



Kevane

**Grant Thornton**

Financial Statements and Reports 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, 2023

**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:**

### Opinion

We have audited the accompanying financial statements of **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, 2023, and the related notes to the financial statements, which collectively comprise the Center’s basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico** as of June 30, 2023, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 (14) to the financial statements, as of June 30, 2023, the Center has outstanding notes payable to the Puerto Rico Government development Bank (“GDB”) which have not been paid when due. The repayment of such notes payable, pursuant to Law 203 of 2004, should be made with annual contributions received from the Commonwealth of Puerto Rico (the “Commonwealth”). This condition 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.

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### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico**'s ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico**'s ability to continue as a going concern for a reasonable period of time.

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

### 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 10 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 any assurance.

#### Other information

Our audit as of and for the year ended June 30, 2023, was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2023, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 June 14, 2024 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

San Juan, Puerto Rico,  
June 14, 2024.



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

## Unaudited Management's Discussion and Analysis June 30, 2023

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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, 2023 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 (14) 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 (14) 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.

The Center entered into loan agreements with the Puerto Rico Government Development Bank ("GDB") for the development of its research and clinical facilities, including the renovation and expansion of its Research and Development Building, the renovation and improvement of the facilities where its Radiotherapy Center operates, and the construction of a specialized cancer hospital and clinical research.

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 Public Entity Trust (PET) pursuant to the Qualifying Modification. GDB retained ownership of the Center's notes payable.

Pursuant to amendments to Law No. 230, repayment of the Center's notes payable should be made through annual contributions received from the Commonwealth. Commencing from fiscal year 2016 up to fiscal year 2044, the Commonwealth should provide annual contributions to the Center, up to a maximum amount of \$15,000,000, for debt service purposes. However, as of June 30, 2023, no such contributions were received, and as such, the Center's notes payable have not been repaid when due. As of the date of the financial statements were available to be issued, there has been no negotiations between the Center and GDB for the repayment of such notes payable neither funds have been assigned by the Commonwealth to the Center for the repayment of these notes.

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.

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

## Unaudited Management's Discussion and Analysis June 30, 2023

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### Financial highlights

- Net position decreased by \$15 million, from \$69 million as of June 30, 2022 to \$54 million as of June 30, 2023.
- During the year ended June 30, 2023, the Center incurred approximately \$1.9 million to purchase equipment and \$28.2 million in the construction of a new building.
- 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. Total revenues recorded during the year ended June 30, 2023 related to the administration of the Cancer Prevention and Control Program amounted to \$1.4 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, 2023, the Center received contributions amounting to \$1 million 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, intensity-modulated radiation therapy ("IMRT"), brachytherapy procedures and neurosurgery oncologic. The Net Patient Revenues for the year ended June 30, 2023 was \$ 6.5 million.

### Overview of financial statements

These discussions and analysis are intended to serve as introduction to the Center's basic financial statements. The Center's financial statements consist of three statements: Statement of Net Position (pages 11 to 12), Statement of Revenues, Expenses and Changes in Net Position (page 13), and a Statement of Cash Flows (pages 14 to 15). These financial statements and related notes (pages 16 to 32) provide information about the activities of the Center, including resources held by the Center but restricted for specific purposes by enabling legislation.

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 revenues, expenses and changes in net position regardless of when the cash is received or paid.

### The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

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

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

## Unaudited Management's Discussion and Analysis June 30, 2023

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

### **Statement of Cash Flow**

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

### **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 financial statements as of June 30, 2023 and 2022.

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

## Unaudited Management's Discussion and Analysis June 30, 2023

### Statements of net position

The following is condensed financial information on assets, liabilities and net position of business-type activities as of June 30, 2023 and 2022:

	2023	2022	Change	Percent %
<b><u>Assets</u></b>				
Current assets:				
Cash	\$ 5,610,037	\$ 6,027,601	\$ (417,564)	-7%
Accounts receivable:				
Net patient accounts receivable - Radiotherapy and Hospital services	12,797,700	9,268,818	3,528,882	38%
Federal government	3,748,756	2,254,098	1,494,658	66%
Other receivables	48,356	95,652	(47,296)	-49%
Prepaid expenses	1,181,233	1,315,783	(134,550)	-10%
Inventory	2,170,893	1,853,717	317,176	17%
Total current assets	25,556,975	20,815,669	4,741,306	23%
Noncurrent assets:				
Restricted cash	11,212,586	40,916,632	(29,704,046)	-73%
Capital assets:				
Land	750,001	750,001	-	0%
Other capital assets, net of depreciation and amortization of \$56,166,784	173,850,656	179,757,577	(5,906,921)	-3%
Construction in progress	35,939,583	7,689,532	28,250,051	367%
Right-to use, net of accumulated amortization of \$374,775	695,166	887,317	(192,151)	-22%
Other non-current assets	2,489,283	2,487,423	1,860	0%
Total non-current assets	224,937,275	232,488,482	(7,551,207)	-3%
Total assets	\$ 250,494,250	\$ 253,304,151	\$ (2,809,901)	-1%
<b><u>Liabilities and Net Position</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 10,198,971	\$ 8,286,797	\$ 1,912,174	23%
Compensated absences	1,579,623	1,494,873	84,750	6%
Accrued interest payable	59,761,781	49,864,041	9,897,740	20%
Lease liability	195,695	192,151	3,544	2%
Due to other governmental entities	1,871,050	1,586,605	284,445	18%
Total current liabilities	73,607,120	61,424,467	12,182,653	20%
Non-current liabilities:				
Notes payable	120,482,398	120,482,398	-	0%
Lease liability	499,471	695,166	(195,695)	-28%
Compensated absences	1,995,726	1,353,653	642,073	47%
Total non-current liabilities	122,977,595	122,531,217	446,378	0%
Total liabilities	196,584,715	183,955,684	12,629,031	7%
Net position:				
Net investment in capital assets	89,857,842	67,514,712	22,343,130	33%
Restricted for:				
Capital research and clinical trials	2,059,702	2,756,439	(696,737)	-25%
Donated capital	200,000	200,000	-	0%
Unrestricted	(38,208,009)	(1,122,684)	(37,085,325)	3303%
Total net position	53,909,535	69,348,467	(15,438,932)	-22%
Total liabilities and net position	\$ 250,494,250	\$ 253,304,151	\$ (2,809,901)	-1%

