaled \$7.2 billion in 2024. Net patient care revenue was the largest contributor to the revenues of the



Center in 2024. Net investment income and the change in fair value of investments often drive the year-to-year fluctuation in the Center's revenue, as those values vary from year to year based on market conditions and other factors. Compensation and benefits, including the Teacher Retirement System of Texas pension, PRS SRP/RBP, and other postemployment benefits (OPEB) continue to be the largest expense of the Center. The Center is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully compete with peer institutions and nonacademic employers.

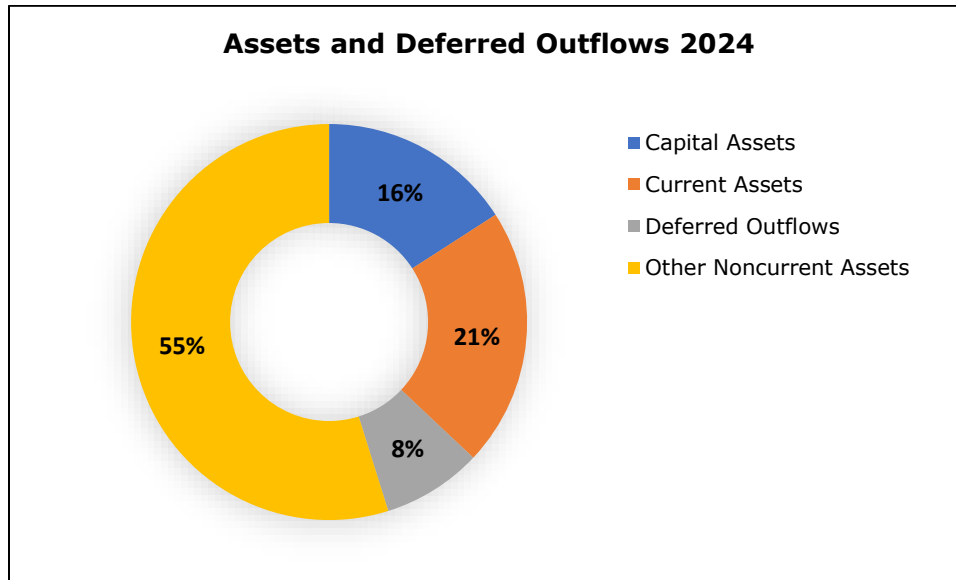
**Balance Sheet:**

The Balance Sheet presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the Center as of the end of the year. This is a point in time financial presentation of the financial status as of August 31, 2024, with comparative information for the previous years. Net position is the residual value of the Center's assets and deferred outflows of resources, after liabilities and deferred inflows of resources are deducted. Changes in net position are one indicator of the improvement or decline of the Center's financial strength. A summarized comparison of the Center's Balance Sheet as of August 31, 2024, 2023, and 2022, is as follows:

**The University of Texas MD Anderson Cancer Center**  
**Balance Sheet**  
**As of August 31, 2024, 2023 and 2022**  
**(\$ in millions)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Assets</b>			
Current Assets	\$ 4,228.0	\$ 3,594.2	\$ 2,811.4
Noncurrent Assets	14,153.4	12,902.5	12,498.6
<b>Total Assets</b>	<b>18,381.4</b>	<b>16,496.7</b>	<b>15,310.0</b>
Total Deferred Outflows	1,631.4	1,605.8	1,369.7
<b>Total Assets and Deferred Outflows</b>	<b>\$ 20,012.8</b>	<b>\$ 18,102.5</b>	<b>\$ 16,679.7</b>
<b>Liabilities</b>			
Current Liabilities	\$ 1,587.9	\$ 1,529.8	\$ 1,335.8
Noncurrent Liabilities	5,151.3	4,668.2	5,393.5
<b>Total Liabilities</b>	<b>6,739.2</b>	<b>6,198.0</b>	<b>6,729.3</b>
Total Deferred Inflows	1,885.5	2,254.0	1,221.2
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 8,624.7</b>	<b>\$ 8,452.0</b>	<b>\$ 7,950.5</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 2,936.0	\$ 2,618.5	\$ 2,595.2
Restricted	2,188.0	2,179.8	1,997.3
Unrestricted	6,264.0	4,852.7	4,136.5
<b>Total Net Position</b>	<b>\$ 11,388.0</b>	<b>\$ 9,651.0</b>	<b>\$ 8,729.0</b>

**Assets and Deferred Outflows:**



Assets and deferred outflows increased \$1.9 billion, or 10.6%, to \$20.0 billion in 2024 primarily due to increases in current assets and other noncurrent assets.

**Current Assets:**

Current assets are composed of assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities including cash, temporary investments, and receivables. These assets increased \$633.8 million in 2024 due to an increase in cash and cash equivalents.

Cash and cash equivalents increased due to increased collections on patient charges along with higher liquidity levels being maintained as a result of the fluctuating market.

<b>Balance Sheet Metrics</b>	<b>8/31/2024</b>	<b>8/31/2023</b>	<b>8/31/2022</b>
	Days Cash on Hand	339	331
Cash to Total Debt (Includes ITF)	8.20x	8.34x	5.50x
Capital Spending Ratio	1.6x	0.9x	0.8x
Patient AR Days	32.2	35.6	36.0

**Noncurrent Investments:**

Noncurrent investments are composed of permanent endowments, funds functioning as endowments, annuity and life income funds, and other investments, including investment derivative instruments. These assets increased \$1.0 billion in 2024 due to increases in the fair value of investments, primarily in the General Endowment Fund (GEF) and Intermediate Term Fund (ITF). Actual capital funding decreased \$104.2 million in 2024.

**Capital and Intangible Assets:**

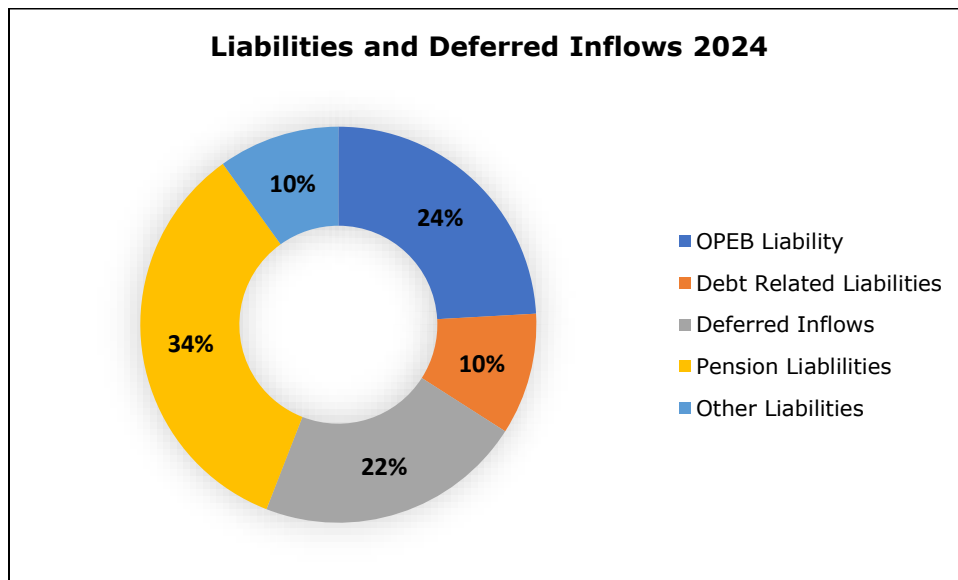
A critical factor in sustaining the quality of the Center’s clinical and research programs is the development and maintenance of its capital assets. Capital additions totaled \$705.9 million in 2024, of which \$452.3 million consisted of new projects under construction. Capital additions were composed of replacement, renovation, and new construction of research and health care facilities, as well as significant investments in equipment and software.

Refer to the capital asset footnote within the consolidated financial statements for additional information.

**Deferred Outflows:**

Total deferred outflows increased \$25.6 million in 2024 primarily due to an increase in Pension related deferred outflows. The contributions subsequent to the measurement date increased \$120K while being offset with decreases related to the Proton Therapy Center acquisition and Other Postemployment Benefit related outflows.

**Liabilities and deferred inflows:**



Liabilities and deferred inflows increased \$173.3 million, or 2.1%, to \$8.6 billion in 2024 primarily due to a \$360.1 million increase in the TRS net pension.

**Debt-related Liabilities:**

On November 5, 2015, the Board of Regents approved the establishment of an Internal Lending Program (“ILP”) that is used to finance projects financed with Revenue Financing System (“RFS”) debt. The ILP allows System to better manage financial resources across the entire System rather than through individual campuses or projects. System institutions, including the Center, effectively create loans with the ILP for capital projects and equipment that have been approved for debt financing by the Board of Regents, and the ILP will charge periodic principal and interest repayments based on a set internal loan rate. While these debt liabilities are maintained at the consolidated level, the Center is responsible for making quarterly principal and interest payments to System and shown under “Transfers Between Institutions & System, Debt Service—Mandatory.”

Debt related liabilities consist of both the current and noncurrent portions of short-term debt, or commercial paper, as well as leases, notes, loans, and bonds payable. The \$10.7 million decrease in debt-related liabilities in 2024 is primarily driven by a decrease in System’s debt-related liabilities attributable to the Center in 2024. Bonds payable relate to the financing of the Center’s capital needs. Commercial paper notes are issued periodically to provide interim financing for capital improvements and to finance the acquisition of capital equipment. The table below depicts the change in System’s debt-related liabilities attributable to the Center over the past three years:

<b>Current &amp; Noncurrent Debt</b>			
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>(\$ in millions)</b>		
Bonds Payable	\$ 599.8	\$ 677.4	\$ 723.7
Commercial Paper	75.8	0.7	143.5
Leases, Notes & Loans	<u>181.6</u>	<u>189.8</u>	<u>200.3</u>
<b>Total Debt-Related Liabilities</b>	<u>\$ 857.2</u>	<u>\$ 867.9</u>	<u>\$ 1,067.5</u>

Refer to the Debt Services and Long-Term Liabilities Note 8 in the consolidated financial statements for more information.

**OPEB Liabilities:**

The State provides certain health and life insurance benefits for retired employees which are guaranteed in accordance with State statutes. Other postemployment benefits are provided to the Center’s retirees under the System Employee Group Insurance Program. The System Employee Group Insurance Program is a single employer defined benefit OPEB plan; however, because State statute requires funding for the plan from State appropriations, the State’s governmental fund reports a proportionate share of the OPEB liability. The Center reported a total OPEB liability of \$2.1 billion in 2024 compared to \$2.0 billion in 2023.

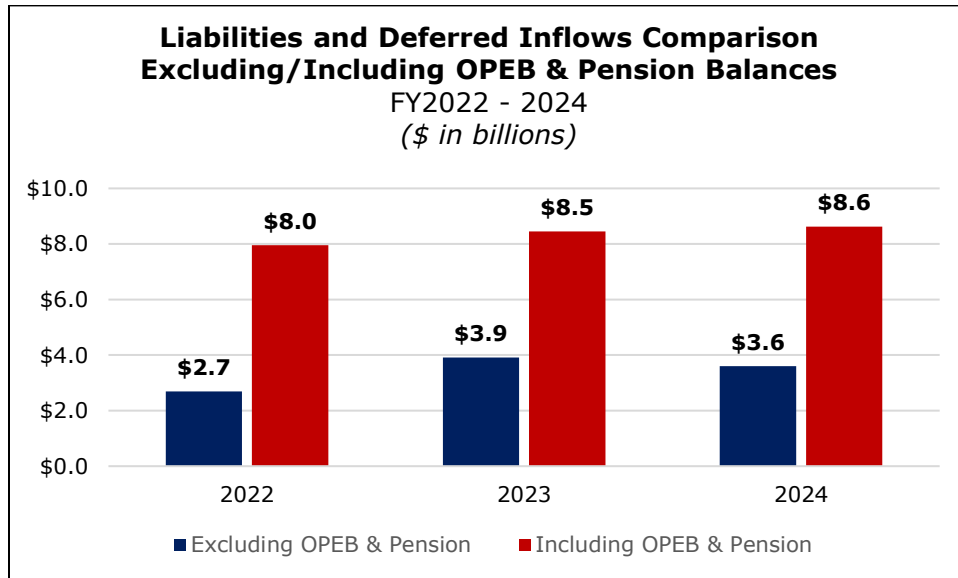
**Pension Liabilities:**

The Center participates in a cost sharing multiple employers defined benefit pension plan with a special funding arrangement administered by the Teacher Retirement System of Texas (TRS). The Center receives a proportionate share of the net pension liability, pension-related deferred outflows and pension-related deferred inflows, and pension expense from the Texas Comptroller of Public Accounts. The Center’s proportion of the State’s collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers to the plan. The Center reported a net pension liability of \$2.0 billion in 2024 compared to \$1.7 billion in 2023 related to the TRS pension plan. The increase is attributable to a decrease in the discount rate and investment earnings below projections. The Center has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plans.

**Deferred Inflows:**

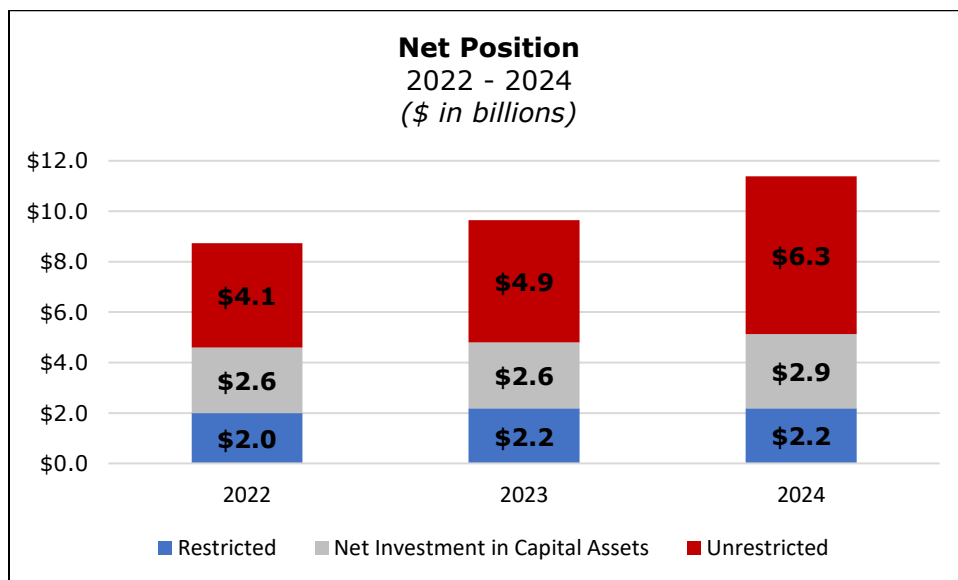
Total deferred inflows decreased \$368 million in 2024 primarily driven by changes to OPEB-related deferred inflows. OPEB-related deferred inflows decreased \$294 million in 2024 primarily due to changes in assumptions or other inputs.

The following chart depicting liabilities and deferred inflows, including and excluding OPEB and pension, illustrates the significant impact these items have on the Center’s total liabilities and deferred inflows:



**Net Position:**

Net position increased \$1.7 billion in 2024 compared to a \$922.0 million increase in 2023. The significant increase in net position was primarily due to the increase in investment income and the fluctuating value of the fair value of investments. The three-year trend of the classifications of net position is depicted below:



**Restricted Net Position:**

Restricted net position primarily includes the Center's permanent endowment funds subject to externally imposed restrictions governing their use. They include:

- Permanent Health Fund endowments (PHF) established in 1999 from tobacco related litigation funds which support programs that benefit medical research, health education, or treatment at health-related institutions.
- Donor restricted endowments income generated is used to fund various endeavors in accordance with the donors' wishes.

Restricted net position also includes current purpose gifts and grants. The Center's restricted net position was \$2.2 billion in 2024 and \$2.2 billion in 2023 while the unrestricted net position increased \$1.4 billion.

**The Statement of Revenues, Expenses, and Changes in Net Position:**

The statement of revenues, expenses, and changes in net position details the changes in total net position. The following table summarizes the Center's revenues, expenses, and changes in net position for the years ended August 31, 2024, 2023, and 2022:

**The University of Texas MD Anderson Cancer Center**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position**  
*(\$ in millions)*

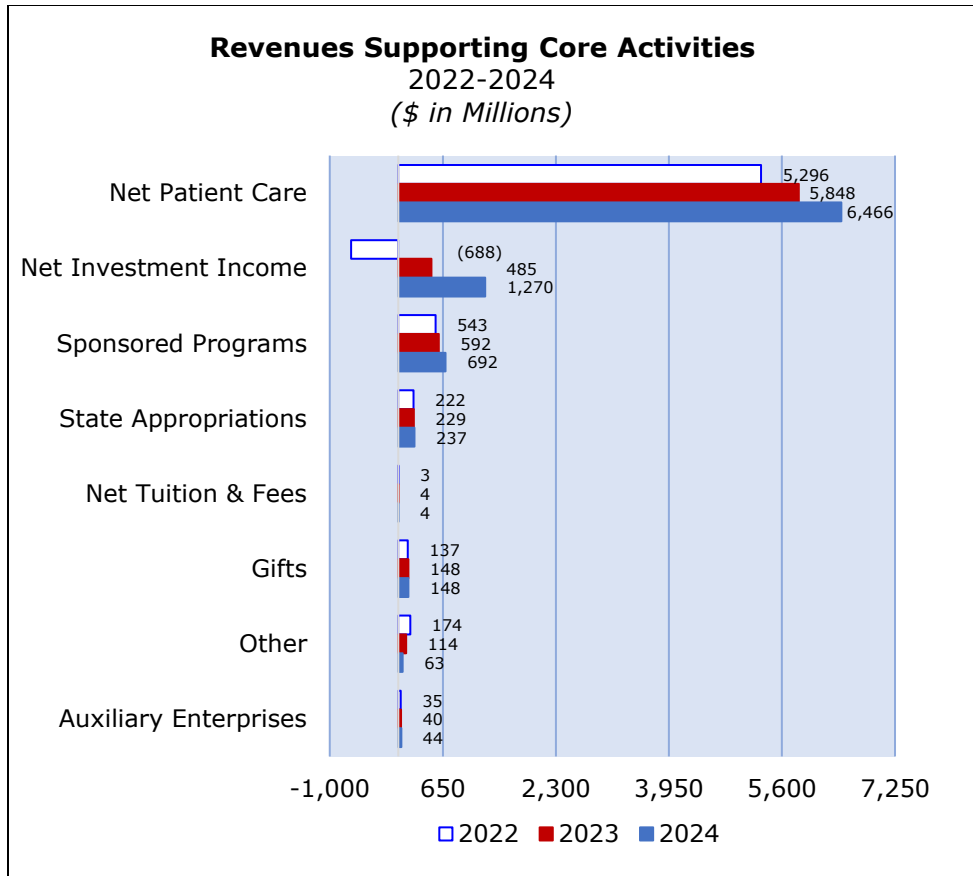
	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Operating Revenues:</b>			
Net patient service revenue	\$ 5,974.3	\$ 5,382.7	\$ 4,849.7
Net professional fees	491.3	465.0	446.6
Grants and contract revenue	691.5	592.4	542.7
Net sales and services of educational activities	3.9	3.9	3.4
Auxiliary revenue	44.1	39.5	35.0
Other	92.0	100.3	119.9
<b>Total Operating Revenues</b>	<b>7,297.1</b>	<b>6,583.8</b>	<b>5,997.3</b>
<b>Total Operating Expenses</b>	<b>7,202.6</b>	<b>6,585.4</b>	<b>5,924.6</b>
<b>Operating Income (Loss)</b>	<b>94.5</b>	<b>(1.6)</b>	<b>72.7</b>
<b>Nonoperating Revenues (Expenses):</b>			
State appropriations	236.7	229.2	222.3
Gift contributions for operations	147.9	148.0	137.1
Net investment income (loss)	1,270.3	484.9	(688.1)
Other - net	(28.7)	13.2	53.7
<b>Income (Loss) before Other Revenues, Expenses, Gains or Losses and Transfers</b>	<b>1,720.7</b>	<b>873.7</b>	<b>(202.3)</b>
Additions to Permanent Endowments	23.3	16.1	19.3
Transfers from (to) System	(7.0)	32.2	(110.2)
<b>Change in Net Position</b>	<b>1,737.0</b>	<b>922.0</b>	<b>(293.2)</b>
Net Position, beginning of the Year	9,651.0	8,729.0	9,022.2
<b>Net Position, End of the Year</b>	<b>\$ 11,388.0</b>	<b>\$ 9,651.0</b>	<b>\$ 8,729.0</b>

**Revenues Supporting Core Activities:**

Revenues to support the Center's core activities, including those classified as nonoperating revenues, were \$8.9 billion, \$7.5 billion, and \$5.7 billion in 2024, 2023, and 2022, respectively. These diverse sources of revenues increased by \$1.4 billion in 2024 primarily due to increases in net patient service revenue and net investment income.

