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Financial Statements and Report of Independent Certified Public Accountants

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico

(A Component Unit of the Commonwealth of Puerto Rico)

Single Audit Package

June 30, 2019

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

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Report of Independent Certified Public Accountants

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **"Centro Comprensivo de Cáncer de la Universidad de Puerto Rico"** (the "Center"), a component unit of the Commonwealth of Puerto Rico (the "Commonwealth"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico** as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern
The accompanying financial statements have been prepared assuming the Center will continue as a going concern. As discussed in Note 13 to the financial statements, the Commonwealth and several of its component units, including the Center, face significant risks and uncertainties, including liquidity risk, which is the risk of not having sufficient liquid financial resources to meet obligations when they become due. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2021, 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.

Kevane Grant Thornton LLP

San Juan, Puerto Rico
November 1, 2021.

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Management's discussion and analysis

This section represents a discussion and analysis of the "Centro Comprensivo de Cáncer de la Universidad de Puerto Rico" (the "Center") financial performance, which provides an overview of the Center's financial activities for the fiscal year ended June 30, 2019 and identifies changes in the Center's financial position. The Center is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth").

This section should be read, in conjunction with the Center's basic financial statements including the notes thereto.

Going Concern

The discussion in Note (13) to the financial statements provides information regarding the Center's financial risks. The severity of the risks and uncertainties facing the Center together with other factors further described in Note (13) to the financial statements and summarized below, have led the Center's management to conclude that there is doubt as to the ability of the Center to continue as a going concern.

Approximately 71% of the Center's total revenues are derived from Commonwealth contributions, which amounted to $22 million during the fiscal year ended June 30, 2019. The Center is highly dependent on the Commonwealth contributions to finance its operations. Effective June 1, 2018, the Center began the operations of the hospital.

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

On June 30, 2016, the President of the United States enacted the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), which grants the Commonwealth and its component units access to an orderly mechanism to restructure their debts in exchange for significant federal oversight over the Commonwealth's finances. In broad terms, PROMESA seeks to provide Puerto Rico with fiscal and economic discipline through the creation of an oversight board, relief from creditor lawsuits through the enactment of a temporary stay on litigation, and alternative methods to adjust unsustainable debt. To ensure fiscal and economic discipline, PROMESA created a federally appointed fiscal oversight board that has plenary authority over Puerto Rico's finances. The board's primary function is to provide fiscal oversight through the development and approval of fiscal plans and budgets, and to enforce compliance with those plans and budgets through broad-based powers such as reducing non-debt expenditures and instituting certain hiring freezes. The board also has oversight over legislative processes because PROMESA requires the board to review new laws and deny their enforcement if they are inconsistent with the approved fiscal plans and budgets.

The Center was also highly reliant on Government Development Bank ("GDB"), a component unit of the Commonwealth, for the financing of the Center's new medical facilities during its construction period. GDB traditionally served as a source of emergency liquidity to bridge the Commonwealth deficits and also experienced its own liquidity constraints and was unable to continue serving in such role. The GDB was declared to be in state of emergency with the signature of executive order EO-2016-010 ("the Executive Order"), in accordance with the emergency powers provided for in Act No. 21. The Executive Order implemented a regulatory framework governing GDB's operations and liquidity, including establishing a new procedure with respect to governmental withdrawals, payments, and transfer request in respect to funds held on deposit at GDB. The procedures implemented by the Executive Order resulted in restrictions on the ability of the Center to withdraw the funds held on deposit at GDB.

As a result of the fiscal difficulties faced by the Commonwealth, on May 3, 2017 the Financial Oversight and Management Board for Puerto Rico ("Oversight Board"), at the request of the Governor, commenced a Title III case for the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico. Title III of PROMESA establishes an in-court process for restructuring the debts of Puerto Rico and other United States territories.

On May 15, 2017, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") and GDB entered into a Restructuring Support Agreement (the "RSA") with a significant portion of GDB's creditors. The parties to the RSA agreed to undertake a financial restructuring of GDB pursuant to a Qualifying Modification under Title VI of PROMESA (the "Qualifying Modification"). On August 9, 2018, GDB commenced the solicitation of votes on the Qualifying Modification and on August 10, 2018 commenced an action to obtain court approval of the Qualifying Modification. Following the conclusion of voting on September 12, 2018, GDB announced it received the necessary votes from holders of claims subject to the Qualifying Modification (the "Participating Bond Claims") to approve the Qualifying Modification, as required under PROMESA. On November 6, 2018, the Qualifying Modification was approved by the Federal Court. On November 29, 2018, the AAFAF and the GDB announced the consummation of the Qualifying Modification.

Under the Qualifying Modification, holders of certain bond and deposit claims exchanged their claims for bonds issued by a newly created public instrumentality—the GDB Debt Recovery Authority (the "Debt Recovery Authority")—and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate owned assets and its unencumbered cash. The Center's notes payable totaling approximately $120 million plus accrued and unpaid interest were not transferred to the Debt recovery Authority pursuant to the Qualifying Modification, as GDB retained ownership of the Center's notes payable.

On September 6, 2017 and September 20, 2017, Hurricanes Irma and Maria, (the "Hurricanes") respectively, hit Puerto Rico resulting in island-wide catastrophic damages to Puerto Rico's infrastructure, homes and businesses. As a result of the impact of these Hurricanes, most of the island's population was left without electrical power and there was significant disruption to the water distribution system among other basic utility and infrastructure services. These factors caused significant disruption to the island's economic activity. The entire island is in the process of an immense infrastructure rebuilding program.

The President of the United States of America issued a state of emergency declaration for Puerto Rico, as a U.S. territory. The order mandates federal assistance through the Department of Homeland Security and the Federal Emergency Management Agency ("FEMA") be made available to assist in local and territorial recovery efforts.

Due to the conditions and events described above, the Center's management believes substantial doubt exists as to the Center's ability to continue as a going concern.

Financial highlights

- Net position decreased by $11.5 million, from $82.1 million as of June 30, 2018 to $70.6 million as of June 30, 2019.

- During the year ended June 30, 2019, the Center incurred approximately $2.3 million in capital expenditures.

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

  The total revenues recorded during the year ended June 30, 2019 related to the administration of the Cancer Prevention and Control Program amounted to $1.3 million.

- Effective August 1, 2014, the Center operates as a grantee institution for the administration of National Cancer Institute Community Oncology Research Program ("NCORP"). The National Cancer Institute ("NCI") divided this program into Clinical Trials and Cancer Care Delivery. During the year ended June 30, 2019, the Center received revenues amounting to $622 thousand under this program. Total grant award was for a five-year period that commenced on August 1, 2014 in the amount of $2.8 million, subject to annual progress reports.

- The Youth Prevention Program ("YPREV") – Effective September 30, 2015, the Center began as a grantee institution the multiyear administration of YPREP. The program will promote the implementation of culturally competent evidence-based interventions that will determine and address the need for HIV prevention, capacity building, testing and linkage for young men who have sex with men ("YMSM") 18-24 from a Minority Serving Institution ("MSI") and surrounding communities of the Western Region of Puerto Rico. During the year ended June 30, 2019, the Center received revenues that amounted approximately $157 thousand under this program.

- Puerto Rico Colorectal Cancer Screening Program ("PR-CRCSP") – Effective June 30, 2015, the Center began as a grantee institution the multiyear administration of PR-CRCSP. The purpose of this project is to reduce the burden of colorectal cancer and colorectal cancer health disparities among the Puerto Rican population by increasing organized colorectal cancer screening and early diagnosis through the implementation of multilevel evidence-based interventions at the individual, provider, and organizational levels. During the year ended June 30, 2019, the Center received revenues that amounted approximately $265 thousand under this program.

- Radiotherapy Oncology Services – Effective December 1, 2015, the Center began as administrator of the Radiotherapy Center located between the Research Center and the Oncologic Hospital to provide radiotherapy services to patients including conventional radiotherapy treatment, IMRT, brachytherapy procedures and neurosurgery oncologic. The Net Patient Revenues for the year ended June 30, 2019 was $ 3.9 million.