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

## Unaudited Management's Discussion and Analysis June 30, 2023

The net position of the Center decreased by \$15.4 million as of June 30, 2023. The decrease in net position was the result of a net effect of a decrease of \$2.8 million in total assets and an increase of \$12.6 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 \$5.9 million as a result of an increase in depreciable assets of \$2.5 million offset by the depreciation expense of \$8.4 million for the year ended June 30, 2023.
- Restricted cash decrease of \$29.7 million used for capital expenditures outlays due to capital construction of a new building for administrative office spaces, outpatient clinics, parking and a radiotherapy center building.
- Increase in total liabilities of \$12.6 million, mainly due to the net effect of an increase in accrued interest payable of \$9.9 million and increases in accounts payable and accrued liabilities and in due to other governmental entities by \$1.9 million and \$284 thousand, respectively.

### Statements of revenues, expenses and changes in net position

Statements of revenues, expenses and net position for the fiscal years ended June 30, 2023 and 2022 are shown in the table below.

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>%</u>
<b>Operating revenues</b>				
Net patient service revenue	\$ 20,060,270	\$ 12,147,532	\$ 7,912,738	65%
Other operating revenues	1,037,098	185,076	852,022	460%
Total operating revenues	<u>21,097,368</u>	<u>12,332,608</u>	<u>8,764,760</u>	<u>71%</u>
<b>Operating expenses</b>				
Salaries and wages	16,377,461	12,388,331	3,989,130	32%
Employee benefits	6,939,497	5,287,088	1,652,409	31%
Professional fees and contracted services	16,204,809	13,599,337	2,605,472	19%
Supplies, food and drugs	11,954,344	7,432,855	4,521,489	61%
Repairs and maintenance	1,740,220	1,830,919	(90,699)	-5%
Utilities	6,583,166	5,131,249	1,451,917	28%
Depreciation and amortization	8,437,467	8,269,036	168,431	2%
Insurance	1,060,359	1,087,667	(27,308)	-3%
Rent and other	2,275,197	1,440,354	834,843	58%
Total operating expenses	<u>71,572,520</u>	<u>56,466,836</u>	<u>15,105,684</u>	<u>27%</u>
<b>Operating loss</b>	<u>(50,475,152)</u>	<u>(44,134,228)</u>	<u>(6,340,924)</u>	<u>14%</u>
<b>Non-operating revenue (expenses)</b>				
Interest expense	(9,897,741)	(6,726,545)	(3,171,196)	47%
Grants from U.S. Federal Government and other contributions	8,869,265	5,291,910	3,577,355	68%
Contributions from the Commonwealth of Puerto Rico	31,102,369	20,849,289	10,253,080	49%
Contribution from the Commonwealth for capital assets	4,962,327	-	4,962,327	100%
Total non-operating revenue	<u>35,036,220</u>	<u>19,414,654</u>	<u>15,621,566</u>	<u>80%</u>
<b>Change in net position</b>	<u>(15,438,932)</u>	<u>(24,719,574)</u>	<u>9,280,642</u>	<u>-38%</u>
<b>Net position, at beginning of year</b>	<u>69,348,467</u>	<u>94,068,041</u>	<u>(24,719,574)</u>	<u>-26%</u>
<b>Net position, at end of year</b>	<u>\$ 53,909,535</u>	<u>\$ 69,348,467</u>	<u>\$ (15,438,932)</u>	<u>-22%</u>

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

## Unaudited Management's Discussion and Analysis June 30, 2023

### Results of Operations

- Total operating revenues increased by \$8.8 million mostly related to an increase in activities related to patient services.
- Non-operating revenue increased by \$15.6 million, from \$19.4 million in 2022 to \$35.0 million in 2023. The increase is mostly related to the following: during the year ended June 30, 2023, the Center received \$4.9 million in capital grants and contributions for the construction of a new building for administrative office spaces and outpatient clinics, parking, and a radiotherapy center building and \$31.1 million in contribution for operations.

The Center generates all of its operating revenues from activities related to patient services either directly or ancillary, which are typical of a hospital unit, such as cafeteria facility rent, physicians facility rent, parking facility rent, etc. In addition, the expenses incurred in those activities are accounted for as operating expenses. During the years ended June 30, 2023 and 2022, the Center reflected operating losses of approximately \$50.5 million and \$44.1 million, respectively.