The chart below shows a three-year comparison of the components of revenues that support the core activities of the Center:





**Sponsored Programs:**

Sponsored program revenues are primarily generated from governmental and private sources related to research programs that typically provide for the recovery of direct and indirect costs. Sponsored programs include student financial aid and contracts with affiliated hospitals for clinical activities. Sponsored program revenues were \$691.5 million, \$592.4 million, and \$542.7 million, in 2024, 2023, and 2022, respectively. The increase in 2024 was primarily attributable to an increase in grants and contracts revenue and institutional indirect revenue.

**Net Patient Care Revenues:**

Net patient care revenues, which consist of net sales and services of hospitals and net professional fees, are principally generated within the Center’s hospitals and physicians’ practice plans under contractual arrangements with governmental payors and private insurers. These revenues are reported net of contractual allowances, bad debt expense, and unreimbursed charges for financially or medically indigent patients. Net patient care revenues were \$6.5 billion, \$5.8 billion, and \$5.3 billion in 2024, 2023, and 2022, respectively. Net patient care revenues increased \$618.0 million, or 10.6%, in 2024, primarily because of increased patient volumes.

**Net Auxiliary Enterprises:**

Net auxiliary enterprise revenues were earned from a host of activities, such as food services, gift shops, parking, and other activities. Net auxiliary enterprises were \$44.1 million, \$40.0 million, and \$35.0 million in 2024, 2023, and 2022, respectively. Net auxiliary enterprise revenues increased \$4.1 million or 10.3% in

2024. Food and beverage sales increased \$2.4 million (primarily in MDA Café, Food Courts, and Pickens) while taxable valet and nontaxable parking combined for a \$1.7 million increase.

**State appropriations:**

State appropriations were \$236.7 million, \$229.2 million, and \$222.3 million in 2024, 2023, and 2022, respectively. The increase between 2023 and 2022 includes the \$8.2 million SB30 Supplemental Appropriations allocation received in 2023. The increase between 2024 and 2023 is due to receipt of \$7.5 million more in state appropriations over last fiscal year.

**Net Investment Income:**

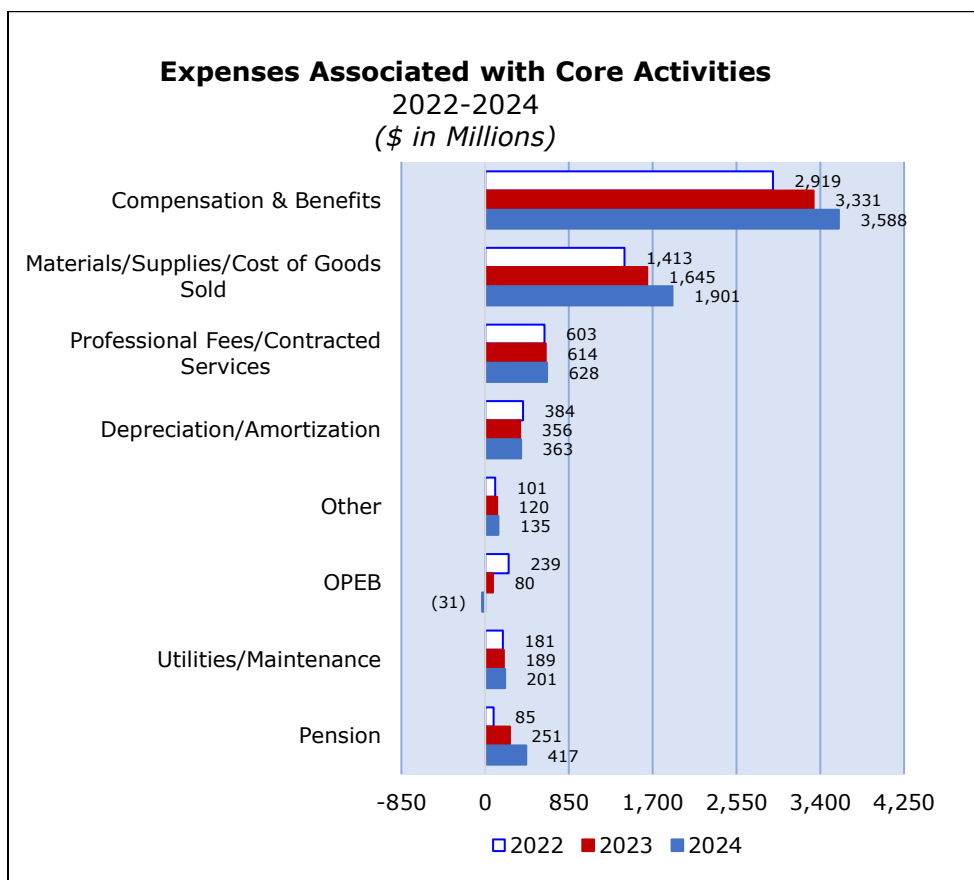
The Center's net investment income was \$1.3 billion, \$485.0 million, and a loss of \$688.1 million in 2024, 2023, and 2022, respectively. The increase in 2024 is due to market fluctuations.

**Gifts:**

The Center receives gift contributions for operations, as well as nonoperating gifts and grants of capital, and gifts that are held in perpetuity which are added to the Center's endowment holdings. In 2024, gifts for operations totaled \$148.0 million. Capital gifts and grants and additions to permanent endowments totaled \$23.3 million for 2024, an increase of \$7.2 million from 2023. The increase in addition to permanent endowments is due to the receipt of more endowment gifts in FY24.

**Expenses Supporting Core Activities:**

Expenses associated with the Center’s core activities were \$7.2 billion, \$6.6 billion, and \$5.9 billion in 2024, 2023, and 2022, respectively. The changes, by category, for the three years are depicted below:



Operating expenses increased by \$617.2 million in 2024 and \$660.8 million in 2023 primarily due to the growing cost of providing support for the institution’s primary missions of patient care, instruction, research, and public service.

**Income (Loss) Before Other Revenue, Expenses, Gains or Losses, and Transfers:**

Income (Loss) before other revenue, expenses, gains or losses, and transfers is the sum of the operating loss, plus nonoperating revenues (expenses). It is an indication of recurring revenues and expenses for the Center and does not consider capital and endowment related additions, discussed above, or transfers. The income before other revenues, expenses, gains, or losses totaled \$1.7 billion in 2024, an increase of \$847.0 million over 2023. This increase was a result of the net increase in the fair value of investments in addition to investment income, including net realized gains.

**Transfers from (to) System:**

Net Transfers In totaled \$137.5 million in 2024, a decrease of \$191 million over 2023. Nonmandatory Transfers from System related to Revenue Financing System (RFS) Bond for the Clinical Service Building, South Campus Infrastructure Building, and Garage 2 contributed to the higher transfers in FY23. Net Transfers Out totaled \$144.4 million in 2024, a decrease of \$151.7 million from 2023. In 2023, the Center paid down the RFS Equipment Bond (\$100.0 million) early with no similar payment in FY24. Transfers to other state agencies decreased due to a decrease in requests from the Department of Health and Human Services (HHS) matching programs. This is primarily attributed to an overall downward trend in the amount that the Center has been reimbursed from the state as hospitals have been recovering from COVID-19. Medicaid and charity are also down compared to prior years as the economy is improving. In FY24, there was an overall \$38.8 million decrease in mandatory transfers to System related to RFS financing.

**2024 and 2023 Highlights—Statement of Revenues, Expenses, and Changes in Net Position:**

The Center's change in net position was an increase of \$815.0 million in 2024 compared to 2023. The significant increase in change in net position in 2024 was due to the fluctuating value of the fair value of investments. In 2024, net investment income was \$1,270.3 million compared to \$485.0 million in 2023. The Center's change in net position was an increase of \$1,215.2 million in 2023 compared to 2022. The significant increase in change in net position in 2023 was due to the fluctuating value of the fair value of investments. In 2022, net investment income was a loss of \$688.0 million compared to \$485.0 million in 2023.

**The Statement of Cash Flows:**

The Statement of Cash Flows provides information about the Center's financial results by reporting the major sources and uses of cash and cash equivalents during the fiscal year. Ending cash and cash equivalents were \$2.8 billion, \$2.4 billion, and \$1.6 billion in 2024, 2023, and 2022, respectively. A summarized three-year comparison of the Center's changes in cash and cash equivalents is as follows:

**The University of Texas MD Anderson Cancer Center**  
**Condensed Statement of Cash Flows**  
*(\$ in millions)*

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Net Cash Provided (Used) by:</b>			
Operating Activities	\$ 359.5	\$ 583.1	\$ 463.5
Noncapital Financing Activities	429.6	343.7	459.9
Capital and Related Financing Activities	(602.6)	(440.9)	(497.4)
Investing Activities	<u>251.5</u>	<u>248.9</u>	<u>117.9</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>438.0</b>	<b>734.8</b>	<b>543.9</b>
Beginning Cash and Cash Equivalents	<u>2,377.0</u>	<u>1,642.1</u>	<u>1,098.2</u>
<b>Ending Cash and Cash Equivalents</b>	<b><u>\$ 2,815.0</u></b>	<b><u>\$ 2,377.0</u></b>	<b><u>\$ 1,642.1</u></b>

In 2024, cash and cash equivalents increased \$438.0 million. Cash increases during 2024 were primarily due to a \$557.3 million increase in proceeds from patients and third-party payors.

**Economic Outlook:**

The Center's continued success will rely on balancing meaningful and important strategic goals with careful resource allocation. The Center's future is guided by the strategic plan, the Master Facilities Framework, a financial plan that continually reinforces stewardship, and a comprehensive philanthropic campaign.

The Center will focus on becoming the leading health care digital resource for cancer information and expanding the geographic footprint in Texas as the plans for an Austin facility continue to take shape. The Center will focus on enhancing research infrastructure and driving stewardship, connecting basic, translational, and clinical research, and strengthening the Research Management System.

The Center is expanding its footprint to Central Texas. The System Board of Regents announced the launch of a bold new health care initiative that will transform U.T. Austin's medical district into a world-class academic medical center for education, research, and patient care. The University of Texas at Austin Medical Center will include two new hospitals—the Center's comprehensive cancer center and a U.T. Austin specialty hospital on the former site of the Frank Erwin Center. The groundbreaking is slated to begin in 2026. In the Center's new comprehensive cancer center in Austin, more than 150 inpatient beds are planned for treatments, including multiteam surgery, bone marrow transplantation, chimeric antigen receptor T-cell therapy (CAR T), and natural killer cell treatments. More than 230 outpatient exam rooms are slated for the facility as well. A full spectrum of cancer care services will be included.

Currently under construction, the South Campus Research Building 5 (SCR5), located at 1920 Old Spanish Trail, is a 600,000-square-foot, 7-story building, the largest of the Center's South Campus Research Buildings yet. SCR5 will serve as an anchor for the institution's research on South Campus, as well as a model for institutions across the country. The first phase of construction is scheduled to be completed in Spring 2026. This phase includes several laboratory wings for several types of research. The laboratory wings will be connected to adjacent office wings and share a central collaboration space on each floor.

Construction of the Clinical Services Building (CSB), located at 6516 MD Anderson Blvd., will support the beds in Alkek Hospital and those in the new inpatient tower. It is scheduled to be completed in Summer 2028. CSB will be an operational hub for key clinical services and support teams strategically joined to procedural and inpatient facilities. It will allow the Center to vacate critical pieces of the older research buildings, providing the final site for the new inpatient tower.

The groundbreaking of the Center's new Sugar Land location slated for the fall of 2025 will replace the leased space on the campus of St. Luke's Sugar Land Hospital. The facility is anticipated to open in 2029.

# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AS OF AUGUST 31, 2024 AND 2023 (In thousands)

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,537,176	\$ 2,111,823
Patient accounts receivable—net of bad debt allowances of \$191,759 and \$206,650 in 2024 and 2023, respectively	678,665	570,249
Lease receivables—current portion	-	607
Estimated third-party payor settlements	100,790	62,519
Inventories and other current assets	373,541	377,454
Grants receivable	167,706	123,947
Restricted:		
Cash and cash equivalents	277,857	265,223
Contributions receivable—net—current portion	9,557	7,962
Restricted investments—SRP/RBP Plan—current portion	78,799	72,533
Due from UT System	3,966	1,928
Total current assets—net	<u>4,228,057</u>	<u>3,594,245</u>
<b>NONCURRENT ASSETS:</b>		
Restricted assets:		
Investments held by UTIMCO	997,268	918,615
T. Boone Pickens Fund	823,229	778,521
Contributions receivable—net—noncurrent	10,626	11,799
Restricted investments—SRP/RBP Plan—noncurrent	652,505	549,484
Due from UT System—noncurrent	60,988	163,921
Total restricted assets—net	<u>2,544,616</u>	<u>2,422,340</u>
Capital assets:		
Land	274,964	273,738
Buildings and other improvements	4,883,585	4,710,323
Equipment	2,615,350	2,358,596
Nondepreciable collections	2,146	2,158
Construction in progress	525,452	358,634
Total capital assets	8,301,497	7,703,449
Less accumulated depreciation	<u>(5,121,041)</u>	<u>(4,859,956)</u>
Capital assets—net	<u>3,180,456</u>	<u>2,843,493</u>
Other noncurrent assets:		
Investments held by UTIMCO	8,306,325	7,523,337
Joint ventures and other noncurrent assets	121,990	112,003
Lease receivables—noncurrent	-	1,279
Total other noncurrent assets	<u>8,428,315</u>	<u>7,636,619</u>
Total noncurrent assets	<u>14,153,387</u>	<u>12,902,452</u>
Total assets	<u>18,381,444</u>	<u>16,496,697</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows—asset retirement obligations	47	-
Deferred outflows—Proton Therapy Center acquisition	12,554	12,921
Deferred outflows—SRP/RBP Plan related	88,645	100,875
Deferred outflows—pension related	838,803	719,134
Deferred outflows—other postemployment benefits related	691,301	772,846
Total deferred outflows of resources	<u>1,631,350</u>	<u>1,605,776</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$20,012,794</u>	<u>\$18,102,473</u>

(Continued)

# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AS OF AUGUST 31, 2024 AND 2023 (In thousands)

	2024	2023
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 665,708	\$ 580,150
Unearned revenue	259,816	241,988
Estimated third-party payor settlements	58,026	38,700
Compensated absences—current	246,470	215,129
Total pension liability—SRP/RBP Plan—current	78,799	72,533
Lease liabilities—current	31,761	28,182
SBITA liabilities—current	22,704	14,974
Other postemployment benefit liability—current	43,663	50,593
Other current liabilities	143,311	154,283
Due to UT System	37,662	133,224
	<u>1,587,920</u>	<u>1,529,756</u>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences—noncurrent	47,089	55,237
Total pension liability—SRP/RBP Plan—noncurrent	847,697	846,306
Net pension liability—TRS Plan—noncurrent	2,021,053	1,660,987
Other postemployment benefit liability—noncurrent	2,035,988	1,913,394
Lease liabilities—noncurrent	149,887	161,642
SBITA liabilities—noncurrent	39,832	20,193
Asset retirement obligation	7,030	8,583
Other	2,760	1,815
	<u>5,151,336</u>	<u>4,668,157</u>
Total liabilities	<u>6,739,256</u>	<u>6,197,913</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows—pension related	104,508	164,127
Deferred inflows—SRP/RBP Plan related	114,971	123,813
Deferred inflows—other postemployment benefit related	1,661,922	1,955,785
Deferred inflows—split interest	4,083	7,990
Deferred inflows—lease related	-	1,811
	<u>1,885,484</u>	<u>2,253,526</u>
Total liabilities and deferred inflows	<u>8,624,740</u>	<u>8,451,439</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>NET POSITION:</b>		
Net investment in capital assets	2,936,272	2,618,503
Restricted:		
Nonexpendable	1,108,222	1,076,064
Expendable	1,079,761	1,103,782
Unrestricted	6,263,799	4,852,685
	<u>11,388,054</u>	<u>9,651,034</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$20,012,794</u></u>	<u><u>\$18,102,473</u></u>

See notes to consolidated financial statements.