- During June 2017, the Center completed the construction of the hospital facilities. During October 2019, the Center received the accreditation of the NIAHO® Hospital Accreditation program allowing the Center to participate in the Medicare and Medicaid program.

Overview of financial statements

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

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

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

Fund financial statements

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

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

Radiotherapy Oncology Services Fund
This fund accounts the result of collected billed patient services provided at the Radiotherapy Center. This fund is categorized as a special revenue fund.

Hospital Services Fund

This fund accounts for the hospital operations of the Center. This fund is categorized as a special revenue fund.

The remaining non major governmental funds consist of the following:

Cancer Prevention and Control Fund
This fund accounts for federal resources directed by the Center for Disease Control ("CDC") for the administration of the Breast and Cervical Cancer Early Prevention Program, Cancer Registry Program and Community Cancer Control Program.

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

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

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

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

Puerto Rico-Colorectal Cancer Screening Program Fund
This fund accounts for federal resources directed by Centers for Disease Control and Prevention for the administration of the Puerto Rico-Colorectal Cancer Screening Program ("PR-CRCSP").

Youth Prevention Program Fund
This fund accounts for federal resources directed by the Substance Abuse and Mental Health Services Administration ("SAMHSA") for the administration of the Youth Prevention Program ("YPREV").

These funds are grouped and presented in a single column in the governmental funds financial statements. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

Financial analysis of the Center as a whole

We provide the readers of these basic financial statements with the following summarized discussion and analysis of the relevant facts that affected the government-wide financial statements as of June 30, 2019 and 2018.

Statements of net position

The following is condensed financial information on assets, liabilities and net position of governmental activities as of June 30, 2019 and 2018:

Centro Comprensivo de Cancer de la Universidad de Puerto Rico
Financial Analysis of the Center and Analysis as a Whole
(A Component Unit of the Commonwealth of Puerto Rico)
Governmental Activities

	2019	2018	Change	Percent %
Assets:				
Current assets:				
Cash	$ 24,692,625	$ 24,780,858	$ (88,233)	0%
Accounts receivable, net:				
Net patient revenues - Radiotherapy & Hospital Oncology Services	2,450,608	1,349,981	1,100,627	82%
Federal government	2,141,672	1,076,754	1,064,918	99%
Other grants	110,944	36,677	74,267	202%
Prepaid expenses	435,768	427,662	8,106	2%
Inventory	487,144	127,494	359,650	282%
Total current assets	30,318,761	27,799,426	2,519,335	9%
Restricted assets - restricted cash	3,059,571	2,974,763	84,808	3%
Capital assets:				
Land and other nondepreciable assets	750,001	750,001	-	0%
Other capital assets, net of depreciation and amortization of $23,853,047	194,508,442	199,760,208	(5,251,766)	-3%
Other non-current assets	967,792	194,940	772,852	396%
Total non-current assets	199,285,806	203,679,912	(4,394,106)	-2%
Total assets	229,604,567	231,479,338	(1,874,771)	-1%
Liabilities and Net Position:				
Current liabilities:				
Accounts payable and accrued liabilities	35,021,204	25,300,618	9,720,586	38%
Due to other governmental entities	3,066,976	3,128,979	(62,003)	-2%
Total current liabilities	38,088,180	28,429,597	9,658,583	34%
Non-current liabilities:				
Notes payable	120,274,521	120,482,398	(207,877)	0%
Other non-current liabilities	635,332	427,362	207,970	49%
Total non-current liabilities	120,909,853	120,909,760	93	0%
Total liabilities	158,998,033	149,339,357	9,658,676	6%
Net position:				
Net investment in capital assets	74,783,922	79,827,810	(5,043,888)	-6%
Restricted for:				
Capital research and clinical trials	571,254	1,135,658	(564,404)	-50%
Capital projects	1,547,375	1,839,105	(291,730)	-16%
Donated capital	200,000	200,000	-	0%
Unrestricted	(6,496,017)	(862,592)	(5,633,425)	653%
Total net position	$ 70,606,534	$ 82,139,981	$ (11,533,447)	-14%

The net position of the Center decreased by $11.5 million as of June 30, 2019. Decrease in net position was the result of a net effect of a decrease of $1.9 million in total assets and an increase of $9.7 million in total liabilities. The decrease in total assets and the increase in total liabilities are mainly due to the following:

- Capital assets net decrease of $5.3 million as a result of capital expenditures of $2.3 million offset by the depreciation expense of $7.6 million for the year ended June 30, 2019.
- Increase in total liabilities of $9.7 million, mainly due to the net effect of an increase in accounts payable and accrued liabilities by $9.7 million and a decrease in amounts due to other governmental entities by $62 thousand.

Statements of activities

The statement of activities shows the sources of the Center's changes in net position as they arise through its various functions. Condensed statements of activities for the fiscal years ended June 30, 2019 and 2018 are shown in the table below.

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

Financial Analysis of the Center and Analysis as a Whole
Governmental Activities

	2019	2018	Change	Percent %
Revenues:				
Program Revenues				
Operating Grants and Contributions	$ 25,833,180	$ 25,658,007	$ 175,173	1%
Oncology services	5,489,049	2,925,954	2,563,095	88%
Interest income	333,526	75,389	258,137	342%
Total Revenue	31,655,755	28,659,350	2,996,405	10%
Functions/Programs:				
General Government	23,686,865	18,220,215	5,466,650	30%
Cancer research and clinical trials	6,999,135	3,904,983	3,094,152	79%
Radiotherapy and facilities administration	4,102,227	3,814,563	287,664	8%
Interest and Long-Term Debt	8,400,975	7,722,119	678,856	9%
Total Expenditures	43,189,202	33,661,880	9,527,322	28%
Change in Net Position	(11,533,447)	(5,002,530)	(6,530,917)	131%
Net position at beginning of year	82,139,981	87,142,511	(5,002,530)	-6%
Net position at end of year	$ 70,606,534	$ 82,139,981	$ (11,533,447)	-14%

- Total revenues increased from $28.7 million in 2018 to $31.7 million in 2019. Operating grants and contributions increased by $175 thousand when compared to prior year mainly due to the increase in grants during the fiscal year 2019.

- Oncology services revenues increased by $2.6 million when compared to fiscal year 2018 as a result of an increase in services provided to patients mainly due to the opening in hospital clinical services.

- Functions/programs expenses increased from $33.7 million in 2018 to $43.1 million in 2019 or by $9.5 million, which is due to increases of $5.5 million and $3.1 million in the general government and cancer research and clinical trials, respectively. The increase in expenses is mainly due to increase in salaries and related expenses and, in professional expenses as a result of the commencement of operations of the hospital. Finally, interest cost increased by $679 thousand due to an increase in the interest rate during the fiscal year.

Governmental funds results

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

General Fund – This fund accounts for all of the Center's activities, except for those activities related to the Oncology Center, Hospital Services and Federal Grants. Total revenues presented an increase of $2.4 million mainly due to an increase of $2 million in Commonwealth contributions. Total expenditures of this fund reflected a net increase of $2.3 million from $7.5 million in fiscal year 2018 to $9.8 million in fiscal year 2019. The increase in expenditures was mainly due to an increase of $2.3 million in expenditures related to cancer research and clinical trials.

Radiotherapy Oncology Services Fund – This fund accounts the revenues and expenditures related to radiotherapy services provided to patients. The fund revenues and related expenditures for the fiscal year ended in 2019 remained in line to fiscal year 2018.

Hospital Services Type Revenue Fund – The Center declared final completion of the hospital construction project during the last quarter of the year ended June 30, 2017. Nevertheless, the hospital administration in compliance with Health Department requirements, entered into an accreditation process required to provide healthcare services in Puerto Rico. The process started with a temporary license which allowed the hospital to see patients while pursuing a permanent license as an initial step and after a rigorous survey process and later gaining Medicare license which will allow the hospital to contract basically with all health insurance companies. Through this fiscal year, the hospital had several public bids in process in order to acquire the necessary medical equipment, furniture and fixtures, and simultaneously started the recruitment of specialized staff, both technical and professional, to start the hospital operations during fiscal year 2019. Total revenues decreased by $1.2 million or 9% mainly due to a decrease in the Commonwealth contributions by $2.8 million. However, revenues from oncology services increased by $1.6 million in fiscal year 2019. In relation to expenditures, an increase of $5.8 million is noted, which is mainly the result of the commencing of the Hospital's operations.