The following table presents comparative statistical information of the patient services provided in the Comprehensive Cancer Center Hospital:

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% of Changes</u>
Admissions	1,491	967	524	54%
Discharges	1,478	964	514	53%
Patient Days	8,262	4,066	4,196	103%
Occupancy percentage	56%	43%	13%	30%
Average length of stay	5.59	5.27	0.32	6%
Surgery procedures	1,654	1,103	551	50%
Laboratory samples	56,547	18,269	38,278	210%
Image Center visits	17,244	12,567	4,677	37%
Emergency Room visits	2,709	1,861	848	46%
Multidisciplinary Clinics visits	14,500	12,561	1,939	15%
Encounters	45,187	37,229	7,958	21%

As observed in the table above, the statistics presented covered the services provided at the Hospital from July 1, 2022 to June 30, 2023. During this period and according to the statistics presented, the Comprehensive Cancer Center Hospital treated a total of 45,187 patient encounters versus 37,229 in the prior year, representing an increase of 21%. From its opening on June 1, 2018 to June 30, 2023, the Hospital has treated a total of 143,952 patients (encounters).

During the fiscal year ended June 20, 2023, the Hospital had a significant increase in patients services. The Hospital presents an increase of 103% in patients' days, 50% in surgery procedures and 37% in imaging center visits. This is due to new hospital services related to cancer, contracting with medical insurance plans and recruitment of physicians and specialized personnel in the field of health, especially cancer.

### Capital assets and construction in progress

The Center's investment in capital assets at June 30, 2023 increased from \$188.2 million to approximately \$210.5 million, net of accumulated depreciation and amortization, which amounted to \$56.2 million and \$47.7 million during 2023 and 2022, respectively. Capital assets include land, construction in progress, building, building improvements and equipment.

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

## **Unaudited Management's Discussion and Analysis June 30, 2023**

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### **Long-term debt**

The Center used long-term debt to finance the construction of the new hospital and radiotherapy facilities. At June 30, 2023, the total debt outstanding amounted to \$120.5 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 set off with the University of Puerto Rico (UPR) deposits and were considered as part of the transaction in a pro rata share of common units in the Public Entity Trust ("the Trust") in accordance with the GDB Restructuring Act. Subsequently, the Center's management will start conversation with the UPR's Governance in order to establish the Center's ownership of the 208 shares of common units of the Trust.

### **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 Mr. Rubén I. Rivera López, Chief Financial Officer, 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, 2023**

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<u>Assets</u>	
Current assets:	
Cash	\$ 5,610,037
Accounts receivable:	
Net patient accounts receivable - Radiotherapy and Hospital services	12,797,700
Federal government	3,748,756
Other receivables	48,356
Prepaid expenses	1,181,233
Inventory	2,170,893
	<hr/>
Total current assets	25,556,975
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Noncurrent assets:	
Restricted cash	11,212,586
Capital assets:	
Land	750,001
Other capital assets, net of depreciation and amortization of \$56,166,784	173,850,656
Construction in progress	35,939,583
Right-to use, net of accumulated amortization of \$374,775	695,166
Other non-current assets	2,489,283
	<hr/>
Total non-current assets	224,937,275
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Total assets	\$ 250,494,250
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(continued)

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

**Statement of Net Position (continued)  
June 30, 2023**

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<u>Liabilities and Net Position</u>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 10,198,971
Compensated absences	1,579,623
Accrued interest payable	59,761,781
Lease liability	195,695
Due to other governmental entities	<u>1,871,050</u>
Total current liabilities	<u>73,607,120</u>
Non-current liabilities:	
Notes payable	120,482,398
Lease liability	499,471
Compensated absences	<u>1,995,726</u>
Total non-current liabilities	<u>122,977,595</u>
Total liabilities	<u>196,584,715</u>
Net position:	
Net investment in capital assets	89,857,842
Restricted for:	
Capital research and clinical trials	2,059,702
Donated capital	200,000
Unrestricted	<u>(38,208,009)</u>
Total net position	<u>53,909,535</u>
Total liabilities and net position	<u>\$ 250,494,250</u>

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

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2023**

<b>Operating revenues</b>	
Net patient service revenue	\$ 20,060,270
Other operating revenues	1,037,098
Total operating revenues	<u>21,097,368</u>
<b>Operating expenses</b>	
Salaries and wages	16,377,461
Employee benefits	6,939,497
Professional fees and contracted services	16,204,809
Supplies, food and drugs	11,954,344
Repairs and maintenance	1,740,220
Utilities	6,583,166
Depreciation and amortization	8,437,467
Insurance	1,060,359
Rent and other	2,275,197
Total operating expenses	<u>71,572,520</u>
<b>Operating loss</b>	<u>(50,475,152)</u>
<b>Non-operating revenue (expenses)</b>	
Interest expense	(9,897,741)
Grants from U.S. Federal Government and other contributions	8,869,265
Contributions from the Commonwealth of Puerto Rico	31,102,369
Contribution from the Commonwealth for capital assets	4,962,327
Total non-operating revenue	<u>35,036,220</u>
<b>Change in net position</b>	(15,438,932)
<b>Net position, at beginning of year</b>	<u>69,348,467</u>
<b>Net position, at end of year</b>	<u><u>\$ 53,909,535</u></u>