(Concluded)



# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023 (In thousands)

	2024	2023
OPERATING REVENUES:		
Net patient service revenue	\$ 5,974,300	\$5,382,654
Net professional fees	491,338	464,985
Grants and contracts revenue	691,506	592,417
Net sales and services of educational activities	3,927	3,892
Auxiliary revenue	44,057	39,503
Other	91,960	100,333
	<u>7,297,088</u>	<u>6,583,784</u>
Total operating revenues		
OPERATING EXPENSES:		
Salaries and benefits	3,588,434	3,330,680
Pension expense—SRP/RBP Plan	57,953	56,367
Pension expense—TRS Plan	358,898	194,736
Other postemployment benefit expense	(31,347)	79,716
Medical supplies and drugs	1,901,063	1,645,005
Travel	23,516	20,581
Professional and contractual services	627,789	614,272
Utilities	66,714	67,468
Repairs and maintenance	134,594	121,591
Rentals and leases	27,248	23,242
Depreciation and amortization	363,371	355,567
Other	84,370	76,184
	<u>7,202,603</u>	<u>6,585,409</u>
Total operating expenses		
OPERATING INCOME (LOSS)	<u>94,485</u>	<u>(1,625)</u>
NONOPERATING REVENUES:		
State appropriations	236,685	229,191
Gift contributions for operations	147,891	148,000
Net investment income	1,270,330	484,907
Other—net	(28,665)	13,200
	<u>1,626,241</u>	<u>875,298</u>
Total nonoperating revenues		
INCOME BEFORE CAPITAL CONTRIBUTIONS, ADDITIONS TO PERMANENT ENDOWMENTS, AND TRANSFERS	1,720,726	873,673
CAPITAL CONTRIBUTIONS	-	1,575
ADDITIONS TO PERMANENT ENDOWMENTS	23,256	14,528
TRANSFERS FROM UT SYSTEM	137,485	328,395
TRANSFERS TO UT SYSTEM	(144,447)	(296,195)
INCREASE IN NET POSITION	1,737,020	921,976
NET POSITION—Beginning of year	<u>9,651,034</u>	<u>8,729,058</u>
NET POSITION—End of year	<u>\$11,388,054</u>	<u>\$9,651,034</u>

See notes to consolidated financial statements.

# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023 (In thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Proceeds from third-party payors and patients	\$ 6,357,222	\$ 5,799,954
Proceeds from grants and contracts	646,370	587,949
Proceeds from auxiliary enterprise charges	44,122	39,560
Proceeds from other revenues and expenses	69,941	128,528
Payments to employees	(3,820,331)	(3,537,394)
Payments to suppliers	<u>(2,937,819)</u>	<u>(2,435,466)</u>
Net cash provided by operating activities	<u>359,505</u>	<u>583,131</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from state appropriations	244,897	220,979
Operating gifts	140,156	149,720
Private gifts for endowment and annuity life purposes	23,256	14,528
Other nonoperating transfers from UT System	107,445	112,269
Other nonoperating transfers to UT System	(61,744)	(169,582)
Proceeds from other sources	<u>(24,446)</u>	<u>15,795</u>
Net cash provided by noncapital financing activities	<u>429,564</u>	<u>343,709</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(586,962)	(326,974)
Nonmandatory capital-related transfers from UT System	133,550	60,195
Mandatory transfers to UT System for capital-related debt	(82,627)	(121,436)
Proceeds from sales of capital assets	3,778	3,861
Payments of principal on long-term obligations	(66,048)	(55,249)
Payments of interest on long-term obligations	(4,244)	(2,867)
Proceeds from capital grants and gifts	<u>-</u>	<u>1,575</u>
Net cash used in capital and related financing activities	<u>(602,553)</u>	<u>(440,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(91,292)	(65,346)
Purchases of investments by System	(250,880)	(157,313)
Proceeds from sales and maturities of investments	67,250	68,419
Proceeds from interest and investment income	82,209	34,166
Proceeds from interest and investment income invested by System	<u>444,184</u>	<u>368,977</u>
Net cash provided by investing activities	<u>251,471</u>	<u>248,903</u>
INCREASE IN CASH AND CASH EQUIVALENTS	437,987	734,848
CASH AND CASH EQUIVALENTS—Beginning of year	<u>2,377,046</u>	<u>1,642,198</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 2,815,033</u>	<u>\$ 2,377,046</u>

(Continued)

# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023 (In thousands)

	2024	2023
SUPPLEMENTAL DISCLOSURES—Noncash activity:		
Unrealized gain on investments	<u>\$ 655,402</u>	<u>\$ 33,987</u>
Additions to ROU assets	<u>\$ 26,552</u>	<u>\$ 23,650</u>
Additions to SBITA	<u>\$ 58,935</u>	<u>\$ 29,173</u>
Capital asset acquisitions in accounts payable and accrued expenses	<u>\$ 57,285</u>	<u>\$ 23,833</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 94,485	\$ (1,625)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	363,371	355,567
Changes in assets and liabilities:		
Receivables—net	(182,276)	(13,385)
Lessor-related receivables and deferred inflows	76	4
Inventories and other assets	(23,941)	(17,173)
Accounts payable and accrued expenses	71,365	72,120
Due to UT System	(95,562)	103,414
Unearned revenue	25,141	(37,202)
Compensated absences	23,194	17,302
Asset retirement obligations	(1,599)	-
Pension-related obligations, deferred inflows, and deferred outflows	191,823	48,902
Other postemployment benefits-related obligations, deferred inflows, and deferred outflows	(96,653)	31,698
Other liabilities	<u>(9,919)</u>	<u>23,509</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 359,505</u>	<u>\$ 583,131</u>

See notes to consolidated financial statements.

(Concluded)

# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—The University of Texas M.D. Anderson Cancer Center and Subsidiaries (the “Center”) is an agency of the State of Texas and a division of The University of Texas System (the “System”). It was established in 1941 through a legislative act to provide for the establishment of a state cancer hospital and the division of cancer research, the location, control, and management to be under the supervision of the System. Additionally, the legislative act was provided for the appointment of the president of the Center. The Center is located in Houston, Texas, in the Texas Medical Center.

The accompanying financial statements are presented on a consolidated basis, and include the accounts of the following blended component units:

- M. D. Anderson Physicians Network (MDAPN) is governed by a nine-member board appointed by the president of M. D. Anderson. M. D. Anderson Physicians Network transfers programs representative of M. D. Anderson to the broad community. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Physicians Network, PO Box 301407, Unit 1670, Houston, TX 77230-1407.
- M. D. Anderson Services Corporation (MDASC) is governed by a seven-member board appointed by the president of M. D. Anderson. M. D. Anderson Services Corporation serves as an instrument of M. D. Anderson in its efforts to achieve its mission beyond the M. D. Anderson main campus. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Services Corporation, PO Box 301407, Unit 1670, Houston, TX 77230-1407.

Blended financial information is available upon request. Condensed financial statement information related to the Center's blended component units as of and for the year ended August 31, 2024, is as follows (in thousands):

	<b>M. D. Anderson Physicians Network</b>	<b>M. D. Anderson Services Corporation</b>	<b>Total</b>
<b>Condensed Balance Sheet</b>			
Current assets	\$120,986	\$ 90,166	\$ 211,152
Noncurrent assets	<u>252,574</u>	<u>857,736</u>	<u>1,110,310</u>
Total assets	<u>\$373,560</u>	<u>\$947,902</u>	<u>\$1,321,462</u>
Current liabilities	8,507	116,315	124,822
Noncurrent liabilities	<u>-</u>	<u>19,975</u>	<u>19,975</u>
Total liabilities	<u>\$ 8,507</u>	<u>\$136,290</u>	<u>\$ 144,797</u>
Investment in capital assets	\$ 768	\$ 103	\$ 871
Restricted nonexpendable	-	50,000	50,000
Restricted expendable	-	683,738	683,738
Unrestricted	<u>364,286</u>	<u>77,770</u>	<u>442,056</u>
Total net position	<u>\$365,054</u>	<u>\$811,611</u>	<u>\$1,176,665</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>			
Operating revenues	\$ 45,979	\$ 1,321	\$ 47,300
Operating expenses	<u>(15,523)</u>	<u>(3,149)</u>	<u>(18,672)</u>
Operating income (loss)	30,456	(1,828)	28,628
Nonoperating revenue	<u>33,989</u>	<u>83,421</u>	<u>117,410</u>
Income	<u>64,445</u>	<u>81,593</u>	<u>146,038</u>
Change in net position	64,445	81,593	146,038
Net position—August 31, 2023	<u>300,609</u>	<u>730,018</u>	<u>1,030,627</u>
Net position—August 31, 2024	<u>\$365,054</u>	<u>\$811,611</u>	<u>\$1,176,665</u>
<b>Condensed Statement of Cash Flows</b>			
Net cash provided by (used in):			
Operating activities	\$ 33,154	\$ (1,523)	\$ 31,631
Noncapital financing activities	-	(27,016)	(27,016)
Capital and related financing activities	(168)	(80)	(248)
Investing activities	<u>1,148</u>	<u>34,788</u>	<u>35,936</u>
Net increase in cash and cash equivalents	34,134	6,169	40,303
Cash and cash equivalents—August 31, 2023	<u>84,346</u>	<u>83,423</u>	<u>167,769</u>
Cash and cash equivalents—August 31, 2024	<u>\$118,480</u>	<u>\$ 89,592</u>	<u>\$ 208,072</u>

Blended financial information is available upon request. Condensed financial statement information related to the Center's blended component units as of and for the year ended August 31, 2023, is as follows (in thousands):

	<b>M. D. Anderson Physicians Network</b>	<b>M. D. Anderson Services Corporation</b>	<b>Total</b>
<b>Condensed Balance Sheet</b>			
Current assets	\$ 89,554	\$ 84,751	\$ 174,305
Noncurrent assets	<u>219,555</u>	<u>809,177</u>	<u>1,028,732</u>
Total assets	<u>\$309,109</u>	<u>\$893,928</u>	<u>\$1,203,037</u>
Current liabilities	8,500	107,457	115,957
Noncurrent liabilities	<u>-</u>	<u>56,453</u>	<u>56,453</u>
Total liabilities	<u>\$ 8,500</u>	<u>\$163,910</u>	<u>\$ 172,410</u>
Investment in capital assets	\$ 704	\$ 25	\$ 729
Restricted nonexpendable	-	50,000	50,000
Restricted expendable	-	638,085	638,085
Unrestricted	<u>299,905</u>	<u>41,908</u>	<u>341,813</u>
Total net position	<u>\$300,609</u>	<u>\$730,018</u>	<u>\$1,030,627</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>			
Operating revenues	\$ 45,852	\$ 1,723	\$ 47,575
Operating expenses	<u>(17,905)</u>	<u>(1,466)</u>	<u>(19,371)</u>
Operating income	27,947	257	28,204
Nonoperating revenue	<u>11,995</u>	<u>37,118</u>	<u>49,113</u>
Income	<u>39,942</u>	<u>37,375</u>	<u>77,317</u>
Change in net position	39,942	37,375	77,317
Net position—August 31, 2022	<u>260,667</u>	<u>692,643</u>	<u>953,310</u>
Net position—August 31, 2023	<u>\$300,609</u>	<u>\$730,018</u>	<u>\$1,030,627</u>
<b>Condensed Statement of Cash Flows</b>			
Net cash provided by (used in):			
Operating activities	\$ 26,420	\$ 925	\$ 27,345
Noncapital financing activities	-	(28,051)	(28,051)
Capital and related financing activities	(208)	(5)	(213)
Investing activities	<u>(4,316)</u>	<u>30,927</u>	<u>26,611</u>
Net increase in cash and cash equivalents	21,896	3,796	25,692
Cash and cash equivalents—August 31, 2022	<u>62,450</u>	<u>79,627</u>	<u>142,077</u>
Cash and cash equivalents—August 31, 2023	<u>\$ 84,346</u>	<u>\$ 83,423</u>	<u>\$ 167,769</u>

**Tax Status**—The Internal Revenue Service ruled, on March 20, 1984, that the Center is an agency of the State of Texas. As an agency of the state, the Center is generally exempt from federal income taxes, although certain activities are subject to federal unrelated business income tax.

**Basis of Accounting**—The consolidated financial statements of the Center have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when services are provided or, in the case of nonexchange transactions, when eligibility requirements are met, and expenses are recorded when an obligation has been incurred. The Center reports as a business-type activity. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The consolidated financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

#### **GASB Statements Implemented in Fiscal Year 2024**

Other than the portion of this statement implemented in 2022 and 2023, the remainder of GASB Statement No. 99, *Omnibus 2022*, is effective in 2024. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective 2024. The application of the statement had no effect on the Center’s net position or changes in net position.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective 2024, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The application of the statement had no effect on the Center’s net position or changes in net position.

#### **Restricted:**

**Nonexpendable**—Net position subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the Center. Such assets include the Center’s permanent endowment funds.

**Expendable**—Net position whose use by the Center is subject to externally imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire with the passage of time.

**Unrestricted**—Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by action of management or the UT System Board of Regents. Substantially, all unrestricted net position is designated for academic and research programs and initiatives, and capital programs.

**Donor-Restricted Gifts**—Unconditional promises to give cash and other assets are reported at fair value when eligibility requirements are met. The gifts are reported as restricted net position if they are received with donor stipulations that limit the use of the donated assets.

**Pharmacy Inventory**—Pharmacy inventory is valued at the lower of cost (weighted average) or market, which is generally determined on a first-in, first-out basis.

**Primate Inventory**—Primate inventory is valued at the lower of cost or market, which is generally determined on an actual-census basis.

**Investments**—Certain investments of the Center are managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO), a private investment corporation that provides services to UT System and its consolidated entities and blended component units. Investments not managed by UTIMCO largely consist of equities, fixed-income money market and bond mutual funds, and commingled funds. The Center’s investments are carried at fair value.

UT System is authorized to invest funds, as provided in Section 51.0031 of the Texas Higher Education Code and the Constitution of the State of Texas, under prudent investor investment standards. Such investments include various fixed-income and equity-type securities, as well as alternative investments, such as hedge funds and private equity funds. The investments of UT System are governed by various investment policies approved by the UT System Board of Regents.

**Other Noncurrent Assets—Joint Ventures**—The Center records the equity interest for investments in joint ventures where the Center shares in the operating results of the joint venture. The cost method of accounting is used for investments in joint ventures where the Center has only an initial investment, or the Center does not share in operating results of the joint venture.

**Endowments**—Distributions that are reinvested in endowments become permanent additions to the principal of the endowments; therefore, there is no amount of net appreciation on investments of donor-restricted endowments available for authorized expenditures. This provision is typically outlined in the endowment agreements with donors.

Endowments include state and other-than-state permanent endowments, funds functioning as endowments, life income funds, and other investments. Permanent endowments are those funds received from the state or from donors with the stipulation that the corpus remains intact and invested in perpetuity to produce income that is to be expended for specified purposes. Funds functioning as endowments consist of amounts (restricted gifts or unrestricted funds) that have been internally dedicated by the Center for long-term investment purposes. The Center’s endowments are used to support operations in consideration of the restrictions placed by the donors, which are funded through the earnings of the invested funds. Programs supported by the endowments include scholarships, fellowships, professorships, research efforts, and other important programmatic activities.

All real estate holdings by endowments are recorded at fair value. As of August 31, 2024 and 2023, the Center had real estate holdings approximating \$1,264,000 and \$2,128,000, respectively.

**Capital Assets and Intangible Assets**—Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The Center follows the State’s capitalization policy with a cost equal to or greater than \$5,000 for equipment items; \$100,000 for buildings, building improvements, and improvements other than buildings; and \$500,000 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. The thresholds for software are \$100,000 for purchased software and \$1,000,000 for internally developed software, including Enterprise Resource Planning replacements. The threshold for SBITA’s is \$500,000 Net Present Value (NPV). The Center capitalizes, but does not depreciate works of art and historical treasures that are held for exhibition, education, research, and public service. These collections are protected and preserved.

Right-of-use (ROU) and Subscription-Based Information Technology Arrangement (SBITA) intangible assets are recognized at the lease or contract commencement date, respectively, and represent the



Center's right to use an underlying asset for the duration of the term. ROU and SBITA assets are measured at the NPV of the initial value of the contracted liability, plus any payments made at or before commencement and initial direct costs.

Depreciation and amortization for most capital and intangible assets is computed using the straight-line method over the estimated useful lives of the assets, generally two to 15 years for equipment items, three years for software, six years for Enterprise Resource Planning replacements, 15 years for library books, 10 to 50 years for buildings and their components, and 15 to 40 years for infrastructure elements. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the lease term or estimated useful lives of the assets; but if the underlying lease contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset.

**Deferred Outflows and Deferred Inflows**—Deferred outflows and deferred inflows consisting of changes in pension or Other Post-Employment Benefits (OPEB) liabilities not included in pension or OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions or OPEB. Certain employer contributions, benefit payments, administrative expenses, or premiums subsequent to the measurement date of the pension and OPEB liabilities, asset retirement obligation (ARO), and acquisition-related deferred outflows are also required to be reported as deferred outflows of resources. For irrevocable split-interest agreements in which the Center has an unconditional beneficial interest, the fair value of the gift beneficial interest is deferred and reported as deferred inflows until the resources become applicable to the reporting period. Future period revenues from leases where the Center is the lessor are recorded as deferred inflows and amortized using the straight-line method over the lease term. The Center entered into an asset purchase agreement for all the assets, including nonexcluded working capital accounts, with PTC-Houston Management, LP. The related excess consideration paid is the difference between the consideration provided for the purchase of the assets and the market value of the assets and is reported as a deferred outflow and amortizing through November 2059.

**Net Pension Liability**—The Center participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement Center of Texas (TRS). TRS is primarily funded through state, Center, and employee contributions. The Center receives a proportional share of the net pension liability, pension-related deferred outflows, and pension-related deferred inflows from the Texas Comptroller of Public Accounts.

**Total Pension Liability—SRP/RBP Plan**—The Center also participates in a single-employer defined benefit deferred compensation pension plan primarily for physicians, the Physicians Referral Service Supplemental Retirement Plan/Retirement Benefit Plan ("SRP/RBP Plan"). The SRP/RBP Plan is a nonqualified plan described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The SRP/RBP Plan is funded through contributions from the Center and is administered through a trust that is not protected from the creditors of the Center. The SRP/RBP Plan assets are measured at fair value and presented as Restricted Investments—SRP/RBP Plan. The total pension liability and related deferred outflows of resources and deferred inflows of resources are measured and reported in accordance with 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*.

**Total OPEB Liability**—OPEBs are provided to the Center's retirees under the UT System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The System

and member contribution rates are determined annually by the Center based on the recommendations of the Office of Employee Benefits (OEB) staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The Center revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis. The OPEB plan described herein is not administered through a trust.

**Lease Liabilities**—Lease liabilities represent the Center’s obligation to make lease payments arising from leases other than short-term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Short-term leases, those with a maximum period of 12 months, are expensed as incurred.

**SBITA Liabilities**—SBITA liabilities represent the Center’s obligation to make payments to the vendor, measured at the present value of subscription payments over the remaining term. SBITA liabilities are recognized at the SBITA commencement date based upon the present value of future subscription payments over the remaining SBITA term. Short-term SBITA liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.