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

Cancer Prevention and Control Fund – This fund accounts for federal resources directed to administer and operate the Breast and Cervical Cancer Early Prevention Program, PR Cancer Registry Program and Community Cancer Control Program. Total expenditures of this fund have not significantly changed during fiscal year ended June 30, 2019. The amount in this fund is $1.3 million, which is in line with prior fiscal year, including indirect cost.

National Cancer Institute Community Oncology Research Program ("NCORP") Fund – This fund accounts for the program of clinical trials and other studies on cancer care delivery research. Total expenditures increased to $622 thousand for the fiscal year 2019 from $565 thousand for the fiscal year ended June 30, 2018.

Puerto Rico Colorectal Cancer Screening Program ("PR-CRCSP") Fund – This fund accounts for the project to reduce the burden of colorectal cancer and colorectal cancer health disparities among the Puerto Rican population. Total expenditures of this fund are in line with prior fiscal year.

Youth Prevention Program ("YPREV") Fund – This fund accounts for the program to promote the implementation of culturally competent evidence-based interventions that will determine and address need, provide HIV prevention, capacity building, testing and linkage for young men who have sex with men ("YMSM"). Total expenditures of this fund decreased to $157 thousand in fiscal year 2019 from $284 thousand for the fiscal year ended June 30, 2018, including indirect costs.

Capital assets

The Center's investment in capital assets at June 30, 2019 decreased from the amount of $200.5 million to approximately $195.2 million, net of accumulated depreciation and amortization which amounted to $23.9 million. Capital assets includes land, building, building improvements and equipment.

Long-term debt

The Center used long-term debt to finance the construction of the new hospital and radiotherapy facilities. At June 30, 2019, the total debt outstanding amounted to $120.3 million. Pursuant to the Qualifying Modification under Title VI of PROMESA, in November 2018, the available cash balance in the amount of $208 thousand were applied to the outstanding notes payable balance of the Center. GDB retained ownership of the Center's notes payable.

Contacting the Center's financial management

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

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

Statement of Net Position
June 30, 2019

Assets	
Current assets:	
Cash	$ 24,692,625
Accounts receivable, net:	
Net patient revenues - Radiotherapy and Hospital Services	2,450,608
Federal government	2,141,672
Other grants	110,944
Prepaid expenses	435,768
Inventory	487,144
Total current assets	30,318,761
Restricted assets - restricted cash	3,059,571
Capital assets:	
Land and other nondepreciable assets	750,001
Other capital assets, net of depreciation and amortization of $23,865,757	194,508,442
Other non-current assets	967,792
Total non-current assets	199,285,806
Total assets	229,604,567
Liabilities and Net Position	
Current liabilities:	
Accounts payable and accrued liabilities	5,214,584
Compensated absences	862,592
Accrued interest payable	28,944,028
Due to other governmental entities	3,066,976
Total current liabilities	38,088,180
Non-current liabilities:	
Notes payable	120,274,521
Compensated absences, noncurrent portion	635,332
Total non-current liabilities	120,909,853
Total liabilities	158,998,033
Net position:	
Net investment in capital assets	74,783,922
Restricted for:	
Capital research and clinical trials	571,254
Capital projects	1,547,375
Donated capital	200,000
Unrestricted	(6,496,017)
Total net position	$ 70,606,534

The accompanying notes are an integral part of this statement.

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

Statement of Activities
Year Ended June 30, 2019

		Program Revenues			
	Expenses	Commonwealth Contributions	Operating Grants and Contributions	Charges for services	Net Revenues (Expenses) and Changes in Net Position
Governmental Activities:					
Commonwealth contributions	$ 3,560,136	$ 6,083,304	$ -	$ -	$ 2,523,168
Cancer research and clinical trials	6,999,135	5,309,229	3,684,180	-	1,994,274
Net patient revenues radiotherapy	4,102,227	-	-	3,895,305	(206,922)
Net patient revenues hospital & general funds	20,126,729	10,756,467	-	1,593,744	(7,776,518)
Interest expense	8,400,975	-	-	-	(8,400,975)
Total government activities	$ 43,189,202	$ 22,149,000	$ 3,684,180	$ 5,489,049	(11,866,973)
General revenues--					
Interest income					333,526
Change in net position					(11,533,447)
Net position at beginning of the year					82,139,981
Net position at end of the year					$ 70,606,534

The accompanying notes are an integral part of this statement.

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

Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Radiotherapy Oncology Services	Hospital Services	Other Non-Major Funds	Total Governmental Funds
Assets:					
Cash	$ 15,853,630	$ -	$ 8,838,995	$ -	$ 24,692,625
Account receivable:					
Net patient revenues - Radiotherapy Oncology Services	-	1,708,445	742,163	-	2,450,608
Federal government	-	-	-	2,141,672	2,141,672
Due from other funds	-	-	48,028,529	-	48,028,529
Other grants	110,944	-	-	-	110,944
Inventory	8,039	27,949	451,156	-	487,144
Restricted assets--					
restricted cash	571,254	937,739	1,550,578	-	3,059,571
Total Assets	$ 16,543,867	$ 2,674,133	$ 59,611,421	$ 2,141,672	$ 80,971,093
Liabilities:					
Accounts payable and accrued liabilities	$ 4,144,000	$ 302,590	$ 767,994	$ -	$ 5,214,584
Compensated absences	862,592	-	-	-	862,592
Accrued interest payable	28,944,028	-	-	-	28,944,028
Due to other funds	43,942,167	1,944,690	-	2,141,672	48,028,529
Due to other governmental entities	3,066,976	-	-	-	3,066,976.00
Total liabilities	80,959,763	2,247,280	767,994	2,141,672	86,116,709
Fund balances:					
Nonspendable	8,039	27,949	91,508	-	127,496
Committed	1,027,894	315,555	1,631,315	-	2,974,764
Unassigned	(65,451,829)	83,349	57,120,604	-	(8,247,876)
Total fund balance (deficit)	(64,415,896)	426,853	58,843,427	-	(5,145,616)
Total liabilities and fund balances	$ 16,543,867	$ 2,674,133	$ 59,611,421	$ 2,141,672	$ 80,971,093

The accompanying notes are an integral part of this statement.

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balance of governmental funds	$ (5,145,616)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, therefore, are not reported in governmental funds balance sheet	195,258,443
The statement of net position reports prepaid expenses and other assets non-current, not available to pay current period expenditures not reported in governmental funds	1,403,560
Liabilities not due and payable in the current period, therefore, are not reported in governmental funds balance sheet	
Compensated absences	(635,332)
Notes payable	(120,274,521)
Total net position of governmental activities	$ 70,606,534

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019

	General Fund	Radiotherapy Oncology	Hospital Services	Other Non-Major Funds	Total Governmental
Revenues:					
Commonwealth contributions	$ 6,083,304	$ -	$ 10,756,467	$ -	$ 16,839,771
Commonwealth clinical trials funds	5,309,229	-	-	-	5,309,229
Federal grants	-	-	-	3,092,001	3,092,001
Other grants and contributions	592,179	-	-	-	592,179
Oncology services	-	3,895,305	1,593,744	-	5,489,049
Interest income	333,526	-	-	-	333,526
Total revenues	12,318,238	3,895,305	12,350,211	3,092,001	31,655,755
Expenditures:					
General and administrative	3,352,259	-	780,842	-	4,133,101
Cancer research and clinical trials	3,971,015	-	-	3,028,120	6,999,135
Hospital facilities	-	-	12,549,765	-	12,549,765
Radiotherapy facilities administration	-	4,102,227	-	-	4,102,227
Debt service:					-
Principal payments	207,877	-	-	-	207,877
Interest payments	8,400,975	-	-	-	8,400,975
Capital expenditures	2,261,313	-	-	63,881	2,325,194
Total expenditures	18,193,439	4,102,227	13,330,607	3,092,001	38,718,274
Net change in fund balances	(5,875,201)	(206,922)	(980,396)	-	(7,062,519)
Fund balances at beginning of year	(58,540,695)	633,775	59,823,823	-	1,916,903
Fund balances at end of year	$ (64,415,896)	$ 426,853	$ 58,843,427	$ -	$ (5,145,616)

The accompanying notes are an integral part of this statement.