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

**Statement of Cash Flows  
Year Ended June 30, 2023**

<b>Cash flows from operating activities:</b>	
Cash received from patients and third party payor	\$ 16,531,389
Other cash receipts	1,084,392
Cash payments to suppliers	(38,088,547)
Cash payments to employees for salaries and benefits	(22,590,135)
	<u>(43,062,901)</u>
<b>Cash flows from noncapital financing activities--</b>	
Cash received from grants and contributions	<u>38,759,561</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(2,530,546)
Contribution from the Commonwealth of Puerto Rico	4,962,327
Construction of capital assets	(28,250,051)
	<u>(25,818,270)</u>
<b>Net change in cash and restricted cash</b>	(30,121,610)
<b>Cash and restricted cash, at beginning of year</b>	<u>46,944,233</u>
<b>Cash and restricted cash, at end of year</b>	<u><u>\$ 16,822,623</u></u>
<b>Reconciliation of cash and restricted cash to the statements of net position:</b>	
Cash	\$ 5,610,037
Restricted cash	<u>11,212,586</u>
<b>Total cash, cash equivalents and restricted cash</b>	<u><u>\$ 16,822,623</u></u>

(continued)



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

**Statement of Cash Flows (continued)  
Year Ended June 30, 2023**

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**Reconciliation of operating loss to net cash used in  
operating activities:**

Operating loss	\$ (50,475,152)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	8,437,467
Amortization of right-to use lease	192,151
Provision for bad debts - patients accounts receivable	6,328,086
Changes in assets and liabilities	
(Increase) decrease in operating assets:	
Patient accounts receivable	(9,856,968)
Other accounts receivable	47,296
Prepaid expenses	134,550
Other non-current assets	(317,176)
Increase (decrease) in operating liabilities:	
Operating lease liability	(192,151)
Accounts payable and accrued expenses	1,912,174
Accrued payroll and other expenses	<u>726,822</u>
 Total adjustments	 <u>7,412,251</u>
 Net cash used in operating activities	 <u>\$ (43,062,901)</u>

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

## Notes to Financial Statements June 30, 2023

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### (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, require 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 to \$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 the 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.

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

## Notes to Financial Statements June 30, 2023

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On 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 August 16, 2020, the Legislature of the Commonwealth issued Act 128 to amend the Article 12 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".

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 2022, the Center will provide a Business Plan detailing specific actions that the Center will take into consideration 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 margin of errors in the billing process. The EHR implementation was completed by October 2022, as a result, 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. See Note (14).

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

#### (a) **Enterprise fund financial statements** -

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

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 investment 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.

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

## Notes to Financial Statements June 30, 2023

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- **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.

(b) **Measurement focus basis of accounting** -

The financial statements of the Center are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental units. Under this basis, revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(c) **Adoption of New Accounting Pronouncement and Standards** -

Effective July 1, 2022, the Center adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB Statement No. 96). The objectives of GASB Statement No. 96 are (1) to improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition, resulting in greater consistency in practice, (2) to establish the capitalization criteria for implementation costs, reducing diversity and improving comparability in financial reporting by governments, (3) to enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement, and (4) to allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The adoption of GASB Statement No. 96 does not have a material effect on the financial statements.

(d) **Net patient service revenue and related receivables** -

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net patient service revenue and related receivable are recorded at the time services to patients are performed at the estimated net realizable value amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in the future periods as final settlements are determined.

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

## Notes to Financial Statements June 30, 2023

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Management estimates an allowance for doubtful accounts receivable based on evaluation of historical losses, current economic conditions, and other factors unique to the Center's customer base. The Center evaluates the collectability of its accounts receivable based on the length of time the receivable is outstanding, payor class, and historical experience. Accounts receivable are charged against the allowance for uncollectable accounts when they are deemed uncollectible.

(e) **Prepaid expenses** -

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the accompanying statement of net position.

(f) **Inventories** -

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost, using the first-in/first-out method, or net realizable value.

(g) **Capital assets** -

Capital assets include land, building and improvements, construction in progress, laboratory equipment, office furniture and equipment, computer equipment, and information systems.

Capital assets are defined by the Center as assets that have a cost of \$500 or more at the date of acquisition and an 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:

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

(h) **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

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

## Notes to Financial Statements June 30, 2023

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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, 2023.

(i) **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, 2023. Amounts are presented as current and noncurrent compensated absences in the accompanying statement of net position.

(j) **Long-term liabilities** -

Long-term debt and other long-term obligations are reported as non-current liabilities in the statement of net position.

(k) **Leases** -

The Center recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$25,000 that meet the definition of other than short-term lease. The Center uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the Center's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred. The Center recognizes lease expense on a straight-line basis over the lease term.

(l) **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.

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

**Notes to Financial Statements  
June 30, 2023**

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**(m) 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.

**(n) Future adoption of accounting pronouncements:**

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

<u>GASB Statement No.</u>		<u>Adoption required in fiscal year</u>
100	Accounting changes and Error Corrections an amended to GASB Statement No. 62	2024
101	Compensated absences	2025
102	Certain Risk Disclosures	2025
* Original effective date for those GASB Statements were postponed by GASB will be effective starting on fiscal year 2024.		