**Asset Retirement Obligation**—The liability related to anticipated cleanup and decommissioning costs of items using radiation, such as broad scope irradiator, gamma knife, and cyclotrons, is reported as an ARO. The liability is measured using best estimates of current values of outlays expected and amortized over the life of the related assets.

**Consolidated Statements of Revenues, Expenses, and Changes in Net Position**—All revenues and expenses directly related to the delivery of health care services or research activities are included in operating revenues and expenses in the consolidated statements of revenues, expenses, and changes in net position. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income. When an expense is incurred for purposes for which there are both restricted and unrestricted net positions available, it is the Center’s policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

**State Appropriations**—The appropriation of tax revenues by the Texas Legislature (“Legislature”) is in the form of general revenue. The Legislature meets every odd-numbered year and approves a two-year budget (biennial) for all state agencies. The general revenue appropriation to the Center supports the instruction, research, and patient care mission of the Center. Approximately, 95% of the Center’s state appropriation is calculated based on formulas using space, research expenditures, student head count, and the number of new cancer cases in Texas. The balance of the state appropriation supports patient care activities and unsponsored charity care to Texas residents. There is no assurance that the Legislature will continue its state appropriations to the Center in future years; however, the Center expects that the Legislature will continue to do so.

**Uncompensated Care and Charity Care**—The Center provides uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured, as well as the unreimbursed costs from government-sponsored health programs. Generally, to calculate uncompensated care, charges are converted to costs and providers recognize appropriate patient-specific funding and lump-sum funding available to offset costs. Hospital charges are converted to cost by the application of the Medicare cost-to-charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy

cost-to-charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor’s Office. Uncompensated care costs amounted to \$346,031,000 and \$318,863,000 for the years ended August 31, 2024 and 2023, respectively.

GASB requires health-related institutions to report the cost of providing charity care. The American Institute of Certified Public Accountants defines charity care as care for which hospitals never expected to be reimbursed. Charity care occurs when a patient applies to the hospital for financial assistance, and the hospital waives all or part of its charges, consistent with its internal charity care policy. The cost of charity care is calculated using the uncompensated care calculation methodology discussed above. Charity care costs amounted to \$21,722,000 and \$23,532,000 for the years ended August 31, 2024 and 2023, respectively.

**Use of Estimates**—The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Licenses of Intellectual Property**—The Center received payments for perpetual, exclusive licenses to certain intellectual property. Such amounts are reported as net investment income.

## 2. NET PATIENT SERVICE REVENUE AND NET PROFESSIONAL FEES

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

**Medicare**—Inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facility’s current-year cost to the facility-specific cost per discharge. Certain outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services. However, since the Center is designated as a cancer hospital, the Medicare program provides for a “hold harmless” payment that is equal to the difference between the prospectively determined amounts and the current-year adjusted cost (i.e., the current-year adjusted cost is determined through application of a payment-to-cost ratio, which is derived from a previous Medicare cost report, to the current-year actual cost). The Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the Medicare fiscal intermediary. The Center’s Medicare cost reports have been audited by the Medicare fiscal intermediary through August 31, 2020.

**Medicaid**—Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the Medicaid fiscal intermediary. The Center’s Medicaid cost reports have been audited by the Medicaid fiscal intermediary through August 31, 2020.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by \$42,447,000 and \$3,415,000 in 2024 and 2023, respectively, due to changes in estimates resulting from the addition of allowances or removal of allowances previously estimated that are no longer necessary as a result of final settlements; years that are no longer subject to audits, reviews, or investigations; revision of allowance estimates recorded in prior years relating to expected retroactive adjustments; and revisions based on updated information from the fiscal intermediary.

The Center also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The Center recognized contractual and bad debt expense of \$8,143,709,000 and \$7,441,678,000 in 2024 and 2023, respectively, which is included as a deduction to derive net patient service revenue and net professional fees in the consolidated statements of revenues, expenses, and changes in net position.

### 3. DEPOSITS AND INVESTMENTS

**Deposits of Cash in Bank**—The carrying amount of deposits was \$58,572,000 and \$32,810,000 as of August 31, 2024 and 2023, respectively, as presented below (in thousands):

	2024	2023
Cash and cash equivalents	\$ 2,815,033	\$ 2,377,046
Less:		
Cash in state treasury	6,031	5,522
Cash equivalent investments in money market funds (STF)	2,750,311	2,338,615
Other	<u>119</u>	<u>99</u>
Total	<u>\$ 58,572</u>	<u>\$ 32,810</u>

In addition, the Center has also invested in UTIMCO’s short-term fund (STF); these funds are invested in money market funds. As of August 31, 2024 and 2023, the Center had \$2,750,311,000 and \$2,338,615,000, respectively, invested in the STF; these amounts are included in cash and cash equivalents.

#### **Deposit Risks:**

**Custodial Credit Risk**—Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Center will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Center maintains depository relationships with various banking institutions. The Center’s policy is that all deposits are governed by a bank depository agreement between the Center and the respective banking institution. This agreement provides that the Center’s deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with either government securities or a surety bond issued by an insurer rated “AAA” or its equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO) or a combination thereof.

As of August 31, 2024 and 2023, there were no bank balances exposed to custodial risk as uninsured and uncollateralized deposits.

**Investments**—Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management’s assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

**Level 1**—Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date

**Level 2**—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

**Level 3**—Unobservable inputs

The Center’s investments with readily available fair values are primarily valued on the basis of market valuations provided by independent pricing services.

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment’s net asset value (NAV) per share or the Center’s ownership interest in partners’ capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

**Investments Held by the Center**—Investments not held by UT System are recorded in the consolidated balance sheets in assets as Restricted investments—SRP/RBP Plan (in thousands):

	<b>Fair Value Hierarchy</b>		
	<b>2024</b>	<b>Level 1</b>	<b>NAV</b>
Equity mutual funds (domestic and international)	\$ 315,522	\$ 315,522	\$ -
Fixed-income money market and bond mutual funds	357,132	357,132	-
Real estate & mineral interests	30,178	-	30,178
Private investments	28,343	-	28,343
Hedge funds	<u>129</u>	<u>-</u>	<u>129</u>
Total	<u>\$ 731,304</u>	<u>\$ 672,654</u>	<u>\$ 58,650</u>

	<b>Fair Value Hierarchy</b>		
	<b>2023</b>	<b>Level 1</b>	<b>NAV</b>
Equity mutual funds (domestic and international)	\$ 340,450	\$ 340,450	\$ -
Fixed-income money market and bond mutual funds	217,772	217,772	-
Real estate & mineral interests	35,386	-	35,386
Private investments	28,246	-	28,246
Hedge funds	163	-	163
<b>Total</b>	<b><u>\$ 622,017</u></b>	<b><u>\$ 558,222</u></b>	<b><u>\$ 63,795</u></b>

The fair value of equity mutual funds, including domestic and international stocks, are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1.

Fixed-income money market and bond mutual funds consist primarily of money market investments and bond mutual funds. Investments in publicly listed money market funds are categorized as Level 1.

Real estate and mineral interests, private investments and hedge funds are valued using NAV, are redeemable monthly to quarterly, both within one year, with 30 to 180 days' notice, and beyond one year, with 60 to 90 days' notice.

**Other Investments Held by UT System**—The Center also has other investments held by UT System for the purpose of endowment, annuity, and life income funds. These separately invested assets totaled \$4,551,000 and \$8,955,000 as of August 31, 2024 and 2023, respectively. These holdings are primarily invested in publicly listed money market funds categorized as Level 1 in the fair value hierarchy.

**Investments Held in UTIMCO Funds**—The Center has investments held by and under the management of UTIMCO. These investments are recorded at NAV.

- As of August 31, 2024 and 2023, investments held by UTIMCO in its ITF on behalf of the Center were \$3,815,615,000 and \$3,540,844,000, respectively. The ITF includes investments in fixed-income and equity securities in both domestic and international markets. In addition to traditional exchange-traded equity and fixed-income securities, the portfolio includes marketable alternative investments, hedge funds, and various other specialized public market investments. The Center's investments in the ITF are redeemable monthly. Redemption requests from the ITF should be initiated on or before the last business day of the month. ITF transactions will be effective on the first business day of the following month; however, proceeds from ITF redemptions may take up to five business days depending upon the liquidity available in the ITF. For ITF transactions greater than \$25 million, at least three business days' notice is required.
- The Center holds investments in UTIMCO's LTF and PHF, which are invested in a combination of government and nongovernment securities, which include various fixed-income and equity-type securities as well as alternative investments, such as hedge funds, private equity funds, and specialized public market investments. The Center's T. Boone Pickens Fund is invested primarily in LTF (see Note 17—T. Boone Pickens Contribution). The Center's total investments in the LTF and PHF as of August 31, 2024 and 2023, were \$6,296,731,000 and \$5,660,216,000, respectively. The LTF investments are redeemable quarterly. If the withdrawal is greater than \$25 million, advance notice of 60 business days shall be required prior to the quarterly valuation date. If the withdrawal

is for less than \$25 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 5% of the LTF’s NAV, the UT System Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all LTF unitholders. The PHF investments are nonredeemable by the Center.

- As of August 31, 2024, equity investments in public technology companies (“Tech Stocks”) of \$7,737,000 are categorized as Level 1 and \$2,046,000 are categorized as Level 3. As of August 31, 2023, Tech Stocks of \$8,260,000 are categorized as Level 1 and \$1,908,000 are categorized as Level 3.

The audited consolidated financial statements of the funds managed by UTIMCO may be found on UTIMCO’s website and inquiries may be directed to UTIMCO via [www.utimco.org](http://www.utimco.org).

**Investment Risks:**

**Credit Risk**—Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a NRSRO. The Center’s investment policy limits investments in US domestic bonds and nondollar-denominated bond investments to those that are rated investment grade Baa3 or better by Moody’s Investor Services, BBB or better by Standard & Poor’s Corporation, or an equivalent rating by a Nationally Recognized Statistical Rating Organizations (NRSRO) at the time of acquisition. This requirement does not apply to investment managers that are authorized by the terms of an investment advisory agreement to invest in below investment-grade bonds. The Center’s credit quality distribution for investments with credit risk exposure as of August 31, 2024 and 2023, is as follows (in thousands):

Investment Type	2024					
	Moody’s		Standard and Poor’s		FITCH	
	Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
Fixed-income money market and bond mutual fund	\$ 10,082	AAA	\$ 10,082	AAA	\$ -	AAA
	<u>347,051</u>	Unrated	<u>347,051</u>	Unrated	<u>357,133</u>	Unrated
	<u>\$357,133</u>		<u>\$357,133</u>		<u>\$357,133</u>	
Investment Type	2023					
	Moody’s		Standard and Poor’s		FITCH	
	Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
Fixed-income money market and bond mutual fund	\$ 8,247	AAA	\$ 8,247	AAA	\$ -	AAA
	<u>209,525</u>	Unrated	<u>209,525</u>	Unrated	<u>217,772</u>	Unrated
	<u>\$217,772</u>		<u>\$217,772</u>		<u>\$217,772</u>	

**Custodial Credit Risk**—The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Center will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Center’s investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2024 and 2023, the Center does not have any investments that are exposed to custodial credit risk.

**Concentrations of Credit Risk**—The Center’s investment policy statement contains the limitation that no more than 5% of the fair value of domestic fixed-income securities may be invested in corporate or municipal bonds of a single issuer. The Center does not hold any direct investments in any one issuer that represents 5% or more of total investments.

**Interest Rate Risk**—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the Center is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the Center’s investments to changes in interest rates. The Center has no specific policy statement limitations with respect to its overall modified duration.

**Foreign Currency Risk**—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the Center’s non-US dollar investments. There are no limitations on investments in non-US-denominated bonds or common stocks in relation to the Center’s total fixed-income and developed-country equity exposures in the Center’s investment policy statements.

#### 4. UNCONDITIONAL PROMISES TO GIVE

Contributions and gifts received from donors resulting from nonexchange transactions are recorded as revenues when all the eligibility requirements are met. Restricted contributions are recorded as restricted net position if they are received with donor stipulations that limit the use or the timing of the donated asset.

Unconditional promises to give are recorded when the gift intent is made known in writing. A receivable is established, and net position is increased by the time-discounted value of the promises. At August 31, 2024 and 2023, discount rates used ranged from 5.37% to 4.44% and 3.48% to 3.65%, respectively. Irrevocable trusts are recorded at the point of notification and are recorded as restricted expendable or restricted nonexpendable as determined by the trust instruments.

The Center estimates the year of receipt to the extent possible for unconditional promises. The anticipated present value of the contribution receivable as of August 31, 2024 and 2023, is as follows (in thousands):

	2024	2023
Due in one year	\$ 11,163	\$ 9,346
Due in two to five years	11,925	13,887
Due thereafter	<u>1,000</u>	<u>75</u>
Gross contributions receivable	24,088	23,308
Less present value discount of gross contributions	(2,287)	(1,655)
Less allowance for uncollectible contributions	<u>(1,618)</u>	<u>(1,892)</u>
Net contributions receivable	<u>\$ 20,183</u>	<u>\$ 19,761</u>

As of August 31, 2024 and 2023, the Center had received conditional promises to give and indications of intentions to give of approximately \$168,672,000 and \$119,444,000, respectively, in addition to the amounts recorded as contributions receivable. These amounts are not reflected in the accompanying consolidated financial statements.



## 5. ENDOWMENTS

The net position classifications in the consolidated balance sheets related to quasi-endowment funds as of August 31, 2024 and 2023, are as follows (in thousands):

<b>Quasi-Endowments</b>	<b>2024</b>	<b>2023</b>
Restricted—nonexpendable	\$ 1,108,222	\$ 1,076,064
Restricted—expendable:		
Net appreciation	605,690	525,559
Income	105,171	94,184
Funds functioning as endowments—unrestricted	<u>55,394</u>	<u>53,164</u>
Total	<u>\$ 1,874,477</u>	<u>\$ 1,748,971</u>

In the table above, amounts reported as “Net appreciation” represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the UT System Board of Regents. For donor-restricted endowments, pursuant to the Uniform Management of Institutional Funds Act, as adopted by the State of Texas, the UT System Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. UT System’s policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The Center’s endowment distribution policy is further discussed below.

**Endowments and Similar Funds—State**—These endowments are composed of the PHF. A portion of the PHF was established for the benefit of the UT System’s health-related institutions, as well as for the Texas A&M University Health Science Center, The University of North Texas Health Science Center at Fort Worth, The Texas Tech University Health Science Center, and Baylor College of Medicine.

The UT System Board of Regents manages certain permanent funds for health-related institutions of higher education as more fully described in Chapter 63 of the Texas Education Code. Certain funds created by this statute were transferred to The UT System Board of Regents on August 30, 1999, to be managed and invested in the same manner as the UT System Board of Regents manages and invests other endowment funds. The PHF as defined in the statute is classified as “Endowment and Similar Funds—State.” These endowments provide support for programs that benefit medical research, health education, or treatment at health-related institutions. The UT System Board of Regents determines the amount of distributions to support the programs based on the PHF’s investment policy.

The PHF’s investment policy provides that the annual payout will be adjusted by the average Consumer Price Index of the previous 12 quarters. However, if this inflationary increase results in a distribution rate below 3.5%, the UTIMCO board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%. If the distribution rate exceeds 5.5%, the board may recommend a reduction in the per-unit distribution amount. Notwithstanding any of the foregoing provisions, the UT System Board of Regents may approve a per-unit distribution amount that, in its judgment, would be more appropriate than the rate calculated by the policy provisions.

The general endowment fund (GEF), created on March 1, 2001, is a pooled fund established for the collective investment of LTFs under the control and management of the UT System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their

investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. As provided in the LTF investment policy, distributions from the LTF are determined in the same manner as the PHF described above.

**Endowment and Similar Funds—Other Than State**—These endowments are composed of funds, subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. Funds may include endowments, term endowments, and funds functioning as endowments. Funds functioning as endowments consist of amounts that have been internally dedicated by the Center for long-term investment purposes. Funds with external donor restrictions are classified as funds functioning as endowments—restricted. If no external restriction exists, the funds are classified as funds functioning as endowments—unrestricted. Endowment and term endowment holdings may be invested in the LTF or may be separately invested based upon the following three factors: (i) there are investment restrictions incorporated into the trust or endowment document, (ii) the inability to sell the gifted investment asset, or (iii) the funds are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

**Annuity and Life Income Funds**—The annuity funds consist of funds donated to an institution on the condition that the institution pays a stipulated amount of the funds to the donor or designated individual for a specified time or until the time of death of the annuitant. The life income funds consist of funds contributed to an institution subject to the requirement that the institution periodically pays the income earned on the assets, less management expenses, to designated beneficiaries. At August 31, 2024 and 2023, accounts payable to beneficiaries approximated \$4,083,000 and \$7,990,000, respectively.