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

Net change in fund balances - total governmental funds	$ (7,062,519)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and amortization exceed capital outlays in the current period	(5,251,766)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of notes payable consume the current financial resources of governmental funds. These amounts are in the net effect of the following:	
Repayment of principal - notes payable	207,877
Net effect of expenses in the statement of activities that does not require the use of current financial resources and, therefore, are not reported as expenditures	572,961
Change in net position of governmental activities	$ (11,533,447)

The accompanying notes are an integral part of this statement.

(1) Reporting entity:

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

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

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

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

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

On July 1, 2014, the Legislature of the Commonwealth issued Law No. 74 to amend section (1)(a) of Article 3 of Act No. 60 of 2013 to modify the use of the amounts allocated for the Comprehensive Cancer Center Infrastructure Fund for Science and Technology. On July 2, 2015, the Legislature of the Commonwealth issued Law No. 106 to amend Article 15 of Law 230 to modify the annual contributions the Center will receive. To this end, the Center received $65.7 million for fiscal year 2016-17 to cover the operating expenses and construction projects.

The opening of the hospital was anticipated in phases, the first one specifically related to the first 6 floors of operations and all electromechanical areas. Initial substantial completion was declared on October 6, 2016 which gave the hospital administration the capability of starting all necessary processes for accrediting the hospital through the State Licensing System (SARAF). Final completion was declared in June 2017 and the contractor left the premises by August 2017.

Effective July 1, 2017, Commonwealth contributions approved to the Center for fiscal year 2018 amounted to $23 million, according to Resolution #187 of June 1, 2017. This Resolution establishes that from the total approved, $12.5 million are designated for the operation and expenses of Center, including research and development, and radiotherapy; and $10.5 million for the development of clinical basis and epidemiologic, hiring of personnel and investment in equipment. Contributions received from the Commonwealth during the fiscal year ended June 30, 2019 amounted to $22,149,000. In addition, for next fiscal years 2020, 2021 and 2022, Commonwealth contributions were approved amounting to $14.7 million, $10.5 million and $20.3 million, respectively.

The certified fiscal plan approved by the Oversight Board of PROMESA allocates to the Center a $20 million investment over two years, contingent upon the Center completing certain actions. This fiscal plan includes that by May 2021, the Center will provide a Business Plan detailing specific actions that the Center will take into considerations to become sustainable by fiscal year 2024. The Center completed the Business Plan and received access to $10 million in Commonwealth's contributions for fiscal year 2022. Meanwhile, the Center must also focus on the implementation of the Electronic Health Records ("EHR") to be completed during fiscal year 2022. This will allow the Center to properly and timely bill health insurance providers, increase their collections and reduce the margins of errors in the billing process. If the EHR implementation is completed by FY2022, the Center will have access to an additional $10 million during fiscal year 2023. The Center must transition to be self-sufficient and rely on their own revenues starting in fiscal year 2024.

On August 16, 2020, the Legislature of the Commonwealth issued Act 128 to amend the Article12 of Act 230-2004, as amended, known as the "Law of the Comprehensive Cancer Center of the University of Puerto Rico. This amendment excluded the Center from the provisions of Law 8-2017, as amended, known as the "Law for the Administration and Transformation of Human Resources in the Government of Puerto Rico"; as well as the provisions of Act No. 230 of July 23, 1974, as amended, known as the "Puerto Rico Government Accounting Act"; of Law 3-2017, as amended, known as the "Law to Address the Economic, Fiscal and Budgetary Crisis to Guarantee the Functioning of the Government of Puerto Rico"; of Law 26-2017, as amended, known as the "Law of Compliance with the Fiscal Plan"; of Law 73-2019, as amended known as the "General Services Administration Law for the Centralization of Procurement of the Government of Puerto Rico of 2019" and all the regulations promulgated by virtue of said laws. The Center will maintain a General Regulation to implement the provisions of this Law, as well as a Personnel Regulation and a Purchasing Regulation. Said regulations must be approved in accordance with the Law of Uniform Administrative Procedures of the Government of Puerto Rico, Law 38-2017, as amended, and shall maintain a healthy public administration, as well as the best use of resources for efficiency in this public corporation".

(2) Summary of significant accounting policies:

(a) Government-wide and fund financial statements -

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

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

- **Net invested in capital assets** - consists of capital assets, net of accumulated depreciation and amortization, and reduced by any outstanding balances for notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net position** - results when constraints are placed on net position use, either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, in order to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on use that are imposed by management, but such constraints may be removed or modified.

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

Fund financial statements - Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions. Major funds are determined using a predefined percentage of the assets, liabilities, revenue, or expenditures/expenses of the fund category. The non-major funds are combined in a single column in the fund financial statements.

Governmental funds focus on the sources and uses of funds and provide information on the near term inflows, outflows, and balances of available resources. The Center reports the following major governmental funds:

- **General Fund** - This fund accounts for all financial resources of the Center, except for those activities related to the federal grants and radiotherapy oncology services.
- **Radiotherapy Oncology Services Fund** - This fund accounts the revenues and expenditures related to radiotherapy services offered to patients. Effective December 1, 2015, the Center began as administrator of the Radiotherapy Center located between the Research Center and the Oncologic Hospital.
- **Hospital Services Fund** - This fund accounts for the hospital operations of the Center.

The remaining non-major governmental funds consist of the following:

- **Cancer Prevention and Control Fund** - This fund accounts for federal resources directed to administer the Breast and Cervical Cancer Early Prevention Program, Cancer Registry Program and Community Cancer Control Program ("the Centers for Disease Control and Prevention - Investigations and Technical Assistance Program"). During the year ended June 30, 2019, the Center received revenues amounting to $1.3 million under this program.

- **NCI Community Oncology Research Program ("NCORP")** - The National Cancer Institute ("NCI") combined two community-based research networks which creates a single network that builds on the strengths of the Community Clinical Oncology Program/Minority-Based Community Clinical Oncology Program ("CCOPs") and the NCI Community Cancer Centers Program ("NCCCP"). This fund accounts for federal resources directed to support the activities of the NCI Community Oncology Research Program ("NCORP"), to support a wide range of clinical research, including treatment-focused as well as cancer prevention and control–based clinical trials; population-based studies; and behavioral, health services, and outcomes research. It will encompass community-based cancer specialty organizations in the same manner as have the CCOPs and NCCCP, and will work closely with the National Clinical Trials Network ("NCTN"). During the year ended June 30, 2019, the Center received revenues amounting to $622 thousand under this program.

- **Puerto Rico Colorectal Cancer Screening Program ("PR-CRCSP")** -The purpose of this program is to reduce the burden of colorectal cancer and colorectal cancer health disparities among the Puerto Rican population by increasing organized colorectal cancer screening and early diagnosis through the implementation of multilevel evidence-based interventions at the individual, provider, and organizational levels. During the year ended June 30, 2019, the Center received revenues amounting to $265 thousand under this program.

- **The Youth Prevention Program ("YPREV")** - This fund accounts for federal resources directed to administer YPREP. The program will promote the implementation of culturally competent evidence-based interventions that will determine and address need, provide HIV prevention, capacity building, testing and linkage for young men who have sex with men ("YMSM") 18-24 from a Minority Serving Institution ("MSI") and surrounding communities of the Western Region of Puerto Rico. During the year ended June 30, 2019, the Center received revenues amounting to $157 thousand under this program.