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, 2023, the Center's custodial credit risk on bank balances were as follows:

<u>Carrying amount</u>	<u>Bank balance</u>	<u>Custodial Credit Risk Category</u>	
		<u>1</u>	<u>2</u>
<u>\$ 16,822,623</u>	<u>\$ 17,073,784</u>	<u>\$ 17,073,784</u>	<u>\$ -</u>

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

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

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

## Notes to Financial Statements June 30, 2023

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Restricted Cash -

Cash in the aggregate amount \$11,212,586 represent contributions from private organizations and individuals, of which \$2,059,702 were for cancer research and clinical trial purposes, \$3,993,183 for radiotherapy operations, \$5,105,284 for Capital projects, and other contributions in the amount of \$54,417.

The total balance of \$11,212,586 has been included as restricted cash in the accompanying statement of net position.

**(4) Net patient accounts receivable:**

Net patient accounts receivable are primarily for hospital and radiotherapy services, and as of June 30, 2023 consisted of the following:

	<u>Hospital</u>	<u>Radiotherapy</u>	<u>Total</u>
Patients and third-party payors	\$ 24,021,906	\$ 6,372,318	\$ 30,394,224
Less: allowance for doubtful accounts	(13,598,090)	(3,998,434)	(17,596,524)
Patients and third-party payors, net	\$ 10,423,816	\$ 2,373,884	\$ 12,797,700

Changes in allowance for doubtful accounts for the year ended June 30, 2023 are as follows:

	<u>Hospital</u>	<u>Radiotherapy</u>	<u>Total</u>
Balance, beginning of year	\$ 7,646,469	\$ 3,621,969	\$ 11,268,438
Provision for bad debts	5,951,621	376,465	6,328,086
Balance, end of year	\$ 13,598,090	\$ 3,998,434	\$ 17,596,524

The Center grants credit without collateral to its patients, most of who are residents of Puerto Rico and are insured under third-party payors agreements. The mix of receivables from patients' and third-party payors at June 30, 2023 are mainly from the Government Health Plan Vital, Medicare, and third party payors, among others.

**(5) Net patient service revenue -**

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the Center's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements.

On October 10, 2019, the Center was found in compliance by the DNV GL Healthcare USA, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482). The Center for Medicare and Medicaid Services of the U.S. Department of Health and Human Services (CMS), the agency with oversight of the Medicare and Medicaid programs, provides "deemed status" for facilities having such accreditation. As a result, by being accredited, the Center's facilities are "deemed" to be in compliance with the Medicare and Medicaid conditions



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

## Notes to Financial Statements June 30, 2023

of participation. The Center has been accredited for an additional period of three (3) years through October 10, 2025. See Note (15).

The Medicare and Medicaid reimbursement programs represent a substantial portion of the Center's revenues. The Center's operations are subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change. Estimates for cost report settlements and contractual allowances can differ from actual reimbursements based on the results of subsequent reviews and cost report audits.

A summary of the most significant agreements with major third-party payors follows:

- Third-party payors - The Center has entered into payment agreements with certain commercial insurance carriers and other healthcare organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.
- Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient capital costs are paid based on the fully prospective method.
- Medicaid - Medicaid is a program through which the Federal Government provides assistance to states and territories to pay medical expenses for certain groups of low-income people. The Puerto Rico Department of Health is responsible for facilitating the eligibility and access processes to health services offered to the medically indigent population and those socioeconomically disadvantaged people who do not have a health plan. Since 1994, it has also assumed the function of determining eligibility for the Puerto Rico Government Health Plan, Vital.

A summary of patient service revenue, net of contractual allowances and discounts, for the year ended June 30, 2023 are as follows:

	<u>Hospital</u>	<u>Radiotherapy</u>	<u>Total</u>
Gross patient service revenue	\$ 64,505,625	\$ 20,573,962	\$ 85,079,587
Contractual allowances	<u>(44,632,836)</u>	<u>(14,058,395)</u>	<u>(58,691,231)</u>
	19,872,789	6,515,567	26,388,356
Provision for bad debts	<u>(5,951,621)</u>	<u>(376,465)</u>	<u>(6,328,086)</u>
Total	<u>\$ 13,921,168</u>	<u>\$ 6,139,102</u>	<u>\$ 20,060,270</u>

**Centro Comprensivo de Cáncer de la Universidad de Puerto Rico  
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**Notes to Financial Statements  
June 30, 2023**

Patient revenue, net of contractual allowances, disaggregated by payor for the year ended June 30, 2023 are as follows:

	<u>Hospital</u>	<u>Radiotherapy</u>	<u>Total</u>
Medicare	\$ 8,126,577	\$ 2,171,706	\$ 10,298,283
Medicaid	6,937,631	3,065,890	10,003,521
Commercial insurance	4,449,249	1,215,364	5,664,613
Self-pay and others	359,332	62,607	421,939
Total	<u>\$ 19,872,789</u>	<u>\$ 6,515,567</u>	<u>\$ 26,388,356</u>

**(6) Leases:**

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), requiring monthly rental payments of \$18,343 through December 2026. In addition, the Center leases photocopiers under a non-cancellable operating lease agreement requiring monthly payments of \$1,070 through June 2025. These assets are recognized as right-of-use assets within a corresponding lease liability. The lease liability has been discounted at 5.1%. Detail for the assets and liabilities are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Right-of-use assets:				
Radiotherapy facilities	\$ 1,039,856	\$ -	\$ -	\$ 1,039,856
Office equipment	30,078	-	-	30,078
	<u>1,069,934</u>	<u>-</u>	<u>-</u>	<u>1,069,934</u>
Less: accumulated amortization for:				
Radiotherapy facilities	(172,175)	(178,841)	-	(351,016)
Office equipment	(10,442)	(13,310)	-	(23,752)
	<u>(182,617)</u>	<u>(192,151)</u>	<u>-</u>	<u>(374,768)</u>
Net right-of-use assets	<u>\$ 887,317</u>	<u>\$ (192,151)</u>	<u>\$ -</u>	<u>\$ 695,166</u>