## 6. CAPITAL ASSETS

The Center's capital assets including capital intangible assets, as of August 31, 2024, are as follows (in thousands):

	Balance 8/31/2023	Reclassification: Completed CIP
Nondepreciable assets:		
Land and land improvements	\$ 273,738	\$ -
Construction in Progress (CIP)	358,635	(285,468)
Nondepreciable collections	2,158	-
Nonamortizable intangible assets	<u>1,031</u>	<u>-</u>
Total nondepreciable/ nonamortizable assets	<u>635,562</u>	<u>(285,468)</u>
Depreciable assets:		
Buildings and building improvements	4,501,312	167,649
Infrastructure	62,186	-
Facilities and other improvements	16,210	187
Furniture and equipment	1,552,644	68,054
Vehicles, boats and aircraft	8,580	-
Other depreciable assets (including library books)	<u>130,615</u>	<u>5,426</u>
Total depreciable assets at historical cost	<u>6,271,547</u>	<u>241,316</u>
Less accumulated depreciation for:		
Buildings and building improvements	(3,043,701)	-
Infrastructure	(39,806)	-
Facilities and other improvements	(12,704)	-
Furniture and equipment	(1,165,632)	-
Vehicles, boats and aircraft	(7,347)	-
Other depreciable assets (including library books)	<u>(43,434)</u>	<u>-</u>
Total accumulated depreciation	<u>(4,312,624)</u>	<u>-</u>
Depreciable assets, net	<u>1,958,923</u>	<u>241,316</u>
Amortizable intangible assets:		
Computer software	468,968	44,152
Right-of-use building	204,286	-
Right-of-use equipment	53,308	-
Right-of-use SBITA	<u>69,778</u>	<u>-</u>
Total amortizable intangible assets	<u>796,340</u>	<u>44,152</u>
Less accumulated amortization for:		
Computer software	(446,812)	-
Right-of-use building	(49,607)	-
Right-of-use equipment	(25,894)	-
Right-of-use SBITA	<u>(25,019)</u>	<u>-</u>
Total accumulated amortization	<u>(547,332)</u>	<u>-</u>
Intangible capital assets, net	<u>249,008</u>	<u>44,152</u>
Capital assets, net	<u>\$ 2,843,493</u>	<u>\$ -</u>

	Reclassifications Interagency Transfers—In	Reclassifications Interagency Transfers—Out	Additions	Deletions	Balance 8/31/2024
Nondepreciable assets:					
Land and land improvements	\$ -	\$ -	\$ 1,226	\$ -	\$ 274,964
Construction in Progress (CIP)	-	-	452,285	-	525,452
Nondepreciable collections	-	-	-	(12)	2,146
Nonamortizable intangible assets	-	-	-	-	1,031
<b>Total nondepreciable/ nonamortizable assets</b>	<b>-</b>	<b>-</b>	<b>453,511</b>	<b>(12)</b>	<b>803,593</b>
Depreciable assets:					
Buildings and building improvements	-	-	-	-	4,668,961
Infrastructure	-	-	-	-	62,186
Facilities and other improvements	-	-	-	-	16,397
Furniture and equipment	-	(165)	163,820	(78,444)	1,705,909
Vehicles, boats and aircraft	-	(20)	1,825	(1,017)	9,368
Other depreciable assets (including library books)	-	-	-	-	136,041
<b>Total depreciable assets at historical cost</b>	<b>-</b>	<b>(185)</b>	<b>165,645</b>	<b>(79,461)</b>	<b>6,598,862</b>
Less accumulated depreciation for:					
Buildings and building improvements	-	-	(138,177)	-	(3,181,878)
Infrastructure	-	-	(2,537)	-	(42,343)
Facilities and other improvements	-	-	(412)	-	(13,116)
Furniture and equipment	-	89	(126,479)	72,974	(1,219,048)
Vehicles, boats and aircraft	-	20	(800)	1,017	(7,110)
Other depreciable assets (including library books)	-	-	0	-	-
<b>Total accumulated depreciation</b>	<b>-</b>	<b>109</b>	<b>(279,541)</b>	<b>73,991</b>	<b>(4,518,065)</b>
<b>Depreciable assets, net</b>	<b>-</b>	<b>(76)</b>	<b>(113,896)</b>	<b>(5,470)</b>	<b>2,080,797</b>
Amortizable intangible assets:					
Computer software	-	-	1,204	(5,523)	508,801
Right-of-use building	-	-	1,435	(1,749)	203,972
Right-of-use equipment	-	-	25,118	(16,216)	62,210
Right-of-use SBITA	-	-	58,935	(4,654)	124,059
<b>Total amortizable intangible assets</b>	<b>-</b>	<b>-</b>	<b>86,692</b>	<b>(28,142)</b>	<b>899,042</b>
Less accumulated amortization for:					
Computer software	-	-	(18,053)	5,523	(459,342)
Right-of-use building	-	-	(17,178)	1,749	(65,036)
Right-of-use equipment	-	-	(19,367)	16,216	(29,045)
Right-of-use SBITA	-	-	(28,864)	4,330	(49,553)
<b>Total accumulated amortization</b>	<b>-</b>	<b>-</b>	<b>(83,462)</b>	<b>27,818</b>	<b>(602,976)</b>
<b>Intangible capital assets, net</b>	<b>-</b>	<b>-</b>	<b>3,230</b>	<b>(324)</b>	<b>296,066</b>
<b>Capital assets, net</b>	<b>\$ -</b>	<b>\$ (76)</b>	<b>\$ 342,845</b>	<b>\$ (5,806)</b>	<b>\$ 3,180,456</b>

The Center's capital assets including capital intangible assets, as of August 31, 2023, are as follows (in thousands):

	Balance 9/1/2022	Reclassifications Completed CIP
Nondepreciable assets:		
Land and land improvements	\$ 264,555	\$ 8,657
Construction in Progress (CIP)	282,124	(118,209)
Nondepreciable collections	2,158	-
Nonamortizable intangible assets	<u>2,061</u>	<u>-</u>
Total nondepreciable/ nonamortizable assets	<u>550,898</u>	<u>(109,552)</u>
Depreciable assets:		
Buildings and building improvements	4,464,167	61,609
Infrastructure	62,186	-
Facilities and other improvements	16,210	-
Furniture and equipment	1,481,675	-
Vehicles, boats and aircraft	8,492	-
Other depreciable assets (including library books)	<u>105,595</u>	<u>34,995</u>
Total depreciable assets at historical cost	<u>6,138,325</u>	<u>96,604</u>
Less accumulated depreciation for:		
Buildings and building improvements	(2,928,515)	-
Infrastructure	(37,269)	-
Facilities and other improvements	(12,298)	-
Furniture and equipment	(1,100,292)	-
Vehicles, boats and aircraft	(6,913)	-
Other depreciable assets (including library books)	<u>(43,893)</u>	<u>-</u>
Total accumulated depreciation	<u>(4,129,180)</u>	<u>-</u>
Depreciable assets, net	<u>2,009,145</u>	<u>96,604</u>
Amortizable intangible assets:		
Computer software	455,742	12,948
Right-of-use building	205,245	-
Right-of-use equipment	45,944	-
Right-of-use SBITA	<u>47,444</u>	<u>-</u>
Total amortizable intangible assets	<u>754,375</u>	<u>12,948</u>
Less accumulated amortization for:		
Computer software	(421,132)	-
Right-of-use building	(33,146)	-
Right-of-use equipment	(23,941)	-
Right-of-use SBITA	<u>(11,661)</u>	<u>-</u>
Total accumulated amortization	<u>(489,880)</u>	<u>-</u>
Intangible capital assets, net	<u>264,495</u>	<u>12,948</u>
Capital assets, net	<u>\$ 2,824,538</u>	<u>\$ -</u>

	Reclassifications Interagency Transfers—In	Reclassifications Interagency Transfers—Out	Additions	Deletions	Balance 8/31/2023
Nondepreciable assets:					
Land and land improvements	\$11	\$(2,049)	\$ 2,564	\$ -	\$ 273,738
Construction in Progress (CIP)	-	-	194,720	-	358,635
Nondepreciable collections	-	-	-	-	2,158
Nonamortizable intangible assets	-	(1,030)	-	-	1,031
Total nondepreciable/ nonamortizable assets	<u>11</u>	<u>(3,079)</u>	<u>197,284</u>	<u>-</u>	<u>635,562</u>
Depreciable assets:					
Buildings and building improvements	-	-	376	(24,840)	4,501,312
Infrastructure	-	-	-	-	62,186
Facilities and other improvements	-	-	-	-	16,210
Furniture and equipment	-	-	132,561	(61,592)	1,552,644
Vehicles, boats and aircraft	-	-	427	(339)	8,580
Other depreciable assets (including library books)	-	-	-	(9,975)	130,615
Total depreciable assets at historical cost	<u>-</u>	<u>-</u>	<u>133,364</u>	<u>(96,746)</u>	<u>6,271,547</u>
Less accumulated depreciation for:					
Buildings and building improvements	-	-	(137,786)	22,600	(3,043,701)
Infrastructure	-	-	(2,537)	-	(39,806)
Facilities and other improvements	-	-	(406)	-	(12,704)
Furniture and equipment	-	-	(124,052)	58,712	(1,165,632)
Vehicles, boats and aircraft	-	-	(749)	315	(7,347)
Other depreciable assets (including library books)	-	-	(9,516)	9,975	(43,434)
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>(275,046)</u>	<u>91,602</u>	<u>(4,312,624)</u>
Depreciable assets, net	<u>-</u>	<u>-</u>	<u>(141,682)</u>	<u>(5,144)</u>	<u>1,958,923</u>
Amortizable intangible assets:					
Computer software	-	-	1,000	(722)	468,968
Right-of-use building	-	-	-	(959)	204,286
Right-of-use equipment	-	-	23,650	(16,286)	53,308
Right-of-use SBITA	-	-	29,173	(6,839)	69,778
Total amortizable intangible assets	<u>-</u>	<u>-</u>	<u>53,823</u>	<u>(24,806)</u>	<u>796,340</u>
Less accumulated amortization for:					
Computer software	-	-	(26,403)	723	(446,812)
Right-of-use building	-	-	(17,171)	710	(49,607)
Right-of-use equipment	-	-	(18,239)	16,286	(25,894)
Right-of-use SBITA	-	-	(18,708)	5,350	(25,019)
Total accumulated amortization	<u>-</u>	<u>-</u>	<u>(80,521)</u>	<u>23,069</u>	<u>(547,332)</u>
Intangible capital assets, net	<u>-</u>	<u>-</u>	<u>(26,698)</u>	<u>(1,737)</u>	<u>249,008</u>
Capital assets, net	<u>\$11</u>	<u>\$(3,079)</u>	<u>\$ 28,904</u>	<u>\$ (6,881)</u>	<u>\$ 2,843,493</u>

**SBITAs**—The Center entered into various SBITAs that convey the Center control of the right-to-use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. Of these SBITAs, some agreements call for payments that are partially or completely variable and, therefore, were not included in ROU subscription assets or subscription liabilities. These variable payments are derived from a number of licenses that changes from time to time, use of the IT asset, or

changes in index rates. The Center recognized a total of \$950,000 and \$27,000 as expenses from these variable payments for the years ended August 31, 2024 and 2023, respectively.

The principal and interest expense for the next five years and beyond are projected below for subscription obligations:

**Years Ending  
August 31**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 22,612	\$ 1,535	\$ 24,147
2026	18,532	1,003	19,535
2027	10,479	525	11,004
2028	6,455	252	6,707
2029	4,237	63	4,300
2030-2034	<u>221</u>	<u>3</u>	<u>224</u>
Total requirements	<u>\$ 62,536</u>	<u>\$ 3,381</u>	<u>\$ 65,917</u>

GASB Statement No. 83 requires the disclosure of ARO resulting from Texas Administrative Code, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252, Licensing of Radioactive Material. The liabilities were measured using best estimates of current values of outlays expected. The Texas Administrative Code, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252 (gg)(6)(D), exempts State licenses from providing financial assurances and no assets have been restricted for payment of the liability.

The Asset retirement obligation for the years ended August 31, 2024 and 2023, is presented below:

<b>Asset Retirement Obligation</b>	<b>2024</b>	
	<b>Amount</b>	<b>Life</b>
Broadscope and Irradiator	\$3,989	0 months
Cyclotron	971	0 months
Gamma Knife	<u>2,070</u>	72 months
Total	<u>\$7,030</u>	
<b>Asset Retirement Obligation</b>	<b>2023</b>	
	<b>Amount</b>	<b>Life</b>
Broadscope and Irradiator	\$4,328	0 months
Cyclotron	949	0 months
Gamma Knife	2,016	0 months
Proton Therapy	<u>1,290</u>	0 months
Total	<u>\$8,583</u>	

**7. RISK FINANCING AND RELATED INSURANCE**

UT System has eight funded self-insurance/high retention plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation,

professional medical liability, property protection, directors and officers/employment practices and cyber liability, construction contractor insurance, and automobile, property, and liability. The Center is covered under these individual insurance plans; the related liability is recorded at UT System level. The Center disperses funds to UT System for payment of their pro rata share of costs related to these insurance programs.

**Employee Health and Dental Insurance**—The UT System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment, long-term disability, short-term disability, and flexible spending account coverage to all benefits-eligible employees and retirees of the UT System and its fourteen institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of the UT System’s cost of providing group health and basic life insurance coverage is paid by the State as specified in the General Appropriations Act. The UT System’s OEB is responsible for the overall administration of the insurance plans. The UT System’s OEB was established by Chapter 1601 of the *Texas Insurance Code* and complies with state laws and statutes pertinent to employee benefits for the UT System.

**Unemployment Compensation Insurance**—The General Appropriations Act requires the UT System to reimburse the Texas Workforce Commission for 50% of the unemployment benefits paid to qualified former employees paid from general revenue funds and 100% of the unemployment benefits paid from local funds.

**Workers’ Compensation Insurance**—The University of Texas Center Workers’ Compensation Insurance program provides coverage to all employees of the UT System and its institutions. Under the oversight of the UT System’s Office of Risk Management, the UT System self-insures and administers the systemwide program through the use of a third-party administrator. The coverage provides income and medical benefits to all employees who have sustained compensable job-related injuries or occupational diseases. The program’s statutory authority is embodied in Chapter 503 of the *Texas Labor Code*.

**Professional Medical Liability Benefit Plan**—The coverage provided under the Professional Medical Liability Benefit Plan (the “Plan”) is on an occurrence basis; thus, a participant is covered by the Plan for claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System’s employment or training. The Plan covers all the System staff physicians, dentists, residents, fellows, and medical and dental students who have been enrolled. Effective July 1, 2020, health care professional staff members and faculty who are licensed, certified, or registered to provide patient care have Plan coverage. The limits of liability of the Plan include an annual policy aggregate of \$30 million, an annual aggregate of \$1.5 million for each staff physician, resident, fellow, and health care professional (\$500,000 per claim), and a \$75,000 annual aggregate for each medical and dental student (\$25,000 per claim). Additional coverage is available outside of Texas and for approved international activities. Liability is limited to \$2 million per claim, regardless of the number of claimants or plan participants involved in an incident.

The limits of liability are prescribed by law as \$100,000 per health care liability claim per physician determined to be a public servant. UT institutions are covered under the Plan for actions that could have been brought against an individual plan participant. The liability of a UT institution is limited by law to \$250,000 per person injured and \$500,000 per occurrence for bodily injury or death.

**Comprehensive Property Protection Program**—The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) and Named Windstorm and Flood (Wind and Flood) coverage. All coverage is subject to the terms, exclusions, limits, and conditions of the Insurance Policies. The Fire and AOP program



provide a \$1.3 billion per occurrence limit for most perils, with sub-limits that do apply. The System participates in a quota share of the following layers of commercial insurance coverage: thirteen percent (13%) of the \$25 million layer excess of \$25 million, twelve percent (12%) of the \$25 million layer excess of \$50 million, nine percent (9%) of the \$25 million layer excess of \$75 million, and five percent (5%) of the \$50 million layer excess of \$100 million. Deductibles for Fire and AOP are \$10 million per occurrence with a \$20 million annual aggregate limit; institutions have a \$500,000 per occurrence deductible. The commercial insurance coverage for Named Windstorm and resulting perils provides a \$250 million per occurrence limit with the UT System participating in a quota share of the following layers of commercial insurance coverage: thirteen percent (13%) of the \$25 million layer excess of \$25 million, twelve percent (12%) of the \$25 million layer excess of \$50 million, nine percent (9%) of the \$25 million layer excess of \$75 million, and five percent (5%) of the \$50 million layer excess of \$100 million. The Center purchases a dedicated \$100 million policy excess of the \$250 million per occurrence Named Windstorm CPPP limit. Deductibles for Wind and Flood are \$50 million per occurrence for the Center (locations in Texas Medical Center only), 5% of affected values in other Tier 1 counties subject to a \$10 million minimum, and AOP deductibles for all other locations. Tier 1 counties include counties along the Texas coast plus Harris County.

Primary insurance policies are purchased on certain flood and wind exposed properties to partially offset the large deductibles. These policies provide underlying limits (up to \$4.4 million per building/contents for wind and \$1 million maximum building/contents for flood) and are purchased through the Texas Windstorm Insurance Association (TWIA) for facilities in Tier 1 seacoast territories and the National Flood Insurance Program (NFIP) for properties located in higher-risk flood zones. The Center purchases a \$25 million Named Windstorm Multi Year Single Limit (MYSL) buydown policy to reduce the \$50 million Wind and Flood deductible; the Center has a 25% share of the \$25 million to \$50 million layer. The interim financing component of the program participates in losses resulting from physical damage that exceeds the coverage available under these primary policies and the institution's deductible. The interim financing for the Wind and Flood program is funded by annual contributions made by each institution in addition to the payment of insurance premiums.

**Directors and Officers/Employment Practices Liability Plan**—The Directors and Officers Liability (D&O) and Employment Practices Liability (EPL) Plan (the “Plan”) provides coverage for claims arising from actual or alleged wrongful acts performed by the Plan beneficiaries and for EPL claims, such as wrongful termination, failure to promote, and wrongful discipline.

Coverage applies to individual board members, employees, faculty, and other covered individuals, as well as to each of the institutions and UT System Administration. The limit of liability is a \$15 million annual aggregate (Coverages A, B, and C combined), with an additional \$5 million self-insured annual aggregate excess limit for Coverages A and B. Self-insured retentions for the Plan are subject to a \$5 million annual aggregate. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a UT institution that is required to indemnify a covered individual with deductibles of \$100,000 per individual and \$500,000 per occurrence. Coverage C applies to a UT institution with a \$500,000 deductible or a \$750,000 per occurrence deductible for Non-Attorney General claims where outside counsel costs exceed \$250,000. In the event a loss involves any or all of Coverages A, B, and C, then only the single largest deductible amount will apply.

**The Cyber Liability Program**—The Cyber Liability Program provides coverage for claims arising from the following causes of loss: media liability, network security liability, privacy liability, regulatory liability, loss of digital assets, network asset protection, and Payment Card Industry Data Security Standard (PCI-

DSS). Each claim is subject to a \$5 million self-insured retention; institutions have a \$500,000 per occurrence deductible.

**Rolling Owner Controlled Insurance Program**—The Rolling Owner Controlled Insurance Program (ROCIP) was established for the centralized purchase of construction contractor insurance on various capital improvement projects. This program provides workers' compensation, employers' liability, and general liability insurance coverage for all contractors enrolled on projects participating in the program. Each coverage carries a \$250,000 per occurrence deductible with a maximum \$375,000 per occurrence clash deductible, if more than one coverage is triggered by the same occurrence. Deductibles are paid through the program's self-insurance fund. The self-insurance fund also pays portions of Builder's Risk deductibles.

**Automobile, Property & Liability Plan**—The Automobile, Property & Liability Plan provides automobile liability and physical damage coverage for owned, leased, hired, and non-owned (excess liability only) vehicles, along with general liability coverage for certain scheduled exposures. Auto liability coverages are subject to a self-insured retention of \$150,000, general liability coverages are subject to a self-insured retention of \$100,000, and physical damage claims are subject to a \$35,000 self-insured retention per occurrence. There is a \$1,000,000 annual aggregate stop loss for the fiscal year 2024 policy term. Institution deductibles are \$2,500 per occurrence for auto liability, \$1,000 per vehicle for physical damage, and \$5,000 per vehicle for physical damage for vehicles valued over \$100,000. Catastrophe physical damage claims are subject to a \$100,000 per occurrence self-insured retention.