- **Host genetic susceptibility to gut microbiota-driven colorectal carcinogenesis -** Colorectal cancer (CRC) is the 1st and 3rd leading cause of cancer-related death in men and women in the Puerto Rico and the United States, respectively; however, CRC prevention and risk stratification strategies, other than routine screening, are still unavailable. The current proposal aims to gain insight into the interplay between host genetic susceptibility and the gut microbiota by examining if polymorphisms in key cytokines that regulate inflammation increase risk for colorectal adenomas, CRC precursor lesions, when exposed to a subset of toxin-producing gut microbiota using a case-control study design and by generating in vitro enteroid ("mini-intestine") model. The data generated by this study will provide important information about host genetic susceptibility to microbiome-driven colorectal carcinogenesis (gene-environment interaction) and will lay the foundation for the development of host gene- and/or bacterial gene-based CRC prevention and/or risk stratification strategies that will ultimately help reduce CRC incidence and mortality. During the year ended June 30, 2019, the Center received revenues amounting to $111 thousand under this program.

- **A Mixed Methods Study to Explore the Effect of Hurricanes Irma and Maria on Cancer Care in PR -** On September 2017, Hurricanes Irma and Maria devastated the Caribbean region, particularly the US territory of Puerto Rico (PR) causing widespread destruction and resulting in massive resource losses and economics costs. Critical acute issues caused by this catastrophe mirrored those caused by other disasters worldwide. Health-related issues include problems with sanitation and hygiene, water safety, infection control, immunizations, and access to care. The overall goal of this study is to employ a multilevel mixed-methods approach to identify individual and contextual factors leading to disruption and continuation in cancer care in the aftermath of these unprecedented events. During the year ended June 30, 2019, the Center received revenues amounting to $81 thousand under this program.

- **Impact of hurricane-related stressors and responses on oncology care and health outcomes of women with gynecologic cancers from Puerto Rico and US Virgin Islands** - The impact of hurricanes María and Irma on oncology care adherence and health outcomes of GYN cancer patients from PR and USVI has yet to be documented; particularly knowing that access to care prior to the hurricanes existed for these patients given lack of enough available GYN oncologists in these territories. Study results and their dissemination will serve 1) as the basis for future studies of longer-term health impacts of hurricanes and other extreme events on cancer patients from PR and the USVI, and 2) will help disaster planners and public health professionals to a) develop and implement effective and evidence-based mitigation strategies in the future, and more specifically, b) an action plan for patient preparedness and resilience-based institutional capacity, to guide timely and adequate disaster responses for both GYN patients and providers, which could later be extrapolated to other populations of cancer patients. During the year ended June 30, 2019, the Center received revenues amounting to $53 thousand under this program.

- **Implementation of School Entry Policies for Human Papillomavirus Vaccination** - This project seeks to document the effect of a new policy on HPV vaccination in Puerto Rico. This study will employ an innovative and rigorous approach to examine the implementation process, the population health impact as well the effectiveness of a public education campaign as an implementation strategy for lowering non-medical exemptions and improving parental compliance for HPV vaccination. During the year ended June 30, 2019, the Center received revenues amounting to $71 thousand under this program.

- **Cross-sectional associations of oral microbiota with oral HPV infection among high-risk Hispanic adults** - Puerto Ricans are among the fastest growing segments of the U.S. Hispanic population, an ethnic group characterized by having high rates of HPV and oral cancer. Accumulating evidence supports a biological plausible association between the oral microbiota and HPV infection in multiple anatomical sites and with oral cancer; however, data on its relationship with oral HPV infection is limited. The identification of the role of the oral microbiota on oral HPV infection may provide essential information for the development of preventive public health strategies, as if research shows that the oral microbiota modulates oral HPV infection and oral carcinogenesis, the implications for oral cancer prevention and control strategies might be important. During the year ended June 30, 2019, the Center received revenues amounting to $58 thousand under this program.

These funds are grouped and presented in a single column in the governmental funds financial statements. The basic governmental funds financial statements can be found immediately after the government-wide financial statements.

(b) <u>Measurement focus basis of accounting</u> -

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

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

Modifications to the accrual basis of accounting include:

- Interest and principal on general long-term obligations is generally recognized when due and matured.
- Proceeds from general long-term debt are reported as other financing sources in the governmental funds.
- Compensated absences (employees' vested annual vacation and sick leave) are recorded as expenditures when matured. The unmatured amount of accumulated annual vacation and sick leave unpaid at June 30, 2019 is reported only in the government-wide financial statements.
- Capital assets acquisitions are reported as expenditures in the governmental funds.
- Prepaid expenses and other assets non-current, not available to pay current period expenditures are deferred in government-wide financial statements.

(c) <u>Fund balance</u> -

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

- *Nonspendable* - amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts constrained to specific purposes by their providers (such as grantors), through constitutional provisions, or by enabling legislation.

- *Committed* - amounts constrained to specific purposes by the Center itself, using its highest level of decision-making authority (such as legislation). To be reported as committed, amounts cannot be used for any other purpose unless the Center takes the same highest level action to remove or change the constraint.
- *Assigned* - amounts the Center intends to use for a specific purpose. Intent can be expressed by the Center or by an official or body to which the Center delegates the authority.
- *Unassigned* - all amounts not included in other expendable classifications.

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

(d) Receivables -

Receivables are stated net of estimated allowances for uncollectible accounts, which are determined based upon collection experience and current economic conditions, among other factors.

(e) Prepaid expenses -

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

(f) Capital assets -

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

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

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

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

Description	Useful lives (Years)
Building	40
Building improvements	20
Cancer research and clinical trial equipment	10
Office furniture and equipment	3 - 7
Computer equipment	5

(g) Impairment of capital assets -

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

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

The Center evaluated its capital assets as required by GASB No. 42 and no impairment was identified during the year ended June 30, 2019.

(h) Compensated absences -

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

The Center recognizes a liability for compensated absences when the following criteria are met:

(i) Obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered

(ii) The obligation relates to rights that vest or accumulate

(iii) Payment of the compensation is probable

(iv) The amount can be reasonably estimated

In accordance with the above criteria and requirements as established by GASB No. 16, "*Accounting for Compensated Absences"*; the Center has accrued a liability for compensated absences, which has been earned but not taken by the Center's employees as of June 30, 2019. For the government-wide statements, the amount is presented in current and noncurrent liabilities. For the governmental funds statements the noncurrent portion is not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

(i) Long-term obligations -

In the government-wide financial statements, the long-term portion of the notes payable and other long-term obligations are reported as non-current liabilities. For the governmental funds statements, the non-current portion is not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

(j) Employee benefit plan -

The Center sponsors a defined contribution profit sharing plan with cash or deferred arrangements under the Popular Master Defined Contribution Retirement Plan and its Popular Master Trust. The Plan covers substantially all employees, who are over 18 year of age and comply with a minimum service of at least six (6) months. The Center may make discretionary contributions to the Plan, which are recognized when due and payable in accordance with the benefit terms.

(k) Interfund transactions -

Advances between funds are presented as amounts due to and due from other funds. These advances, transfers, and related amounts receivable and payable are considered internal balances and activities that have been eliminated in the government-wide financial statements.

(l) Use of estimates -

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

(m) Effects of new accounting pronouncements -

The following Governmental Accounting Standards Board (“GASB") statements were adopted in fiscal year 2019:

GASB Statement No.	Description
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 - GASB 73 establishes requirements for defined benefit pension plans and defined contribution plans that are not within the scope of GASB 68.
95	Postponements of Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provision contained in the following pronouncements are postponed by one year after the implementation date:

- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 88, Certain Disclosures Related to debt including Direct Borrowings and Direct Placements
- GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period
- GASB Statement No. 90, Majority Equity Interests
- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, Replacement of Interbank Offered Rates
- GASB Implementation Guide No. 2017-3, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- GASB Implementation Guide No. 2018-01, Implementation Guidance Update-2018
- GASB Implementation Guide No. 2019-01, Implementation Guidance Update-2019
- GASB Implementation Guide No. 2019-02, Fiduciary Activities

The effective dates of certain provision contained in the following pronouncements are postponed by eighteen (18) months after the implementation date:

- GASB Statement No. 87, Leases
- GASB Implementation Guide No. 2019-3, Leases

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

(n) <u>Future adoption of accounting pronouncements</u> -

GASB has issued the following standards that the Center has not yet adopted:

GASB Statement No.		Adoption required in fiscal year
83	Certain Asset Retirement Obligations*	2019
84	Fiduciary Activities	2020
87	Leases	2021
88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*	2019
89	Accounting for Interest Cost Incurred before the End of a Construction Period	2021
90	Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61	2020
91	Conduict Debt Obligations	2021
92	Omnibus 2020	2021
93	Replacement in Interbank Offered Rates	2021
94	Public-Private and Public-Public Partnership and Availability Payment Arrangements	2023
96	Subscritption-Based Information Technology Arrangements	2023
97	Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans**	2022

* As per GASB Statement No. 95, the effective date was postponed by one additional year
**Certain provisions are effective immediately.