<u>Year ending June 30,</u>	<u>Lease payments to maturity</u>		
	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2024	\$ 226,534	\$ 30,839	\$ 195,695
2025	220,114	20,858	199,256
2026	220,114	10,455	209,659
2027	91,714	1,158	90,556
Total	<u>758,476</u>	<u>63,310</u>	<u>695,166</u>
Right-of-use lease liability, current portion			<u>(195,695)</u>
Right-of-use lease liability, net of current portion			<u>\$ 499,471</u>

**Centro Comprensivo de Cáncer de la Universidad de Puerto Rico  
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**Notes to Financial Statements  
June 30, 2023**

Amortization expense amounted to \$192,151 for the year ended June 30, 2023, and is included in the accompanying statement of revenues, expenses and changes in net position.

**(7) Capital assets:**

The following schedule summarizes the capital assets held by the Center as of June 30, 2023:

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance at June 30, 2023</u>
<b>Nondepreciable</b>				
Land	\$ 750,001	\$ -	\$ -	\$ 750,001
Construction in progress	7,689,532	28,250,051		35,939,583
Total capital assets, not being depreciated	<u>8,439,533</u>	<u>28,250,051</u>	<u>-</u>	<u>36,689,584</u>
<b>Depreciable</b>				
Building	178,230,613	-	-	178,230,613
Building improvements	6,624,742	636,369	-	7,261,111
Equipment	42,631,539	1,894,177	-	44,525,716
Total capital assets, being depreciated	<u>227,486,894</u>	<u>2,530,546</u>	<u>-</u>	<u>230,017,440</u>
Less: accumulated depreciation and amortization	<u>(47,729,317)</u>	<u>(8,437,467)</u>	<u>-</u>	<u>(56,166,784)</u>
Total capital assets, being depreciated, net	<u>179,757,577</u>	<u>(5,906,921)</u>	<u>-</u>	<u>173,850,656</u>
<b>Total capital assets, net</b>	<u>\$ 188,197,110</u>	<u>\$ 22,343,130</u>	<u>\$ -</u>	<u>\$ 210,540,240</u>

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 (9).

Depreciation expense amounted to \$8,437,467 for the year ended June 30, 2023, and is included in the accompanying statement of revenues, expenses and changes in net position.

**(8) Compensated absences:**

The following is a summary of the changes in compensated balances for the year ended June 30, 2023:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Requirement/ Adjustments</u>	<u>Balance at June 30, 2023</u>	<u>Due within one year</u>	<u>Due over one year</u>
Compensated absences	\$ 2,848,526	\$ 2,081,395	\$ 1,354,572	\$ 3,575,349	\$ 1,579,623	\$ 1,995,726

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

**Notes to Financial Statements  
June 30, 2023**

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**(9) Notes payable to GDB:**

The activity of notes payable for the year ended June 30, 2023 is as follows:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>
Note payable \$75 million	\$ 31,932,464	\$ -	\$ -	\$ 31,932,464
Note payable \$196 million	<u>88,549,934</u>	<u>-</u>	<u>-</u>	<u>88,549,934</u>
Total governmental activities	<u>\$ 120,482,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,482,398</u>

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

**Notes to Financial Statements  
June 30, 2023**

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Notes payable as of June 30, 2023 consist of the following:

<u>Description</u>	<u>Amount</u>
<p>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 nonrevolving line of credit bears interest at a fixed rate of 6.00%.</p>	\$ 31,932,464
<p>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 twentyeight (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.</p>	<u>88,549,934</u> <u>\$ 120,482,398</u>

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

## Notes to Financial Statements June 30, 2023

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Interest expense incurred during the fiscal year ended June 30, 2023 amounted to \$9,897,741, which were accrued and presented within accrued interest payable in the accompanying statement of net position. No interest payments were made during the year ended June 30, 2023.

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. See Note (14).

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.

### (10) **Related parties’ transactions:**

A summary of the most significant related party transactions as of June 30, 2023, 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. Also, pursuant to amendments to Law No. 230, the Commonwealth is required to repay the notes payable 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. However, no such contributions were received.

During the year ended June 30, 2023, the Center received contributions from the Commonwealth amounting to \$31,102,369 for operations and for research and development activities.

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

## Notes to Financial Statements June 30, 2023

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(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, 2023, the Center was charged approximately \$2,666,608 for these services of which as of June 30, 2023 remained as due to MSC. Also, the Center charged the MSC for utilities in the amount of \$587,551.

(c) **Puerto Rico Infrastructure Financing Authority** -

On March 12, 2022, 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, outpatient clinics, parking, and radiotherapy center building for which the Commonwealth committed to the Center approximately \$35 million.