**Incurred But Not Reported Self-Insurance Claims Recorded at the UT System Level**—Insurance claims that were Incurred But Not Reported (IBNR) were actuarially determined for the employee's health and dental, workers' compensation, professional medical liability; directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans. IBNR figures for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans include liabilities for unpaid reported claims and are reported on an undiscounted basis. The IBNR liability for the property protection self-insurance plan is not actuarially determined but estimated based on unpaid reported claims. Since an annual accrual is recorded for the third quarter TWC billing, no IBNR liability is recorded for Unemployment Compensation Insurance. No settlements exceeded insurance coverage in the past three fiscal years.

Since the responsibility for processing all claims for self-funded employee health and dental benefits has been fully delegated to third parties, the IBNR claims liability for those benefits does not include a provision for unallocated loss adjustment expenses (ULAE). However, it does include a provision of 5% of the projected incurred but unpaid claims for the administrative expenses associated with processing those claims. The IBNR claims liability for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans includes a related accrual for allocated loss adjustment expenses (ALAE), which are the claim-specific defense and settlement costs associated with the ultimate settlement of those claims. They do not include a provision for ULAE, which are general administrative expenses associated with claims settlement, but are not specifically attributable to individual claims.

## 8. DEBT SERVICES AND LONG-TERM LIABILITIES

**Short-Term Debt**—The Center receives proceeds from commercial paper and other short-term debt issued and held by UT System to provide interim financing for capital improvements and to finance equipment purchases. These proceeds are evidenced through internal loan agreements and are recorded as transfers from UT System. The Center disburses funds to UT System for payments of principal and interest related to the Center’s internal loans. These disbursements are recorded as transfers to the UT System.

As of August 31, 2024 and 2023, UT System had outstanding Revenue Financing Centers commercial paper notes payable of \$1,282,500,000 and \$1,334,761,000, respectively. No amount of indebtedness related to these commercial paper notes has been recorded in the Center’s consolidated financial statements, as the UT System is the party directly liable for these commercial paper notes. As of August 31, 2024 and 2023, however, the Center’s remaining unpaid share of short-term internal loans was \$75,758,000 and \$654,000, respectively. The Center started drawing down on new construction debt on August 24 for CSB which sits in commercial paper.

**Long-Term Debt Service Requirements**—The Center receives proceeds from revenue bonds issued and held by UT System to support capital projects of UT System and its consolidated entities and blended component units. These proceeds are evidenced through internal loan agreements and are recorded as transfers in from UT System. The Center disburses funds to UT System for payments of principal and interest related to the Center’s internal loans. These disbursements are recorded as transfers out to UT System.

As of August 31, 2024 and 2023, UT System had outstanding RFS bonds payable of \$6,640,325,000 and \$6,559,535,000, respectively.

No amount of indebtedness related to these bonds has been recorded in the Center’s consolidated financial statements, as the UT System is the party directly liable for these bonds. As of August 31, 2024 and 2023, however, the Center’s remaining unpaid share of long-term internal loans was \$599,836,000 and \$677,439,000, respectively. Such amount is expected to be transferred to UT System as of August 31 as follows (in thousands):

<b>Years Ending August 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 39,684	\$ 23,616	\$ 63,300
2026	41,028	21,885	62,913
2027	34,793	20,147	54,940
2028	36,184	18,738	54,922
2029	32,025	17,272	49,297
2030–2034	163,860	66,510	230,370
2035–2039	127,223	38,282	165,505
2040–2044	84,663	14,349	99,012
2045–2049	38,955	4,222	43,177
2050–2054	1,421	13	1,434
<b>Total</b>	<u>\$ 599,836</u>	<u>\$ 225,034</u>	<u>\$ 824,870</u>

As of August 31, 2024 and 2023, the Center incurred \$25,323,000 and \$32,252,000, respectively, of interest expense on long-term and short-term internal loans held by UT System.

Long-term liability activity for the year ended August 31, 2024, is summarized as follows (in thousands):

	Balance 8/31/2023	Additions	Reductions	Balance 8/31/2024	Amounts Due Within One Year
Lease liability	\$189,824	\$ 26,552	\$ 34,728	\$181,648	\$ 31,761
SBITA liability	35,167	58,934	31,565	62,536	22,704
Compensated absences	270,366	296,683	273,490	293,559	246,470
Asset retirement obligation	<u>8,583</u>	<u>77</u>	<u>1,630</u>	<u>7,030</u>	<u>-</u>
Total long-term liabilities	<u>\$503,940</u>	<u>\$382,246</u>	<u>\$341,413</u>	<u>\$544,773</u>	<u>\$300,935</u>

Long-term liability activity for the year ended August 31, 2023, is summarized as follows (in thousands):

	Balance 9/1/2022	Additions	Reductions	Balance 8/31/2023	Amounts Due Within One Year
Lease liability	\$200,320	\$ 23,650	\$ 34,146	\$189,824	\$ 28,182
SBITA liability	29,000	29,173	23,006	35,167	14,974
Compensated absences	253,065	257,907	240,606	270,366	215,129
Asset retirement obligation	<u>8,583</u>	<u>-</u>	<u>-</u>	<u>8,583</u>	<u>-</u>
Total long-term liabilities	<u>\$490,968</u>	<u>\$310,730</u>	<u>\$297,758</u>	<u>\$503,940</u>	<u>\$258,285</u>

Noneducational, benefits-eligible employees participate in the paid time off (PTO) program. PTO is a system of pooling and managing employee leave time and has consolidated the traditional, separate leave for vacation, sick, and holiday time into one “bank” of time. Under the PTO program, employees will earn annual leave from 11 to 27 hours per month depending upon the employees’ years of state employment. PTO hours are payable at termination if the employees have met the leave eligibility date. PTO balances carry over into the next fiscal year with a maximum cap of 150% of the annual PTO accrual rate. Any excess PTO hours roll into an employee’s extended illness bank (EIB). EIB provides employees with illness income protection when the employee or his/her immediate family member is ill or injured. In most cases, employees are required to use 16 hours of PTO before accessing their EIB hours. Employees accrue EIB based on their years of total state service as of September 1 of each fiscal year and range from 24 to 32 hours annually. EIB hours are not capped and carry over to the next fiscal year. Accumulated extended illness leave is not reimbursed at termination of employment except in the case of an active employee’s death. In case of an employee’s death while actively employed, the employee’s estate will be paid 50% of the employee’s EIB balance, not to exceed a maximum of 336 hours, provided the employee has at least six months of service.

## 9. COMMITMENTS AND CONTINGENCIES

**Pending Lawsuits and Claims**—The Center is involved in litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Center’s financial position, results from operations, or cash flows.

**Commitments for Construction**—As of August 31, 2024 and 2023, the remaining commitment on construction contracts for expansion and remodeling of the Center’s facilities is approximately \$1,268,111,000 and \$263,331,000, respectively.

**Laws and Regulations**—The Center is subject to laws and regulations governing the Medicare and Medicaid programs and certain other third-party programs that are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of third-party settlements will change by a material amount in the near term. The Center’s intent is to be in compliance with all applicable laws and regulations and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future review and interpretation. Changes in the Medicare and Medicaid programs and a reduction of funding could have an adverse effect on the Center.

## 10. LEASES

**Leases Where the Center is the Lessee**—The Center entered into various leases for buildings and equipment. Of these leases, some agreements call for payments that are partially or completely variable and, therefore, were not included in ROU assets or lease liabilities. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The Center recognized a total of \$2,338,000 and \$1,978,000 as expenses from these variable payments for the years ended August 31, 2024 and 2023, respectively.

The principal and interest expense for the next five years and beyond are projected below for lease obligations (in thousands):

### Years Ending August 31

Fiscal Year	Principal	Interest	Total
2025	\$ 32,048	\$ 2,372	\$ 34,420
2026	24,444	1,909	26,353
2027	20,494	1,509	22,003
2028	16,989	1,250	18,239
2029	12,500	1,062	13,562
2030–2034	38,563	3,597	42,160
2035–2039	<u>36,610</u>	<u>1,231</u>	<u>37,841</u>
Total requirements	<u>\$ 181,648</u>	<u>\$ 12,930</u>	<u>\$ 194,578</u>

**Subleases**—The Center subleases certain portions of various building assets to third parties. Since the Center is both a lessee and a lessor in these sublease arrangements, the Center’s lessor transactions are included within lessor disclosures, separately from the Center’s lessee transactions related to the original leases which are included within the lessee disclosures.

**Leases Where the Center is the Lessor**—The leasing arrangements where the Center is the lessor include distinct lessees as occupants in building leases. For the years ended August 31, 2024 and 2023, the Center earned a total of \$312,000 and \$1,062,000 in lease revenue and \$9,000 and \$34,100 in lease interest revenue, respectively, from arrangements meeting the definition of a lease.

## 11. EMPLOYEES' RETIREMENT PLANS

**TRS**—The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the Center participates is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the TRS. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the Center may be required to make contributions in lieu of the State.

All Center personnel employed in a position on a half-time or greater basis for at least four and one half months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service, which equals 80 or more. However, members who began TRS participation on or after September 1, 2007, must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014, must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

The TRS plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005, and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments.

The Texas 2023 Legislature passed legislation that authorized a one-time stipend to certain retired teachers. The stipend was paid to retirees in September of 2023. The Legislature also appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. Since both the benefit payment and the appropriation occurred subsequent to the fiscal year 2024 measurement date of August 31, 2023, the effects to the net pension liability and related balances will be recognized in fiscal year 2025. The Legislature also provided for a cost-of living adjustment (COLA) to retirees. The voters approved the constitutional amendment in the November 2023 election and the COLA was applied to eligible annuitants' payments beginning with their January 2024 payment. The COLA will be reflected in fiscal year 2025.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees were 8.25% of gross earnings for 2024, and 8.0% of gross earnings for 2023. Depending upon the source of funding for the employee's compensation, the State or the Center contributes a percentage of participant salaries totaling 8.25% of annual compensation for 2024, and 8.0% of annual compensation for 2023. The Center's actual contributions excluding the State match to TRS for the years ended August 31, 2024, and 2023, were \$178,340,000 and \$151,459,000, respectively.

The total pension liability is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2023 and August 31, 2022 measurement dates.

**Summary of Actuarial Methods and Assumptions—TRS Plan**

Actuarial Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00%
Long-term Expected Rate of Return	7.00%
Municipal Bond Rate as of August 2022*	4.13%
Inflation	2.30%
Salary Increase	2.95% to 8.95% including inflation
Payroll Growth Rate	2.90%
Mortality:	
Active	Based on the PUB (2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for males. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements.
Post-Retirement	The 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by Scale UMP 2021, but with immediate convergence, to account for future mortality improvements. For disabled retirees, a three-year set forward of these tables are used, with minimum mortality rates of 0.0200 for females and 0.0400 for males, respectively.
Ad Hoc Postemployment Benefit Changes	None

### Summary of Actuarial Methods and Assumptions—TRS Plan

Actuarial Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00%
Long-term Expected Rate of Return	7.00%
Municipal Bond Rate as of August 2022*	3.91%
Inflation	2.30%
Salary Increase	2.95% to 8.95% including inflation
Payroll Growth Rate	2.90%
Mortality:	
Active	Based on the PUB (2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for males. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements.
Post-Retirement	The 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by Scale UMP 2021, but with immediate convergence, to account for future mortality improvements. For disabled retirees, a three-year set forward of these tables are used, with minimum mortality rates of 0.0200 for females and 0.0400 for males, respectively.
Ad Hoc Postemployment Benefit Changes	None

Notes:

- \* Source for the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial assumptions used in the determination of the total pension liability as of August 31, 2023 and August 31, 2022 were primarily based on the result of an actuarial experience study for the period ending August 31, 2021 and adopted on July 15, 2022. There have been no changes to the benefit provisions of the plan since the prior measurement date.

The discount rate of 7.00% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and State contributions will be 9.50% of payroll in fiscal year 2024 and increasing 9.56% in fiscal year 2025 and thereafter. This includes a factor for all employer and State contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method, in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined



to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2023 measurement date are presented below:

<b>Asset Class *</b>	<b>Target Allocation**</b>	<b>Long-Term Expected Geometric Real Rate of Return***</b>
Global Equity:		
U.S.	18.0 %	4.0 %
Non-U.S. Developed	13.0	4.5
Emerging Markets	9.0	4.8
Private Equity	14.0	7.0
Stable Value:		
U.S. Treasury	16.0	2.5
Absolute Return	-	3.6
Stable Value Hedge Funds	5.0	4.1
Real Return:		
Real Assets	15.0	4.9
Energy, Natural Resources, and Infrastructure	6.0	4.8
Commodities	-	4.4
Risk Parity:		
Risk Parity	8.0	4.5
Asset Allocation Leverage Cash	2.0	3.7
Asset Allocation Leverage	<u>(6.0)</u>	4.4
Total	<u>100.0 %</u>	

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on fiscal year 2023 policy model.

\*\*\* Capital Market assumptions come from Aon Hewitt (as of 08/31/2023).

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2022 measurement date are presented below:

<b>Asset Class *</b>	<b>Target Allocation**</b>	<b>Long-Term Expected Geometric Real Rate of Return***</b>
Global Equity:		
U.S.	18.0 %	4.6 %
Non-U.S. Developed	13.0	4.9
Emerging Markets	9.0	5.4
Private Equity	14.0	7.7
Stable Value:		
U.S. Treasury	16.0	1.0
Absolute Return	-	3.7
Stable Value Hedge Funds	5.0	3.4
Real Return:		
Real Assets	15.0	4.1
Energy, Natural Resources, and Infrastructure	6.0	5.1
Commodities	-	3.6
Risk Parity:		
Risk Parity	8.0	4.6
Asset Allocation Leverage Cash	2.0	3.0
Asset Allocation Leverage	<u>(6.0)</u>	3.6
Total	<u>100.0 %</u>	

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on fiscal year 2022 policy model.

\*\*\* Capital Market assumptions come from Aon Hewitt (as of 08/31/2022).

Sensitivity analysis was performed on the impact of changes in the discount rate on the Center's proportionate share of the net pension liability. The result of the analysis is presented in the table below:

<b>Sensitivity of Center's Proportionate Share of the 2024 Net Pension Liability to Changes in the Discount Rate</b>		
<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
\$ 3,021,586,000	\$ 2,021,053,000	\$ 1,189,109,000

**Sensitivity of Center’s Proportionate Share of the 2023 Net Pension Liability  
to Changes in the Discount Rate**

<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
\$ 2,583,866,000	\$ 1,660,987,000	\$ 912,950,000

The pension plan’s fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan’s investment policy, assets, and fiduciary net position may be obtained from TRS’ fiscal 2023 Annual Comprehensive Financial Report. Further information regarding actuarial assumptions and conclusions, together with audited consolidated financial statements are included in the TRS’ annual financial report, which may be obtained from the TRS website.

As of August 31, 2024, and 2023, the Center reported a liability of \$2,021,053,000 and \$1,660,987,000, respectively, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022 and 2021, respectively, and rolled forward to the measurement date. The Center’s proportion as of the August 31, 2023, and 2022 measurement dates was 2.94% and 2.80%, respectively. The Center’s proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the periods September 1, 2022 through August 31, 2023 and September 1, 2021 through August 31, 2022. At August 31, 2024 and 2023, respectively, the amount of the net pension liability related to the Center reported by the State was \$776,810,000 and \$650,723,000. The amount reported by the State is related to the on-behalf contributions, which are recognized as State appropriation general revenue on the Center’s consolidated financial statements in the fiscal year that the state contributed the amounts to TRS on the Center’s behalf.

For the years ended August 31, 2024 and 2023, the Center recognized pension expense of \$358,898,000 and \$194,736,000, respectively. At August 31, 2024 and 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<b>2024</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 72,011	\$ 24,473
Changes of assumptions	191,152	46,779
Net difference between projected and actual investment return	294,112	-
Change in proportion and contribution difference	103,188	33,256
Contributions subsequent to the measurement date	<u>178,340</u>	<u>-</u>
Total	<u>\$ 838,803</u>	<u>\$ 104,508</u>
	<b>2023</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 24,084	\$ 36,213
Changes of assumptions	309,496	77,135
Net difference between projected and actual investment return	164,100	-
Change in proportion and contribution difference	69,995	50,779
Contributions subsequent to the measurement date	<u>151,459</u>	<u>-</u>
Total	<u>\$ 719,134</u>	<u>\$ 164,127</u>

The \$178,340,000 and \$151,459,000 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the years ended August 31, 2025 and 2024, respectively.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions as of August 31, 2024 will be recognized in pension expense in the following years (in thousands):

Fiscal Years	Increase of Pension Expense
2025	\$ 122,441
2026	79,143
2027	254,332
2028	84,767
2029	<u>15,272</u>
Total	<u>\$ 555,955</u>

### Postemployment Health Care and Life Insurance Benefits

**Health and Life Insurance Benefits for Retired Employees**—In addition to providing pension benefits, the State provides certain health (medical and pharmacy) and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. Prior to and during fiscal year 2022 and continuing through December 31, 2022, all retiree medical benefits were provided through UT Select, System’s self-funded health plan. Effective January 1, 2023, medical benefits for retirees for whom Medicare is primary (Medicare-primary retirees) and retiree dependents for whom Medicare is primary (Medicare-primary dependents) are provided through UT Care, a fully insured Medicare Advantage plan provided by Blue Cross Blue Shield of Texas. Medical benefits for retirees and retiree dependents for whom Medicare is not primary continue to be provided through UT Select. Pharmacy benefits for all retirees regardless of Medicare status have been and continue to be provided through UT Select.

Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin State University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University became members under this OPEB plan effective September 1, 2023. The effect of this change of benefit terms is an increase in the Total OPEB Liability of approximately \$182 million.

For the years ended August 31, 2024 and 2023, the employer and retiree monthly contribution rates for full-time retired employee are shown in the following table. The retiree contributes any premium charged over and above the employer contributions. Note contribution rates for fiscal year 2024 and 2023 are the same for UT Select and UT Care.

Level of Coverage	2024		2023	
	Employer	Retiree	Employer	Retiree
Retiree only	\$ 725.80	\$ -	\$ 675.16	\$ -
Retiree/spouse	1,106.24	312.50	1,029.06	290.70
Retiree/children	969.22	326.84	901.60	304.04
Retiree/family	1,351.94	615.40	1,257.62	572.46

Retiree contributions as of January 1, 2024 under UT Care Medicare Advantage are \$343.26 for the spouse, if retiree is deceased, \$343.26 for dependent children, and \$686.53 for spouse plus children, if

retiree is deceased. Retiree contributions as of January 1, 2023 under UT Care Medicare Advantage are \$316.87 for the spouse, if retiree is deceased, \$316.87 for dependent children, and \$633.74 for spouse plus children, if retiree is deceased.