The Center is evaluating the impact that these statements may have, if any, on its future financial statements.

(3) Cash:

Credit Risk -
The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by the Secretary of the Treasury of the Commonwealth ("STC").

As of June 30, 2019, the Center's custodial credit risk on bank balances were as follows:

Governmental fund balance	Bank balance	Credit Risk Category 1	Credit Risk Category 2
$ 27,748,496	$ 28,691,823	$ 28,691,823	$ -

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

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

Restricted Cash -
Cash in the aggregate amount $3,059,571 represent contributions from private organizations and individuals for cancer research and clinical trial purposes in the amount of $571,254, for radiotherapy operations in the amount of $937,739, and for the Hospital Construction Account in the amount of $1,550,578 respectively.

The total balance of $3,059,571 has been included as restricted cash in the accompanying statement of net position and balance sheet - governmental funds.

(4) Accounts receivable:

Accounts receivable are primarily for radiotherapy and hospital services, and as of June 30, 2019 consisted of the following:

	Amount
Radiotherapy and hospital services	$ 4,091,860
Less: allowance for doubtful accounts	(1,641,252)
Total	$ 2,450,608

(5) Capital assets:

The following schedule summarizes the capital assets held by the Center as of June 30, 2019:

	Balance at June 30, 2018	Additions	Retirements/ Adjustments	Balance at June 30, 2019
Nondepreciable				
Land	$ 750,001	$ -	$ -	$ 750,001
Depreciable				
Building	178,230,613	-	-	178,230,613
Building improvements	5,489,907	46,754	-	5,536,661
Equipment	32,328,485	2,278,440	-	34,606,925
Total capital assets	216,049,005	2,325,194	-	218,374,199
Less: accumulated depreciation and amortization	(16,288,797)	(7,576,960)	-	(23,865,757)
	$ 200,510,209	$ (5,251,766)	$ -	$ 195,258,443

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

Depreciation expense amounted to $7,576,960 for the year ended June 30, 2019, and is included within the governmental activities in the accompanying statement of activities.

(6) Compensated absences:

The following is a summary of the changes in compensated balances for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Retirement/ Adjustments	Balance at June 30, 2019	Current	Non-current
Compensated absences	$ 1,046,931	$ 933,397	$ 482,404	$ 1,497,924	$ 862,592	$ 635,332

(7) Notes payable to GDB:

The activity of notes payable for the year ended June 30, 2019, is as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019
Governmental actvities:				
Note payable $75 million	$ 31,932,464	$ -	$ -	$ 31,932,464
Notes payable $196 million	88,549,934	-	207,877	88,342,057
Total governmental activities	$ 120,482,398	$ -	$ 207,877	$ 120,274,521

Notes payable as of June 30, 2019 consist of the following:

Description	Amount
On August 22, 2007, the Center entered into an $18 million non-revolving line of credit agreement with the Puerto Rico Government Development Bank ("GDB") to build the Center's administrative offices and research facilities. On May 29, 2008, the agreement was amended, mainly to increase the maximum borrowing amount to $75 million, to extend the maturity date up to October 31, 2021 and to finance the construction of the Hospital. Balance will be repaid from future annual contributions of the Commonwealth pursuant to Law 230 of August 25, 2004, as negotiated between the Puerto Rico Office of Management and Budget and GDB. The non-revolving line of credit bears interest at a fixed rate of 6.00%.	$ 31,932,464
On November 18, 2013, the Center entered into a non-revolving line of credit agreement facility up to an aggregate principal amount not to exceed $196 million with GDB, for the construction and development of a ninety-six (96) beds hospital, a multi-disciplinary outpatient clinic, a diagnostic imaging center and a medical oncology infusion unit in a land lot property of the Center, located in the Municipality of San Juan. The principal amount shall be payable in twenty-eight (28) consecutive annual installments of principal and interest computed at a rate per annum equal to the sum of Prime Rate, plus 200 basis points, with the funds assigned by Law No. 128 dated on October 31, 2013, as amended, that have been legally pledged to the Center, on the last business day of December of each year. The annual installments payments were supposed to commence the last business day of December 2016 and the final and twenty-eight (28th) installment shall be due and payable on the last business day of December 2043.	88,342,057
	$ 120,274,521

No interest payments were made during the year ended June 30, 2019.

On November 29, 2018, GDB completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the Qualifying Modification). Under the Qualifying Modification, holders of certain bond and deposit claims against GDB exchanged their claims for bonds issued by a newly created public instrumentality—the GDB Debt Recovery Authority ("GDB DRA") created under Act No. 109 of August 24, 2017, known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the GDB Restructuring Act)—and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate owned assets and its unencumbered cash. In addition, pursuant to the GDB Restructuring Act, claims on account of deposits held by the Commonwealth and other public entities were exchanged for interest in a newly formed trust created pursuant to the GDB Restructuring Act, titled the Public Entity Trust ("the PET").

Under the GDB Restructuring Act, the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates (each a Non-Municipal Government Entity) and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-Municipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against GDB, after giving effect to the foregoing adjustment received their pro rata share of interests in the PET, which was deemed to be full satisfaction of any and all claims such Non-Municipal Government Entity may have against GDB.

The Center's notes payable were not transferred to GDB DRA or the PET pursuant to the Qualifying Modification. GDB retained ownership of the Center's notes payable. In November 2018, available cash balance in the amount of $207,877 were applied to the Center's outstanding balance of the notes payable to GDB.

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

(8) Related parties' transactions:

A summary of the most significant related party transactions as of June 30, 2019, and for the year then ended are as follows:

(a) Commonwealth -

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

Year Ended June 30th	Amount
2005	$ 1,000,000
2006	1,000,000
2007	3,000,000
2008	3,500,000
2009	3,500,000
2010	3,500,000
2011	5,500,000
2012	7,000,000
2013	7,000,000
2014	7,000,000
2015	8,500,000
2016	12,533,710
2017	25,717,146
2018	23,000,000
2019	22,149,000
	$ 133,899,856

Also, pursuant to amendments to Law No. 230, the Commonwealth is required to repay the Notes through future contributions. From fiscal year 2016 up to fiscal year 2044, the Commonwealth will provide annual contributions up to a maximum amount of $15,000,000 for debt service purposes. During the year ended June 30, 2019, the Center received contributions from the Commonwealth amounting to $22,149,000 for operations and for the development of clinical basis and epidemiologic, hiring of personnel and investment in equipment.

(b) Medical Science Campus -

The Medical Science Campus ("MSC") is part of the University and the Center charges for utilities expenses related to the research facilities. Also, the MSC charges salaries and fringe benefits of faculty which has joint appointments or support personnel who work directly with the faculty. During the year ended June 30, 2019, the Center was charged approximately $3,272,271 for these services. Also, the Center charged to the MSC for utilities in the amount of $205,295.

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

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

The programs are divided into the Breast and Cervical Cancer Early Prevention Program, Cancer Registry Program, and Community Cancer Control Program. During the year ended June 30, 2019, the Center's federal expenditures related to these programs amounted to approximately $1,341,264, which have been recorded in the Cancer Prevention and Control Program Fund as part of the cancer research and clinical trials function in the statement of revenues, expenditures, and changes in fund balances. Law No. 113 of July 30, 2010 assigned the responsibility to the Department of Health of allocating an annual amount of $250,000 to be transferred to the Center to support the PR Cancer Registry operations.