(d) **Other related party transactions** -

As of June 30, 2023, the Center had accounts payable to the Puerto Rico Electric Power Authority and the Puerto Rico Aqueducts and Sewers Authority Infrastructure Financing Authority, component units of the Commonwealth, amounting to approximately \$818,326 and \$162,165, respectively, and are presented within accounts payable and accrued liabilities in the accompanying statement of net position.

(11) **Federal awards:**

The Center participates in a number of federal financial programs. These programs are subject to audits in accordance with the provisions of the Office of Management and Budget (OMB) Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") or to compliance audits by grantor agencies.

(12) **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.

(13) **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

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

## Notes to Financial Statements June 30, 2023

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Puerto Rico. Eligible employees who have attained age 50 before December 31<sup>st</sup> 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:

<u>Vesting Percentage</u>	<u>Years of service</u>
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 contributions to the Plan amounted to \$254,455 during the year ended June 30, 2023.

### (14) Going concern:

The Center entered into loan agreements with the Puerto Rico Government Development Bank ("GDB") for the development of its research and clinical facilities, including the renovation and expansion of its Research and Development Building, the renovation and improvement of the facilities where its Radiotherapy Center operates, and the construction of a specialized cancer hospital and clinical research.

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.

Pursuant to amendments to Law No. 230, repayment of the Center's notes payable should be made through annual contributions received from the Commonwealth. Commencing from fiscal year 2016 up to fiscal year 2044, the Commonwealth should provide annual contributions to the Center, up to a maximum amount of \$15,000,000, for debt service purposes. However, as of June 30, 2023, no such contributions were received, and as such, the Center's notes payable have not been repaid when due. As of the date of the financial



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

## Notes to Financial Statements June 30, 2023

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statements were available to be issued, there has been no negotiations between the Center and GDB for the repayment of such notes payable neither funds have been assigned by the Commonwealth to the Center for the repayment of these notes.

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.

### **(15) Subsequent events:**

Subsequent events were evaluated through June 14, 2024, the date the financial statements were available to be issued, to determine if such events should be recognized or disclosed in the fiscal year 2023 financial statements.

On August 30, 2022, the Center's accreditation granted by DNV GL Healthcare USA, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482) was extended up to October 10, 2025.

In addition, the Commonwealth approved contributions to the Center for fiscal year 2024 amounted to \$26 million, and also the Center was granted additional funds for fiscal year 2024 in the amount of \$10 million for the Center's operations.

**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  
Centro Comprensivo de Cáncer de la Universidad de Puerto Rico:**

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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 **Centro Comprensivo de Cáncer de la Universidad de Puerto Rico** (the "Center"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated June 14, 2024. Our report on the financial statements includes an emphasis of matter paragraph discussed in Note (14) 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.

**Report on 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) as a basis for designing 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.

**Report on 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 financial statements. 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.

San Juan, Puerto Rico,  
June 14, 2024.



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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  
Centro Comprensivo de Cáncer de la Universidad de Puerto Rico:**

**Report on Compliance for Each Major Federal Program**

***Opinion on 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 identified as subject to audit 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, 2023. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***Basis for opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

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**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and perform such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**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 and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be

prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico,  
June 14, 2024.



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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, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<u>Centers for Disease Control and Prevention:</u>			
Puerto Rico Cancer Prevention and Control Programs and Coordinating Center Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		\$ 1,417,193
<b>Research and Development Cluster:</b>			
<u>National Cancer Institute:</u>			
Puerto Rico NCI Community Oncology Research Program Minority/Underserved Cancer Control	93.399		1,047,052
Cancer Prevention and Control (CAPAC) Research Training Program Cancer Research Manpower	93.398		408,008
Cross Sectional Association of the Oral Microbiota and the Inflammasome with Oral HPV among HIV+ Adults Cancer Biology Research	93.396		179,379
Implementation of School Entry Policies for Human Papillomavirus Vaccination Cancer Cause and Prevention Research	93.393		328,908
<u>National Institute of Dental &amp; Craniofacial Research:</u>			
Mechanisms of disparities in the natural history of oral and oropharyngeal HPV infection among persons living with HIV: the CAMPO oral cohort study Oral Diseases and Disorders Research	93.121		91,463
<u>Pass-through programs:</u>			
University of Puerto Rico Rio Piedras Campus Pathogenesis of Inflammatory Breast Cancer Cancer Biology Research	93.396	1R21CA253609	1,614
The Emmes Company, LLC AIDS Malignancy Consortium (AMC) ANCHOR Study Cancer Treatment Research	93.395	7UM1CA121947-15	251,527
University of Puerto Rico Medical Sciences Campus UPR/MDACC Partnership for Excellence in Cancer Research Cancer Centers Support Grants	93.397	U54CA096297-19	264,021
The Regents of the University of California, San Francisco California-Mexico-Puerto Rico Partnership (CAMPO) Center for Prevention of HPV related Cancer in HIV+ Populations Cancer Control	93.399	5U54CA242646-04	680,892
University of Puerto Rico Medical Sciences Campus PR COVACUPS: Puerto Rico COVID-19 Vaccine Uptake Study Minority Health and Health Disparities Research	93.307	3U54MD007600-35S1	18,719
University of Miami All of Us Trans-NIH Research Support	93.310	1OT2OD026551-01	906,630
The Trustees of Columbia University in the City of New York Mechanisms underlying gastric intestinal metaplasia and carcinogenesis Cancer Biology Research	93.396	1R01CA272903-01	98,923
Sub-total Research and Development Cluster			4,277,136
FEMA Disaster DR-4493 Subaward Disaster Grants - Public Assistance (President Declared Disasters)	97.036		1,040,578
FEMA Disaster DR-4339 Subaward Disaster Grants - Public Assistance (President Declared Disasters)	97.036		209,013
FEMA Disaster DR-4671 Subaward Disaster Grants - Public Assistance (President Declared Disasters)	97.036		16,900
Total Expenditures of Federal Awards			\$ 6,960,820

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

**Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2023**

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**(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, 2023. 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). 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.