**Plan Description and Funding Policy**—OPEB are provided to the Center’s retirees under the UT System EGIP. The EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding the plan, the State is reporting a proportionate share. Chapter 1551 of the *Texas Insurance Code*, Sections 310 and 311, require that the State contribute to the cost of each participant’s insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) contributions. The State’s proportion was 15.51% and 17.18% of the collective OPEB-related liabilities, deferred outflows and inflows, and expense based on HEGI contributions by the State to total contributions as of August 31, 2024 and 2023, respectively. The Center’s proportion as of August 31, 2024 and 2023 was 20.00% and 20.11%, respectively. At August 31, 2024 and 2023, the amount of the total OPEB liability related to the Center was \$2,079,651,000 and \$1,963,987,000, respectively. The amount reported by the State is related to the premium-sharing contributions, which are recognized as State appropriation general revenue on the Center’s consolidated financial statements in the fiscal year that the State contributed the amounts for OPEB on the Center’s behalf.

The Center and member contribution rates are determined annually by UT System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The Center revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Employees Covered by Benefit Terms**—The benefits provided are discussed in Note 7. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*. At the respective measurement dates, the following employees of UT System were covered by the benefit terms:

	<b>Measurement Dates December 31, 2023</b>	<b>Measurement Dates December 31, 2022</b>
a. Inactive employees or beneficiaries currently receiving benefit payments	33,812	31,104
b. Inactive employees entitled to but not yet receiving benefit payments	16,814	15,091
c. Active employees	<u>116,520</u>	<u>104,546</u>
d. Total	<u><u>167,146</u></u>	<u><u>150,741</u></u>

**Total OPEB Liability**—The Center has elected to use a measurement date that is eight months in advance of the fiscal year end. The Center’s proportionate share of the total OPEB liability of \$2,079,651,000 includes a current portion of \$43,663,000 and a noncurrent portion of \$2,035,988,000, reported for the fiscal year ended August 31, 2024 was measured as of December 31, 2023 and was determined by an actuarial valuation as of the same date. The Center’s proportionate share of the total OPEB liability of \$1,963,987,000 includes a current portion of \$50,593,000 and a noncurrent portion of \$1,913,394,000, reported for the fiscal year ended August 31, 2023 was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2021 and rolled forward twelve months December 31, 2022.

**Actuarial Assumptions and Other Inputs**—The total OPEB liability as of December 31, 2023 was determined by an actuarial valuation as of the same date using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary increases	2.95% to 8.95% (includes inflation)
Discount rate	3.26% for December 31, 2023; 3.72% for December 31, 2022
Healthcare cost trend rates:	
Medical	UT Select: 5.60% for CY25, 5.50% for CY26, 5.25% for CY27, 5.00% for CY28, 4.75% for CY29, 4.60% for CY30, 4.50% for CY31, 4.40% for CY32 and 4.30% for CY33 and later years  UT Care: 20.00% for CY25, 5.50% for CY26, 5.25% for CY27, 5.00% for CY28, 4.75% for CY29, 4.60% for CY30, 4.50% for CY31, 4.40% for CY32 and 4.30% for CY33 and later years
Pharmacy	11.00% for CY25, 10.00% for CY26, 9.50% for CY27, 9.00% for CY28, 8.00% for CY29, 7.00% for CY30, 6.00% for CY31, 5.00% for CY32 and 4.30% for CY33 and later years
Retiree contributions and opt-out credit trend rates	7.50% for CY25, 6.75% for CY26, 6.40% for CY27, 6.10% for CY28, 5.65% for CY29, 5.25% for CY30, 4.90% for CY31, 4.55% for CY32 and 4.30% for CY33 and later

- Mortality
- a. Service retirees, survivors, and other inactive members:  
Tables based on TRS experience with Ultimate MP-2021 projection scale from the year 2021.
  - b. Disability retirees:  
Tables based on TRS experience with Ultimate MP-2021 projection scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
  - c. Active members:  
Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 projection scale from the year 2010.
- Discount rate
- a. For fiscal year ended August 31, 2024: The discount rate used to measure the total OPEB liability as of December 31, 2023, was 3.26%. The discount rate used to determine the total OPEB liability as of December 31, 2022, was 3.72%.
  - b. For fiscal year ended August 31, 2023: The discount rate used to measure the total OPEB liability as of December 31, 2022, was 3.72%. The discount rate used to determine the total OPEB liability as of December 31, 2021, was 2.06%.
  - c. Municipal Bond Rate: 3.26% as of December 31, 2023, and 3.72% as of December 31, 2022; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

#### Last State Employer Assumption

Members who terminate employment are assumed to participate in the EGIP (i.e., as a result of UT System being their last State employer), provided all other eligibility requirements are satisfied, according to the following schedule:

<b>Age at Termination Rate</b>	<b>Participation</b>
<20	15 %
20–24	15
25–34	15
35–44	30
45–54	30
≥55	30

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed by the TRS retirement plan actuary as of August 31, 2021.



The following assumptions or other inputs were changed since the previous measurement date:

**i. Demographic Assumptions**

- The mortality rates, termination rates, disability rates, retirement rates and salary increase assumptions have been updated to reflect assumptions adopted by the TRS Trustees subsequent to the valuation date of the last full valuation of the EGIP. These updated demographic assumptions reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.
- The proportion of female members assumed to be married and electing coverage for their spouse has been updated based on more recent experience.
- The proportion of future retirees covering dependent children has been updated based on more recent experience.
- The percentage of eligible terminated employees who are assumed to participate in the EGIP as a result of UT System being their last State employer has been updated to reflect expected trends.
- For current terminated members who have already attained their assumed commencement age, the probability of commencing benefits has been updated to reflect expected trends.

**ii. Economic Assumptions**

- Assumed Per Capita Health Benefit Costs and Health Benefit Cost trends have been updated since the previous valuation to reflect increases in retiree cost sharing in UT Select and the implementation of UT Care effective January 1, 2023.
- The expenses directly related to the payment of EGIP health benefits have been updated since the previous valuation.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated since the previous valuation.

**iii. Other Inputs**

- The discount rate was changed as a result of requirements by GASB Statement No. 75 to utilize the yield or index rate as of the measurement date for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

Texas Senate Bill 1055 was signed by the Governor on May 10, 2023, and added Stephen F. Austin State University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University became members under this OPEB plan effective September 1, 2023. Accordingly, the benefit terms used in this valuation have changed since the prior valuation.

**Sensitivity of the Center’s Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate**

	<b>FY24</b>		
	<b>1% Decrease (2.26%)</b>	<b>Discount Rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
Total OPEB liability	\$2,467,271,000	\$2,079,651,000	\$1,772,687,000

	FY23		
	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB liability	\$2,320,618,000	\$1,963,987,000	\$1,681,903,000

**Sensitivity of the Center’s Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

	FY24		
	1% Decrease <sup>1</sup>	Healthcare Cost Trend Rates <sup>1</sup>	1% Increase <sup>1</sup>
Total OPEB liability	\$1,739,942,000	\$2,079,651,000	\$2,527,050,000

	FY23		
	1% Decrease <sup>2</sup>	Healthcare Cost Trend Rates <sup>2</sup>	1% Increase <sup>2</sup>
Total OPEB liability	\$1,639,854,000	\$1,963,987,000	\$2,390,701,000

<sup>1</sup> Healthcare Cost Trend Rates used for fiscal year 2024 are shown below:

Calendar Year	Medical Healthcare			Medical-UT Care Healthcare			Pharmacy Healthcare		
	1% Decrease	Cost Trend Rates	1% Increase	1% Decrease	Cost Trend Rates	1% Increase	1% Decrease	Cost Trend Rates	1% Increase
2025	4.60 %	5.60 %	6.60 %	19.00 %	20.00 %	21.00 %	10.00 %	11.00 %	12.00 %
2026	4.50	5.50	6.50	4.50	5.50	6.50	9.00	10.00	11.00
2027	4.25	5.25	6.25	4.25	5.25	6.25	8.50	9.50	10.50
2028	4.00	5.00	6.00	4.00	5.00	6.00	8.00	9.00	10.00
2029	3.75	4.75	5.75	3.75	4.75	5.75	7.00	8.00	9.00
2030	3.60	4.60	5.60	3.60	4.60	5.60	6.00	7.00	8.00
2031	3.50	4.50	5.50	3.50	4.50	5.50	5.00	6.00	7.00
2032	3.40	4.40	5.40	3.40	4.40	5.40	4.00	5.00	6.00
2033 and beyond	3.30	4.30	5.30	3.30	4.30	5.30	3.30	4.30	5.30

<sup>2</sup> Healthcare Cost Trend Rates used for fiscal year 2023 are shown below:

Calendar Year	Medical Healthcare			Medical-UT Care Healthcare			Pharmacy Healthcare		
	1% Decrease	Cost Trend Rates	1% Increase	1% Decrease	Cost Trend Rates	1% Increase	1% Decrease	Cost Trend Rates	1% Increase
2024	4.50 %	5.50 %	6.50 %	(1.00)%	- %	1.00 %	9.00 %	10.00 %	11.00 %
2025	4.25	5.25	6.25	2.00	3.00	4.00	8.50	9.50	10.50
2026	4.00	5.00	6.00	4.00	5.00	6.00	8.00	9.00	10.00
2027	3.75	4.75	5.75	3.75	4.75	5.75	7.00	8.00	9.00
2028	3.60	4.60	5.60	3.60	4.60	5.60	6.00	7.00	8.00
2029	3.50	4.50	5.50	3.50	4.50	5.50	5.00	6.00	7.00
2030	3.40	4.40	5.40	3.40	4.40	5.40	4.00	5.00	6.00
2031 and beyond	3.30	4.30	5.30	3.30	4.30	5.30	3.30	4.30	5.30

Changes in the System’s proportionate share of the OPEB liability:

	<b>Increase (Decrease) in Total OPEB Liability</b>	
	<b>For Measurement Year from 12/31/2022 to 12/31/2023</b>	<b>For Measurement Year from 12/31/2021 to 12/31/2022</b>
Balance at beginning of measurement year	<u>\$ 8,089,734,355</u>	<u>\$14,695,594,306</u>
Changes for the year:		
Service cost	378,902,203	877,350,009
Interest	317,630,978	321,938,242
Benefit terms	150,459,040	(52,783,790)
Differences between expected and actual experience	(175,730,898)	-
Changes of assumptions or other inputs	45,613,268	(7,704,380,357)
Benefit payments (employer)	<u>(187,548,719)</u>	<u>(206,219,478)</u>
Net changes	<u>529,325,872</u>	<u>(6,764,095,374)</u>
Changes in proportional share	<u>166,647,795</u>	<u>158,235,423</u>
Balance at end of measurement year	<u>\$ 8,785,708,022</u>	<u>\$ 8,089,734,355</u>

The Center recognized OPEB income of \$31,347,000 for the fiscal year ended August 31, 2024 and expense of \$79,716,000 for the fiscal year ended August 31, 2023.

The changes in the total OPEB liability, including both the System’s and the State’s portion, are shown in the table below.

	<b>Increase (Decrease) in Total OPEB Liability</b>	
	<b>For Measurement Year from 12/31/2022 to 12/31/2023</b>	<b>For Measurement Year from 12/31/2021 to 12/31/2022</b>
Balance at beginning of measurement year	<u>\$ 9,768,106,677</u>	<u>\$17,935,544,850</u>
Changes for the year:		
Service cost	448,443,594	1,059,373,288
Interest	375,927,023	388,730,575
Benefit terms	181,674,686	(63,734,811)
Differences between expected and actual experience	(207,983,471)	-
Changes of assumptions or other inputs	53,984,848	(9,302,803,516)
Benefit payments (employer)	<u>(221,970,263)</u>	<u>(249,003,709)</u>
Net changes	<u>630,076,417</u>	<u>(8,167,438,173)</u>
Balance at end of measurement year	<u>\$10,398,183,094</u>	<u>\$ 9,768,106,677</u>

At each fiscal year end, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources listed in the table below (in thousands):

	<u>As of August 31, 2024</u>		<u>As of August 31, 2023</u>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 25,472	\$ 49,253	\$ 30,229	\$ 19,896
Changes of assumptions or other inputs	509,054	1,572,190	603,360	1,870,855
Change in proportion and contribution difference	128,664	40,479	108,305	65,034
Contributions subsequent to the measurement date	<u>28,111</u>	<u>-</u>	<u>30,952</u>	<u>-</u>
Total	<u>\$ 691,301</u>	<u>\$ 1,661,922</u>	<u>\$ 772,846</u>	<u>\$ 1,955,785</u>

Amounts reported as deferred outflows (inflows) of resources will be recognized in OPEB expense as follows (in thousands):

<b>Fiscal Year Ended August 31, 2024</b>	<b>Amount</b>
2025	\$ (179,544)
2026	(138,260)
2027	(124,430)
2028	(105,481)
2029	(120,181)
Thereafter	<u>(330,836)</u>
Total	<u>\$ (998,732)</u>

**Optional Retirement Program (ORP)**—The state has also established an optional defined contribution retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions, including, but not limited to, director-level and above, librarians, and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentage of annual compensation by participants is 6.65% and the contributory percentage by the Center is 8.5% (6.6% state base rate plus a supplement) for the fiscal years ended August 31, 2024, and 2023. Depending upon the source of funding for the employee’s compensation, the Center may be required to make the employer contributions in lieu of the state. Since these are individual annuity contracts, the state and the Center have no additional or unfunded liability for this program. The participants’ contributions for the years ended August 31, 2024, and 2023, were \$32,760,000 and \$29,926,000. The Center’s contributions for the years ended August 31, 2024, and 2023, were \$41,854,000 and \$38,151,828, respectively.

**Physicians Referral Service (PRS) Supplemental Retirement Plan (SRP)/Retirement Benefit Plan (RBP)**— The Center has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plan (the SRP/RBP Plan). The SRP/RBP Plan is a nonqualified plan described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The assets of the SRP/RBP Plan of \$731,304,000 and \$622,017,000 at August 31, 2024 and 2023, respectively, are measured at fair value and presented as restricted investments-SRP/RBP Plan and remain subject to the claims of the general creditors of the Center.

PRS offers eligible employees participation in one of two nonqualified retirement plans based on date of employment. The assets in the SRP/RBP trust can be used to pay the benefits of either plan’s participants. The PRS Executive Council and Retirement Board members have the authority to administer the Plans under the terms that are established and may approve amendments to the Plans. The PRS Bylaws establishes the PRS Retirement Board and Executive Council. Per the PRS Bylaws, one of the standing committees for the Physicians Referral Service Faculty Practice Plan (Plan) is the PRS Retirement Board. A chair is appointed, and elections are held every two years for committee membership. There are both voting members and non-voting ex-officio members. The PRS Retirement Board is advisory to the PRS Executive Council which is chaired by the President. The PRS Executive Council also has committee membership elections every three years and includes voting and ex-officio members. The President is the head of the Plan and has the ultimate decision authority.

**Employees Covered by Benefit Terms**—At the respective measurement dates, the following employees of the Center were covered by the benefit terms:

	<b>Measurement Dates September 1, 2023</b>	<b>Measurement Dates September 1, 2022</b>
a. Inactive employees or beneficiaries receiving benefit payments	510	511
b. Inactive employees entitled to but not yet receiving benefit payments	277	278
c. Active employees	<u>1,790</u>	<u>1,590</u>
d. Total	<u>2,577</u>	<u>2,379</u>

**SRP of the Anderson Hospital**—Eligible employees of the Center prior to July 1, 1986, may participate in the SRP, a single-employer nonqualified noncontributory defined benefit pension plan. Eligible employees include physicians with a license to practice medicine in the state of Texas; any individual with a Ph.D. rank of assistant or higher; D.D.S. with the rank of clinical instructor or higher; D.V.M. degree or equivalent having attained the rank of assistant or higher; and individuals elected to membership by the Executive Council of PRS as an administrative staff officer. No new members have been admitted to the SRP since May 31, 1989, as the SRP is closed to new entrants. In general, participants are fully vested in the SRP after five years of credited service. Former participants not in active service at January 1, 1985, require ten years of credited service as required by previous plan provisions. An active member receives full retirement benefits based on the SRP payment formula at age 65, age 60 with 20 years of credited service, or age 55 with 25 years of credited service. A vested member who becomes inactive for any reason other than death or retirement is entitled to an earned retirement allowance. This is a deferred allowance with benefit payments beginning at the former participant’s normal retirement age. Participants in the SRP are not taxed on the employer’s contributions made until benefits are paid since the SRP is grandfathered under the provisions of Section 457 of the Internal Revenue Code.

**PRS RBP**—On September 1, 1990, PRS established the RBP, a single-employer nonqualified noncontributory defined benefit plan. Eligible employees may participate in the RBP upon the later of their employment date or September 1, 1990. Employees who were eligible for the SRP because of their employment date had a one-time option to become members of the RBP and forego membership in the SRP.

The amount of a participant's benefit is equal to each participant's account balance, as outlined in the RBP provisions. In general, a participant's account balance is equal to a stated percentage of annual compensation for each year of service plus a provision for annual interest credits. The earnings credit percentage is equal to the Moody's Average Corporate Bond yield determined as of the first day of such plan year.

Participants are taxed on the employer's contributions made when the contributions become vested. Participants become vested in their account balances after five years of service. Any vested member who becomes inactive for any reason other than death or retirement and has not attained the age of 55 will have his or her account maintained under RBP until retirement and earn half the interest credits of active participants.

Federal income and Social Security taxes resulting from annual benefits earned in the RBP are reimbursed by the Plans to the Employer, who pays the taxes to, or on behalf of, participants at the time participants vest in their contributions.

**Total Pension Liability for SRP/RBP Plan**—The total pension liability for the SRP/RBP Plan is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the September 1, 2023 and 2022 measurement dates.

**Summary of Actuarial Methods and Assumptions**

<p>Actuarial Valuation Date</p> <p>Actuarial Cost Method</p> <p>Amortization Method</p> <p>Asset Valuation Method</p> <p>Actuarial Assumptions:</p> <p style="padding-left: 20px;">Discount Rate*</p> <p style="padding-left: 20px;">Rate of Compensation increase</p> <p>Mortality:</p>	<p>September 1, 2023,</p> <p>Individual Entry Age Normal</p> <p>Average Remaining Service Life</p> <p>N/A—Unfunded Plan</p> <p>3.81%</p> <p>4.00%</p> <p>The mortality table is based upon the final report of Pri-2012 Male Table used for males; Female Table used for Females Mortality Tables (White Collar) and MP-2021 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC). This table and projection scale represent the most recently available data as of the valuation date.</p> <p>The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.</p>
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### Summary of Actuarial Methods and Assumptions

Actuarial Valuation Date Actuarial Cost Method Amortization Method Asset Valuation Method Actuarial Assumptions: Discount Rate* Rate of Compensation increase Mortality:	September 1, 2022, Individual Entry Age Normal Average Remaining Service Life N/A—Unfunded Plan  3.59% 4.00% The mortality table is based upon the final report of PRI-2012 Mortality Tables and MP-2021 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC). This table and projection scale represent the most recently available data as of the valuation date.  The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.
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**Notes:**

\* The discount rates used in these valuations were determined using the 20-year yields on the Bond Buyer 20-Bond GO Index as of August 31 prior to the measurement date.