Furthermore, the Center's expenditures to support clinical trials and cancer research through federal and state programs for approximately $6.5 million, which have been recorded in the General Fund and other Non-Major Funds as part of the cancer research and clinical trials expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

(10) Commitments:

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

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

Year ending June 30,	Amount
2020	$ 220,114
2021	220,114
2022	220,114
2023	220,114
2024	155,914
	$ 1,036,370

The rental expense for these facilities amounted to $220,114 for the year ended June 30, 2019.

(11) Contingencies:

(a) The Health Insurance Portability and Accountability Act ("HIPAA") was enacted in August of 1996 to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations are subject to significant fines and penalties if they are found not to be in compliance with the provisions outlined in the regulations. Management is of the opinion that all its facilities are in compliance with HIPAA regulations.

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

(12) Pension plan:

The Center sponsors a defined contribution profit sharing plan with cash or deferred arrangements ("the Plan"). The Plan was created on January 1, 2015 under the Popular Master Defined Contribution Retirement Plan and its Popular Master Trust. The Plan covers substantially all employees, who are over 18 year of age and comply with a minimum service of at least six (6) months. Eligible employees may contribute up to $15,000 of pre-tax annual compensation, as established by Act No. 1 of January 31, 2011 of the Internal Revenue Code for a new Puerto Rico. Eligible employees who have attained age 50 before December 31st are eligible to make catch-up contributions of $1,500. After tax contributions are also permitted up to 10% of eligible compensation, as defined by the Plan Adoption Agreement. The Center may make discretionary contributions to the Plan. Contributions made by eligible employees are immediately vested. Vesting on the Center's matching contributions, including accumulated earnings thereon, is based on years of continuous service as follows:

Vesting Percentage	Years of service
25%	2
50%	3
75%	4
100%	5

Notwithstanding the above, contributions become fully vested upon death, disability and plan termination. Forfeitures on non-vested amounts are used as determined by the Center.

The Center's contribution to the Plan amounted to $228,066 during the year ended June 30, 2019.

(13) Going concern:

The discussion in the following paragraphs regarding the Center's financial and liquidity risks provides the necessary background and support for management's evaluation as to whether there is substantial doubt about the Center's ability to continue as a going concern for 12 months beyond the date of the financial statements, or for an extended period if there is currently known information that may raise substantial doubt shortly thereafter. GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards,* establishes that the continuation of a legally separate governmental entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to a governmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions. Indicators such as negative trends in operating losses and negative cash flows, possible financial difficulties such as nonpayment or default of debt and/or restructurings or noncompliance with capital or reserve requirements, and internal or external matters impacting the governmental entity's ability to meet its obligations as they become due, are factors that are considered in this evaluation.

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

The Center is highly dependent on the Commonwealth contributions to finance its operations. During the fiscal year ended on June 30, 2019, approximately 67% of the Center's total revenues are derived from Commonwealth contributions which amounted to $22 million. Although, the Center has limited ability to raise operating revenues, it is expected that the recently opened hospital facility will generate significant additional revenue over the years to help subsidize the Center's complete operation. In October 2019, the Center received the accreditation of the NIAHO® Hospital Accreditation Program allowing the Center to participate in the Medicare and Medicaid program. This accreditation will benefit the Center as it will have a direct effect in the number of patients the Center will treat and contributes for an expansion of services provided, that will result in an increase in operating revenues. In addition, the Center has reached agreements with the major private health insurance companies, including those that manage Vital, the Puerto Rico Health Reform patients.

In addition, the Center has developed a strategic plan in which, using funds assigned by the Fiscal Oversight Board amounting to $10 million for fiscal years 2022 and 2023, respectively, the Center's focus is to achieve self-sufficiency by fiscal year 2024.

On May 15, 2017, the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) and GDB entered into a Restructuring Support Agreement (the "RSA") with a significant portion of GDB's creditors. The parties to the RSA agreed to undertake a financial restructuring of GDB pursuant to a Qualifying Modification under Title VI of PROMESA (the "Qualifying Modification"). On August 9, 2018, GDB commenced the solicitation of votes on the Qualifying Modification and on August 10, 2018 commenced an action to obtain court approval of the Qualifying Modification. Following the conclusion of voting on September 12, 2018, GDB announced it received the necessary votes from holders of claims subject to the Qualifying Modification (the "Participating Bond Claims") to approve the Qualifying Modification, as required under PROMESA. On November 6, 2018, the Qualifying Modification was approved by the Federal Court. On November 29, 2018, the AAFAF and the GDB announced the consummation of the Qualifying Modification.

Under the Qualifying Modification, holders of certain bond and deposit claims exchanged their claims for bonds issued by a newly created public instrumentality—the GDB Debt Recovery Authority (the "Debt Recovery Authority")—and GDB transferred to such entity its municipal loan portfolio, a portion of its public entity loan portfolio, its real estate owned assets and its unencumbered cash. The Center's notes payable were not transferred to GDB DRA or the PET pursuant to the Qualifying Modification. GDB retained ownership of the Center's notes payable.

Due to the conditions and events described above, the Center's management believes substantial doubt exists as to the Center's ability to continue as a going concern.

(14) Subsequent events:

Subsequent events were evaluated through November 1, 2021, the date the financial statements were available to be issued, to determine if such events should be recognized or disclosed in the fiscal year 2019 financial statements.

Commonwealth contributions approved to the Center for fiscal years 2020 and 2021 amounted to $14.7 million and $10.5 million, respectively. In addition, additional funds were granted for fiscal year 2020 in the amount of approx. $6.2 million for the purchase of equipment and materials to be used in patients and, and for fiscal year 2021 in the amount of $10 million to be used in the operation of the Center.

Effective October 10, 2019, the Center received the accreditation of the NIAHO® Hospital Accreditation Program allowing the Center to participate in the Medicare and Medicaid program.

On March 12, 2021, the Center and the Puerto Rico Infrastructure Financing Authority entered into an agreement for the planification, auction, management, construction, inspection, and administration of the construction of a new building for administrative office spaces and outpatient clinics, parking, radiotherapy center and "Gamma Knife" building for which the Center was assigned approx. $40.6 million.

Coronavirus (COVID-19) -
On March 11, 2020, the World Health Organization declared the Coronavirus disease caused by a novel coronavirus ("COVID-19") a global pandemic. As a result of the health threat and to contain the virus spread across the island, the Governor issued executive order EO 2020-020, on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, well-being and public safety of the residents of Puerto Rico. The executive order authorizes the Secretary of the Treasury and the Executive Director of the Office of Management and Budget of Puerto Rico to set up a special budget, from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and sharing information with the municipalities. The Governor has issued several extensions on the March order with various modifications to Puerto Rico's social distancing measures. The public emergency remains in effect as of the date of the issuance of these financial statements.

The Center also took steps to address operational challenges, including, maintaining on-site employees at minimum required levels in order to ensure an adequate and uninterrupted service while minimizing exposure, providing personal protective equipment to all employees required to report on-site, promoting remote work for administrative and support personnel, significantly expanding the number of virtual tasks performed, and increasing virtual communication among the Center's personnel.

On December 2, 2020, the Center leased 70,172 square feet space, which includes warehouse and parking spaces, to the Department of Health of Puerto Rico to be used to the prevention and control of COVID-19 for $3,317,094 as approved by the Executive Order 2020-024 dated on March 16, 2020. This agreement was effective until December 30, 2020. On December 30, 2020, this agreement was amended to extend the effective date up to June 30, 2021. Still, it was cancelled on February 2021 as the Center's Hospital would not be considered a COVID-19 base facility.

The Center received approximately $3.4 million during fiscal year 2021 as an incentive for COVID-19.