**(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) Indirect Cost Rate:**

The Center uses the approved indirect cost rate of 36.9%, for use on grants, contracts, and other agreement with the federal government, as applicable.

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

**Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2023**

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**(4) Clusters:**

A cluster of programs means federal programs with different federal assistance listing numbers that are defined as a cluster of programs because they are closely related programs that share common requirements. The Schedule includes the following cluster:

**Research and Development Cluster:**

<b>Federal Program</b>	<b>Federal Assistance Listing Number</b>
Puerto Rico NCI Community Oncology Research Program Minority/Underserved Cancer Control	93.399
Cancer Prevention and Control (CAPAC) Research Training Program Cancer Research Manpower	93.398
Cross Sectional Association of the Oral Microbiota and the Inflammasome with Oral HPV among HIV+ Adults Cancer Biology Research	93.396
Implementation of School Entry Policies for Human Papillomavirus Vaccination Cancer Cause and Prevention Research	93.393
Mechanisms of disparities in the natural history of oral and oropharyngeal HPV infection among persons living with HIV: the CAMPO oral cohort study Oral Diseases and Disorders Reseach	93.121
University of Puerto Rico Rio Piedras Campus - Pathogenesis of Inflammatory Breast Cancer Cancer Biology Research	93.396
The Emmes Company, LLC - AIDS Malignancy Consortium (AMC) ANCHOR Study Cancer Treatment Research	93.395
University of Puerto Rico Medical Sciences Campus - UPR/MDACC Partnership for Excellence in Cancer Research Cancer Centers Support Grants	93.397
The Regents of the University of California, San Francisco - California-Mexico-Puerto Rico Partnership (CAMPO) Center for Prevention of HPV related Cancer in HIV+ Populations Cancer Control	93.399
University of Puerto Rico Medical Sciences Campus - PR COVACUPS: Puerto Rico COVID-19 Vaccine Uptake Study Minority Health and Health Disparities Research	93.307
University of Miami - All of Us Trans-NIH Research Support	93.310
The Trustees of Columbia University in the City of New York - Mechanisms underlying gastric intestinal metaplasia and carcinogenesis Cancer Biology Research	93.396

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

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023**

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**Section I - Summary of Auditor's Results**

**Financial Statements-**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?        Yes        X No

**Federal Awards -**

Internal control over major programs:

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

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

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

**Identification of Major Programs -**

<u>Name of Federal Program</u>	<u>Federal Assistance Listing Number</u>
Research and Development Cluster	Various
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u>      </u> Yes <u>      </u> <u>X</u> No

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

## Schedule of Findings and Questioned Costs Year Ended June 30, 2023

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### Section II- Financial Statements Findings

None for the year ended June 30, 2023.

### Section III- Federal Awards Findings and Questioned Costs

#### Finding Number: 2023 - 001

*Federal Programs:*

All major programs.

*Category:*

Internal control / Compliance

*Condition:*

The June 30, 2022 Data Collection Form and Single Audit reporting package were not submitted within the established due date.

*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  
(A Component Unit of the Commonwealth of Puerto Rico)**

**Schedule of Prior Audit Findings  
Year Ended June 30, 2023**

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Finding Number	Finding (Condition Found)	Federal Assistance Listing Number	Questioned Cost	Status
2022-01	The June 30, 2021 Data Collection Form and Single Audit reporting package were not submitted within the established due date. The report was due by September 30, 2022	All Programs	None	Repeated during fiscal year 2023.



June 3, 2024

Julio Villegas, CPA  
Partner, Audit  
Kevane Grant Thornton

**RE: Response to Corrective Action Plan, Audit Request for Data Collection Submission  
Deadline FY 6/30/2023 and 6/30/2024**

The Comprehensive Cancer Center (CCC) has implemented a Corrective Action Plan on November 2023 and has significantly improved the submission of the Single Audit Report FY 2023 and the data collection. The result of the implementation of the corrective action plan for FY 2023 allows the CCC to begin the financial statement and Single Audit of FY 2024 on time.

We establish a procedure to ensure that the information required to be disclosed in the Single Audit is scheduled. Despite efforts to complete the Single Audit FY 2023 on March 31, 2024, CCCUPR Management and auditors agreed that they require two (2) additional months to complete the process.

To ensure the timely completeness of the Financial Statement and Single audit of FY 2024 before March 31, 2025 we implement the following aggressive work plan:

- Management closing and submission Final Trial Balance to Auditors August 8, 2024.
- Completion and Delivery to Auditors PBC items October 31, 2024.
- Distribution of Financial Statement and Single Audit Draft for review (management and Auditors) November 11, 2024
- Final review of the Draft by the auditors – November 15, 2024.
- Final Issuance of Financial Statement, Single Audit, and data collection November 30, 2024.

Sincerely,

Rubén I. Rivera López  
CFO

cc.

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