The total pension liability for the fiscal year ended August 31, 2024 was measured as of September 1, 2023 based on an actuarial valuation as of that date. The total pension liability for the fiscal year ended August 31, 2022 was measured as of September 1, 2021 based on actuarial valuation as of that date.

The deferred outflows (inflows) included in the expense each year for assumption changes reflect the impact of the changes in discount rates noted above.

The valuation does not include any assets since the assets are not in a trust that is protected from creditors and thus, the plan is considered unfunded under GASB 73.

Sensitivity analysis was performed on the impact of changes in the discount rate on the Center's total pension liability. The result of the analysis is presented in the table below:

<b>Sensitivity of Center's Total 2024 Pension Liability to Changes in the Discount Rate</b>		
<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
\$ 1,007,895,000	\$ 926,496,000	\$ 854,975,000



**Sensitivity of Center's Total 2023 Pension Liability  
to Changes in the Discount Rate**

1% Decrease (2.59%)	Current Discount Rate (3.59%)	1% Increase (4.59%)
\$ <u>1,001,974,000</u>	\$ <u>918,839,000</u>	\$ <u>846,111,000</u>

At August 31 2024 and 2023, the Center reported a total pension liability of \$926,496,000 and \$918,839,000 respectively, for the SRP/RBP Plans.

	<b>Increase (Decrease) in Total Pension Liability</b>	
	<b>For Measurement Year from 09/01/2022 to 8/31/2023</b>	<b>For Measurement Year from 09/01/2021 to 8/31/2022</b>
(In thousands)		
Balance at beginning of measurement year	<u>\$ 918,839</u>	<u>\$ 1,046,052</u>
Changes for the year:		
Service cost	32,649	40,514
Interest	33,273	22,719
Differences between expected and actual experience	8,059	(6,620)
Changes of assumptions or other inputs	(17,002)	(133,970)
Benefit payments (employer)	<u>(49,322)</u>	<u>(49,856)</u>
Net changes	<u>7,657</u>	<u>(127,213)</u>
Balance at end of measurement year	<u>\$ 926,496</u>	<u>\$ 918,839</u>

For the years ended August 31, 2024 and 2023, the Center recognized pension expense of \$57,953,000 and \$56,367,000, respectively. At August 31, 2024 and 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to the SRP/RBP Plan from the following sources:

	<b>2024</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
(In thousands)		
Differences between expected and actual experience	\$ -	\$ (2,110)
Changes of assumptions	41,660	117,081
Benefit payments subsequent to the measurement date	46,096	-
Administrative costs subsequent to the measurement date	<u>889</u>	<u>-</u>
Total	<u>\$ 88,645</u>	<u>\$ 114,971</u>

	<b>2023</b>	
	<b>Deferred Outflows of Resources (In thousands)</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 6,620
Changes of assumptions	50,706	117,193
Benefit payments subsequent to the measurement date	49,322	-
Administrative costs subsequent to the measurement date	<u>847</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 100,875</u></b>	<b><u>\$ 123,813</u></b>

The \$46,096,000 and \$49,322,000 reported as deferred outflows of resources resulting from benefit payments subsequent to the measurement date will be recognized as a reduction in the total pension liability for the years ending August 31, 2025 and 2024, respectively. Other amounts reported as deferred outflows and inflows of resources related to the SRP/RBP Plan as of August 31, 2024, will be recognized in pension expense in the following years (in thousands):

<b>Fiscal Years</b>	<b>Increase (Reduction) of Pension Expense</b>
2025	\$ (7,851)
2026	(8,739)
2027	(8,739)
2028	(8,739)
2029	(12,670)
Thereafter	<u>(25,684)</u>
<b>Total</b>	<b><u>\$ (72,422)</u></b>

## **12. EXECUTIVE MANAGEMENT INCENTIVE PLANS**

The Center sponsors two incentive plans for senior-level management. The Senior Management Performance Incentive Plan provides an achievement incentive for nonfaculty senior management by using variable pay to maintain consistent treatment of comparable levels of management for market earning potential. The payout is based upon the attainment of specific and measurable goals, triggered by meeting a set institutional financial goal, and the availability of funds. At August 31, 2024 and 2023, the Center had a recorded liability related to the attainment of these goals of \$16,934,000 and \$15,998,000, respectively. The Center paid out \$18,392,000 and \$16,229,000 for the plan years August 31, 2024 and 2023, respectively. The Senior Executive and Executive Management Supplemental Benefit Program provides an annual supplemental cash benefit award to senior executives and executive management to maintain consistent treatment of comparable levels of executive management for market earning potential. Payments of these benefits are made on the first day of the following new fiscal year. For the fiscal years ended 2024 and 2023, the Center paid out \$7,387,000 and \$6,789,000, respectively.

### 13. DEFERRED COMPENSATION

The Center's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Sec. 609.001. The Center administers the UTSaver Tax-Sheltered Annuity Program (TSA), created in accordance with IRC Section 403(b). All employees are eligible to participate. The UTSaver TSA is a private plan, and the deductions, purchased investments, and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks, or approved nonbank trustees, such as mutual fund companies. The assets of this plan do not belong to the Center or the State. Therefore, neither the Center nor the State has a liability related to this plan.

### 14. CONCENTRATIONS OF CREDIT RISK

The Center grants credit without collateral to its patients, most of whom are local residents of Texas and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of August 31, 2024 and 2023, is as follows:

	2024	2023
Medicare	29.6 %	29.7 %
Medicaid	2.3	3.1
Managed care organizations	48.8	48.3
Self-pay	4.0	4.0
Others	<u>15.3</u>	<u>14.9</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>

### 15. NONCURRENT ASSETS—JOINT VENTURES

The Center is a participating member of P.E.T. Net Houston, LLC ("PETNet"). PETNet is a joint venture entered into by the Center and P.E.T. Net Pharmaceuticals, Inc. to lease and operate a facility located on the Center's campus to produce positron radiopharmaceuticals and isotopes. The Center's equity interest in PETNet at August 31, 2024 and 2023, was \$5,843,000 and \$5,202,000, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, PA 19355.

The Center is a participating member of Resilience Texas LLC d/b/a CTMC. The Center and Resilience US Inc. (a sub of National Resilience, Inc.) entered into a new joint venture on October 12, 2021, for the purpose of engaging in a strategic manufacturing relationship for gene and cell therapy: cGMP manufacturing for all phases of clinical development and for commercial supply. The Center's participation in such a strategic manufacturing relationship for gene and cell therapy: cGMP manufacturing will support and advance the mission of the Center by facilitating and funding the development and commercialization of new products and technologies for diagnosis, teaching, studying, prevention, and treatment of cancer. The Board of Regents of the University of Texas System on behalf of the Center, has determined that the transaction contemplated herein and in the Ancillary Agreements and the Center's engagement in the JV Business support the public mission of and serve public purposes appropriate to the function of the Center. As of August 31, 2024 and 2023, the Center's holding in the Joint Venture was valued at \$25,420,000 and \$20,516,000, respectively, with a 50% equity ownership percentage. Separate financial statements for Resilience Texas, LLC dba CTMC may be obtained at 2130 W Holcombe Blvd. Houston TX, 77030 or [www.ctmc.com](http://www.ctmc.com).

## **16. RELATED PARTIES**

Through the normal course of operations, the Center both receives funds from, and provides funds to, other state agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2024, related to pass-through grants were approximately \$46,897,000 and \$5,065,000, respectively. Funds received and provided during the year ended August 31, 2023, related to pass-through grants were approximately \$53,347,000 and \$4,789,000, respectively.

The Center also routinely enters into transactions with UT System for the reimbursement of capital outlay and other expenses. Amounts due from UT System were approximately \$64,954,000 and \$165,848,000 at August 31, 2024, and 2023, respectively. Amounts due to UT System were approximately \$37,662,000 and \$133,224,000 at August 31, 2024 and 2023, respectively.

In addition, the Center purchased services from the Texas Medical Center Laundry Association in the amount of \$6,761,000 and \$5,748,000 for the years ended August 31, 2024 and 2023, respectively. The Center also purchased services from Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO) in the amount of \$25,865,000 and \$24,359,000 for the years ended August 31, 2024 and 2023, respectively.

## **17. T. BOONE PICKENS CONTRIBUTION**

In 2007, MDASC received a \$50 million contribution to create the T. Boone Pickens Fund (the "Fund") for the benefit of the Center. MDASC has agreed that the gift would grow to at least \$500 million by August 31, 2032, through a combination of investment income (including unrealized and realized gains and losses) and matching funds from new outside sources or the Center's unrestricted net position. If the Fund were not to grow to \$500 million by 2032, any amount in the Fund in excess of \$50 million at that time would be donated to the Oklahoma State University Student Scholarship Fund.

In a supplemental agreement in 2007 with the T. Boone Pickens Foundation, the Center agreed to create a separate, segregated quasi-endowment with contributions made from income before capital contributions of the Center, additions to endowments, and transfers. At a point in time, the separate quasi-endowment would be transferred to the Fund to reach the \$500 million goal. The quasi-endowment was reported by the Center in its consolidated financial statements and was managed by UTIMCO.

On August 12, 2010, The University of Texas Center Board of Regents approved resolutions authorizing the Center to transfer to MDASC matching funds (the "Matching Funds"). The Matching Funds when combined with the original gift satisfied the \$500 million goal, and a quasi-endowment (the "Endowment") was established for the benefit of the Center.

The Endowment is managed by UTIMCO. As of August 31, 2024 and 2023, the value of the Endowment was \$823,229,000 and \$778,521,000, respectively, and is recorded as restricted—nonexpendable.

## **18. UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 101, *Compensated Absences*, effective 2025, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Center is evaluating the effect that Statement 101 will have on its financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, effective 2025, provides users of financial statements information about risks related to vulnerabilities due to certain concentrations or constraints limiting ability to acquire resources or control spending. The Center is evaluating the effect that Statement 102 will have on its financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective 2026, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. New or modified information requirements relate to MD&A, unusual or infrequent items, presentation of proprietary fund statement, major component unit, and budgetary comparison. The Center is evaluating the effect that Statement 103 will have on its financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective 2026, provides essential information about certain types of capital assets by requiring separate disclosure and additional disclosures for capital assets held for sale. The Center is evaluating the effect that Statement 104 will have on its financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER**

**REQUIRED SUPPLEMENTARY INFORMATION  
TEACHER RETIREMENT SYSTEM PENSION PLAN  
AUGUST 31, 2024**

**Pension RSI 2022**

**Schedule of the Center's Proportionate Share of the Net Pension Liability  
As of the August 31 Measurement Date**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	2.9422658 %	2.797808 %	2.728038 %	2.854294 %	2.737951 %	2.608580 %	2.675756 %	2.792495 %	2.268041 %	3.053255 %
Center's proportionate share of the net pension liability	\$ 2,021,053	\$ 1,660,987	\$ 694,735	\$ 1,528,701	\$ 1,423,273	\$ 1,435,826	\$ 855,563	\$ 1,055,242	\$ 947,491	\$ 815,733
State's proportionate share of the net pension liability related to the Center	<u>776,810</u>	<u>650,723</u>	<u>220,413</u>	<u>505,172</u>	<u>598,274</u>	<u>395,640</u>	<u>288,930</u>	<u>300,751</u>	<u>271,484</u>	<u>316,196</u>
Total net pension liability related to the Center	<u>\$ 2,797,862</u>	<u>\$ 2,311,710</u>	<u>\$ 915,148</u>	<u>\$ 2,033,873</u>	<u>\$ 2,021,547</u>	<u>\$ 1,831,466</u>	<u>\$ 1,144,493</u>	<u>\$ 1,355,993</u>	<u>\$ 1,218,975</u>	<u>\$ 1,131,929</u>
Center's covered payroll	<u>\$ 1,937,687</u>	<u>\$ 1,738,956</u>	<u>\$ 1,610,128</u>	<u>\$ 1,621,489</u>	<u>\$ 1,456,501</u>	<u>\$ 1,339,879</u>	<u>\$ 1,328,316</u>	<u>\$ 1,346,292</u>	<u>\$ 1,325,743</u>	<u>\$ 1,181,712</u>
Center's proportionate share of the net pension liability as a percentage of its covered payroll	104.30 %	95.52 %	43.15 %	94.28 %	97.72 %	107.16 %	64.41 %	78.38 %	71.47 %	69.03 %
Plan fiduciary net position as a percentage of the total pension liability	73.15 %	75.62 %	88.79 %	75.54 %	75.24 %	73.74 %	82.17 %	78.00 %	78.43 %	83.25 %

**Schedule of the Center's Contributions  
As of August 31**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	<u>\$ 181,686</u>	<u>\$ 151,209</u>	<u>\$ 134,769</u>	<u>\$ 120,760</u>	<u>\$ 121,612</u>	<u>\$ 99,042</u>	<u>\$ 91,112</u>	<u>\$ 90,325</u>	<u>\$ 91,548</u>	<u>\$ 90,151</u>
Contributions in relation to the statutorily required contributions	<u>\$ 178,340</u>	<u>\$ 151,459</u>	<u>\$ 129,905</u>	<u>\$ 115,683</u>	<u>\$ 117,739</u>	<u>\$ 95,828</u>	<u>\$ 87,874</u>	<u>\$ 87,695</u>	<u>\$ 88,725</u>	<u>\$ 86,682</u>
Contribution deficiency	<u>\$ 3,346</u>	<u>\$ (250)</u>	<u>\$ 4,864</u>	<u>\$ 5,076</u>	<u>\$ 3,872</u>	<u>\$ 3,214</u>	<u>\$ 3,238</u>	<u>\$ 2,630</u>	<u>\$ 2,823</u>	<u>\$ 3,469</u>
Center's covered payroll	<u>\$ 2,202,258</u>	<u>\$ 1,937,687</u>	<u>\$ 1,738,956</u>	<u>\$ 1,610,128</u>	<u>\$ 1,621,489</u>	<u>\$ 1,456,501</u>	<u>\$ 1,339,879</u>	<u>\$ 1,328,316</u>	<u>\$ 1,346,292</u>	<u>\$ 1,325,743</u>
Contributions as a percentage of covered payroll	8.10 %	7.82 %	7.47 %	7.18 %	7.26 %	6.58 %	6.56 %	6.60 %	6.59 %	6.53 %

Contributions by the State of Texas on behalf of the Center substantially resolved the contribution deficiency.

**THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
AUGUST 31, 2024**

**Schedule of the Center's Proportionate Share of the Total  
OPEB Liability as of the December 31 Measurement Date**

	2023	2022	2021	2020	2019	2018	2017	2016
Center's proportion of the total OPEB liability	20.000100 %	20.106100 %	19.633200 %	19.866198 %	19.643497 %	19.385514 %	19.477785 %	20.390611 %
Center's proportionate share of the total OPEB liability	\$ 2,079,651,000	\$ 1,963,987,000	\$ 3,521,322,000	\$ 2,899,988,000 *	\$ 2,853,813,000	\$ 2,535,548,000	\$ 2,705,132,000	\$ 2,847,741,000
State's proportionate share of the total OPEB liability related to the Center	<u>48,480,000</u>	<u>51,880,000</u>	<u>101,605,000</u>	<u>83,612,000</u> *	<u>102,318,000</u>	<u>93,544,000</u>	<u>95,126,000</u>	<u>103,241,000</u>
Total OPEB liability related to the Center	<u>\$ 2,128,132,000</u>	<u>\$ 2,015,867,000</u>	<u>\$ 3,622,927,000</u>	<u>\$ 2,983,600,000</u> *	<u>\$ 2,956,131,000</u>	<u>\$ 2,629,092,000</u>	<u>\$ 2,800,258,000</u>	<u>\$ 2,950,982,000</u>
Center's covered payroll	<u>\$ 2,544,081,000</u>	<u>\$ 2,184,994,000</u>	<u>\$ 2,103,815,000</u>	<u>\$ 1,595,832,000</u> *	<u>\$ 1,509,897,000</u>	<u>\$ 1,432,895,000</u>	<u>\$ 1,371,722,000</u>	<u>\$ 1,516,457,000</u>
Center's proportionate share of the total OPEB liability as a percentage of its covered payroll	81.74 %	89.89 %	167.38 %	181.72 %	189.01 %	176.95 %	197.21 %	187.79 %
Plan fiduciary net position as a percentage of the total OPEB liability	- %	- %	- %	- %	- %	- %	- %	- %

\* The Total OPEB Liability related to System, as well as the Center's proportionate share of the Total OPEB Liability for the measurement year ended December 31, 2020, were restated in fiscal year 2022 to correct demographic data errors and assumptions related to assumed rates of participation by eligible terminated employees. Measurement years prior to December 31, 2020, have not been restated for the correction of the error.

Only eight years of information is presented due to GASB Statement No. 75 being implemented in 2018. Additional years will be displayed as they become available.



# THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER

## REQUIRED SUPPLEMENTARY INFORMATION PHYSICIANS REFERRAL SERVICE SRP/RBP PLAN AUGUST 31, 2024

### Schedule of the Center's PRS SRP/RBP Pension Liability As of the September 1 Measurement Date (in thousands)

	2023	2022	2021	2020	2019
Total pension liability:					
Service cost	\$ 32,649	\$ 40,514	\$ 37,989	\$ 32,368	
Interest	33,273	22,719	22,899	28,256	
Changes of assumptions or other inputs	(8,943)	(140,590)	5,813	71,349	
Benefit payments (employer)	<u>(49,322)</u>	<u>(49,856)</u>	<u>(47,006)</u>	<u>(49,249)</u>	
Net change in total pension liability	7,657	(127,213)	19,695	82,724	
Total pension liability—beginning	<u>918,839</u>	<u>1,046,052</u>	<u>1,026,357</u>	<u>943,633</u>	
Total pension liability—ending	<u>\$ 926,496</u>	<u>\$ 918,839</u>	<u>\$ 1,046,052</u>	<u>\$ 1,026,357</u>	<u>\$ 943,633</u>
Center's covered-employee payroll	<u>\$ 661,357</u>	<u>\$ 575,070</u>	<u>\$ 549,501</u>	<u>\$ 520,631</u>	<u>\$ 506,351</u>
Center's total pension liability as a percentage of its covered-employee payroll	140.09 %	159.78 %	190.36 %	197.14 %	186.36 %

Only five years of information is presented due to GASB Statement No. 97 being implemented in 2022. Additional years will be displayed as they become available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68 to pay related benefit.