Commonwealth Plan of Adjustment -

On March 8, 2021, the Oversight Board—as representative to the Commonwealth, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (ERS), and the Puerto Rico Public Buildings Authority (PBA) in their respective Title III cases—filed its *Second Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al.* [ECF No. 15976] (the Second Amended Plan), and on March 9, 2021 filed a corrected disclosure statement related thereto [ECF No. 15988] (the Second Amended Disclosure Statement). The Second Amended Plan incorporates the terms of (i) a plan support agreement (the 2021 PSA), dated February 22, 2021 between the Oversight Board, certain Commonwealth general obligation bondholders and PBA bondholders; and (ii) a restructuring support agreement with the Retiree Committee (the Retiree Committee RSA), in which the Retiree Committee agreed to a maximum 8.5% pension cut that would only be applicable to retirees with monthly retirement benefits of more than $1,500, as well as freezes in pension benefits for teachers and judges.

On March 9, 2021, the Oversight Board and ERS bondholders announced their entry into a stipulation (the ERS Stipulation), which sets forth a tentative agreement on the economic terms upon which the ERS bondholders would support a further amended plan of adjustment. Under the ERS Stipulation, the ERS bondholders will conduct due diligence on ERS's assets until March 24, 2021 (the Diligence Completion Date). If the ERS bondholders do not terminate the ERS Stipulation on or before the Diligence Completion Date, then the ERS bondholders will agree to vote in favor of a further amended plan of adjustment that is "economically consistent" with the ERS Stipulation. In that case, the Oversight Board will have until April 23, 2021 to file a third amended plan of adjustment for the Commonwealth, ERS and PBA to replace the Second Amended Plan.

The Government has not yet determined whether it will support the 2021 PSA or the Second Amended Plan given its view that the Government pensioners must be protected and must not receive additional cuts to their pension benefits. The Second Amended Plan remains subject to future amendments (including, but not limited to, a potential third amended plan of adjustment consistent with the ERS Stipulation) and Title III Court approval. It is not certain that the Title III Court will ultimately confirm the Second Amended Plan or any further amended plan.

For additional information, refer to the publicly available Second Amended Plan and Second Amended Disclosure Statement, which are available at https://cases.primeclerk.com/puertorico/Home-DocketInfo.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Centro Comprensivo de Cáncer de la Universidad de Puerto Rico (the "Center"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated November 1, 2021. Our report includes an emphasis of matter paragraph which states along with other matters, that the Center is highly dependent on the Commonwealth of Puerto Rico (the "Commonwealth") to finance its operations and that the severity of the financial risks and uncertainties, including liquidity risks faced by the Commonwealth, raises substantial doubt about the Center's ability to continue as a going concern.

Internal Control over Financial Reporting

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

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

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

Kevane
Grant Thornton

Compliance and Other Matters

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

Purpose of this Report

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

Kevane Grant Thornton LLP

San Juan, Puerto Rico,
November 1, 2021.

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico**'s (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2019. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)*.* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Programs

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Kevane Grant Thornton

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings questioned costs as item 2019-001 as it relates to the reporting requirement for the Data Collection Form. Our opinion on each major federal program is not modified with respect to this matter.

The Center's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be, material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2019-001, that we consider to be a significant deficiency.

The Center's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Kevane Grant Thornton

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

Kevane Grant Thornton LLP

San Juan, Puerto Rico,
November 1, 2021.

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

Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Center for Substance Abuse Prevention:			
Youth Prevention Program (YPREV)	93.243		$ 157,095
Centers for Disease Control and Prevention:			
Puerto Rico Cancer Prevention and Control Programs and Coordinating Center	93.898		1,341,264
PR Colorectal Cancer Screening Program	93.800		265,869
National Cancer Institute:			
Puerto Rico NCI Community Oncology Research Program Minority/Underserved	93.395		622,059
Host genetic susceptibility to gut microbiota-driven colorectal carcinogenesis	93.398		110,862
Implementation of School-Entry Policies for Human Papillomavirus Vaccination	93.393		71,468
A Mixed Methods Study to Explore the Effect of Hurricanes Irma and Maria on Cancer Care in Puerto Rico	93.393		81,088
Impact of hurricane-related stressors and responses on oncology care and health outcomes of women with gynecologic cancers from Puerto Rico and US Virgin Islands	93.393		52,706
National Institute of Dental & Craniofacial Research:			
Cross-sectional associations of oral microbiota with oral HPV infection among highrisk Hispanic adults	93.121		58,474
Subawards:			
The Regents of the University of California, San Diego			
Mechanisms of Disparitis in Adverse Neurocognitive Outcomes among Hispanics Aging with HIV	93.307	1R01MD013502-01	16,301
University of Hawaii			
(PQ5) Informing Anal Neoplasia Differences/Similarities in HIV Serodiscordant Individuals	93.395	3R21CA216830-02S1	46,545
The Regents of the University of California			
AIDS Malignancy Consortium (AMC) ANCHOR Study	93.395	2UM1CA121947-10	268,269
Total Expenditures of Federal Awards			$ 3,092,001

See accompanying notes to the schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal awards activity of "Centro Comprensivo de Cáncer de la Universidad de Puerto Rico" (the "Center") for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Summary of Significant Accounting Policies

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

(3) Reporting Entity

The Center, for purposes of the Schedule, includes all funds of the primary government as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended. Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position and changes in net position of the Center.

(4) Indirect Cost Rate

The Center has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Section I - Summary of Auditor's Results

Financial Statements-

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	___ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards -

Internal control over major programs:

• Material weakness(es) identified?	___ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X Yes	___ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	X Yes	___ No

Identification of Major Programs -

Name of Federal Program	CFDA Number
Centers for Disease Control and Prevention - Puerto Rico Cancer Prevention and Control Programs and Coordinating Center	93.898
National Cancer Institute - Puerto Rico NCI Community Oncology Research Program Minority/Underserved; Informing Anal Neoplasia Differences/Similarities in HIV Serodiscoirdant Individuals; AIDS Malignancy Consortium (AMC) ANCHOR Study	93.395
Puerto Rico Colorectal Cancer Screening Program	93.800

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	___ Yes	X No

Section II- Financial Statements Findings

None for the year ended June 30, 2019.

Section III- Federal Awards Findings and Questioned Costs

Finding Number: 2019 - 001

Federal Programs:
All major programs.

Category:
Internal control / Compliance

Condition:
The June 30, 2018 Data Collection Form and Single Audit reporting package were not submitted within the established due date. The report was due by September 30, 2020, including the six-month extension granted by the Office of Management and Budget.

Criteria:
2 CFR section 200.512 (a)(1) establishes that the audit must be completed and the reporting required by paragraph (b) (1) of this section submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. Unless restricted by Federal law or regulation, the auditee must make report copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

Cause:
Information to complete the Single Audit procedures was not available within the required period.

Effects:
Data Collection Form and Single Audit report was not submitted in a timely manner as required by the Uniform Guidance.

Questioned Costs:
None

Recommendations:
Data Collection Form and Single Audit package shall be submitted by the established due date.

Management Response:
The Center will establish procedures to ensure that the Data Collection Form and Single Audit report are submitted within the established due date.

Centro Comprensivo de Cáncer de la Universidad de Puerto Rico
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Schedule of Prior Audit Findings
Year Ended June 30, 2019

Finding Number	Finding (condition found)	CFDA	Questioned Cost	Status
2018-01	Data Collection Form and Single Audit reporting package were not submitted within the established due date. The report was due by March 31, 2019.	All Programs	None	Completed

GOBIERNO DE PUERTO RICO
CENTRO COMPRENSIVO DE CÁNCER
UNIVERSIDAD DE PUERTO RICO

November 1, 2021

Marisol Rodriguez
Managing Director, Audit
Kevane Grant Thornton

RE: Response to Audit Request for Data Collection Submission Deadline FY 6/30/2019

The UPR Comprehensive Cancer Center submitted the Single Audit Report and the data collection as soon as the auditors issued the Audited Financial Statements for the corresponding year. We will establish procedures to ensure that information required to be disclosed in the Single Audit is on time.

Respectfully,

Rubén I. Rivera López
CFO

cc. Marcia Cruz Correa, MD, PhD, AGAF, FASGE
Executive Director

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