

**CANCER PREVENTION AND RESEARCH
INSTITUTE OF TEXAS**

Austin, Texas

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

Austin, Texas

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED AUGUST 31, 2023

Introduction

This section of the Cancer Prevention and Research Institute of Texas (CPRIT) annual financial report presents management's discussion and analysis of CPRIT's financial performance during the fiscal year ended August 31, 2023. Please read it in conjunction with CPRIT's financial statements, which follow this section.

The State of Texas (STATE) established CPRIT to fund grants for cancer research and prevention. CPRIT is charged by the Texas Legislature to:

- Create and expedite innovation in the area of cancer research, thereby enhancing the potential for a medical or scientific breakthrough in the prevention of cancer and cures for cancer;
- Attract, create, or expand research capabilities of public or private institutions of higher education and other public or private entities that will promote a substantial increase in cancer research and in the creation of high-quality new jobs in this STATE; and
- Continue to develop and implement the Texas Cancer Plan by promoting the development and coordination of effective and efficient statewide public and private policies, programs, and services related to cancer and by encouraging cooperative, comprehensive, and complementary planning among the public, private, and volunteer sectors involved in cancer prevention, detection, treatment, and research.

CPRIT is governed by an Oversight Committee, composed of 9 members who are appointed by the Governor, Lieutenant Governor, and Speaker of the House.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to CPRIT's financial statements, comprised of three components: 1) management's discussion and analysis, 2) financial statements, and 3) notes to the financial statements. The financial statements are presented in a combined format including the Combined Balance Sheet/Statement of Net Position and Combined Statement of Revenue, Expenditures and Changes in Fund Balance/Statement of Activities for the governmental funds.

- The Statement of Net Position and Statement of Activities provide information about CPRIT's overall financial position and results. These statements are presented on an accrual basis.
- The financial statements also include a "Notes to Financial Statement" section which explains some of the information presented in the combined financial statements and provides additional detailed data.
- The fund financial statements (Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance) provide information about CPRIT's governmental fund activities funded primarily through STATE appropriation of bond proceeds for which CPRIT follows a modified accrual basis of accounting.

The remainder of this overview section of management's discussion and analysis explains the structure and content of each of these statements.

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Government-Wide Financial Statements

The Statement of Net Position shows governmental activities on a full accrual basis. The Statement of Activities presents a government-wide format of expenses, operating grants and contributions and net expenses by governmental activities.

Statement of Net Position

The following table reflects information on the CPRIT's accumulated net position at August 31, 2023 and 2022:

ASSETS	2023	2022	Change	%
CURRENT ASSETS				
Cash in state treasury	\$ 7,626,229	\$ 5,454,737	\$ 2,171,492	40%
Due from other agencies	44,160,954	32,462,520	11,698,434	36%
Consumable inventories	2,577	3,171	(594)	0%
Total current assets	51,789,760	37,920,428	13,869,332	37%
CAPITAL ASSETS				
Building improvements	699,679	699,679	-	0%
Less: Accumulated depreciation	(358,196)	(313,884)	(44,312)	14%
Furniture and equipment	138,119	169,291	(31,172)	-18%
Less: Accumulated depreciation	(133,775)	(159,482)	25,707	-16%
TOTAL ASSETS	\$ 52,135,587	\$ 38,316,032	\$ 13,819,555	36%
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 6,894,388	\$ 3,058,529	\$ 3,835,859	125%
Accrued payroll	534,736	432,116	102,620	24%
Due to other agencies	35,084,576	25,874,750	9,209,826	36%
Employees' compensable leave	494,632	488,895	5,737	1%
Total current liabilities	43,008,332	29,854,290	13,154,042	44%
LONG-TERM LIABILITIES				
Employees' compensable leave	328,993	235,807	93,186	40%
TOTAL LIABILITIES	43,337,325	30,090,097	13,247,228	44%
NET POSITION				
Net investment in capital assets	345,827	395,604	(49,777)	-13%
Unrestricted	8,452,435	7,830,331	622,104	8%
TOTAL NET POSITION	\$ 8,798,262	\$ 8,225,935	\$ 572,327	7%

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In fiscal year 2023, CPRIT received legislative appropriations that provided for annual funding for staff and associated on-going operations costs as well as funding to award cancer prevention, academic research, and product development research projects.

In comparison to fiscal year 2022, there was a \$13.9 million increase in current assets. Approximately \$11.7 million is attributed to additional revenue in the due from other agencies line item which represents the net change between the beginning and ending balances of the treasury account that holds bond proceeds from CPRIT issued by the Texas Public Finance Authority (TPFA). There is also an approximate \$2.2 million increase in the cash in the STATE treasury line item that is attributed to a higher cash balance from grant award encumbrances.

The majority of the \$13.2 million current liabilities increase falls into two categories, accounts payable and due to other agencies. There is a \$3.8 million increase in accounts payable which represents payable balances for operating expenses outstanding at the end of fiscal year 2023. There is also a \$9.2 million increase in the due to other agencies which is an estimate of grantee reimbursements owed to but as yet not requested by STATE institutions of higher education at the end of the fiscal year. The increase of \$93,186 in long-term liability of employees' compensable leave means that the compensable leave is due beyond the fiscal year.

The overall conclusion is that CPRIT expended the majority of the \$298.3 million in bond proceeds issued during fiscal year 2023 for grant payments and agency operations with sufficient remaining funds to cover the \$43.0 million in current liabilities.

Statement of Activities

The Statement of Activities reflects the sources of CPRIT's changes in net position as they arise through its various programs and functions. CPRIT operations and cancer research and prevention grants are shown as governmental activities.

The table below shows transfers in for CPRIT's governmental activities totaled \$637.8 million. The transfers were primarily received through legislative appropriations of bond proceeds that were transferred to CPRIT by the TPFA and provided funding for CPRIT's staff (38.7 FTEs), office space and fixtures, and grant award operations.

The license, fees, and permits revenue decreased by \$662,267 because CPRIT received less in grantee revenue sharing payments than the prior year. Revenue sharing payments from grantees fluctuate.

In fiscal year 2023, CPRIT processed more than \$238.8 million in grantee reimbursement payments reflected by the combination of \$140.9 million in state grant pass-thru payments and \$97.9 million in public assistance payments. The majority of the \$381.7 million in transfers out was STATE pass-through grant payments to state academic institutions with CPRIT grants while approximately \$3.1 million of it was CPRIT's required transfer to the Department of STATE Health Services for Texas Cancer Registry operations. The transfers in in the amount of \$637.8 million is dependent on current year cash transferred from TPFA for the issuance of general obligation commercial paper notes on CPRIT's behalf and the prior

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year's cash balance for grant encumbrances brought forward to the current year. The cash balance for grant encumbrances remained increased slightly from fiscal year 2022 because the Texas Public Finance Authority issued \$298.3 million in bonds on CPRIT's behalf, which is almost the maximum \$300 million allowed to be issued in any fiscal year, and CPRIT continued to spend down these funds on grant reimbursement payments.

	<u>2023</u>	<u>2022</u>	<u>Increase/(Decrease) Amount</u>	<u>%</u>
REVENUE				
License, fees and permits	\$ 2,131,317	\$ 2,793,585	\$ (662,268)	-24%
Interest and investment income	2,153	263	1,890	719%
Sales of goods and services	-	-	-	0%
Other	65,832	37,333	28,499	76%
Total Revenues	<u>2,199,302</u>	<u>2,831,181</u>	<u>(631,879)</u>	<u>-22%</u>
EXPENDITURES				
Grants	238,849,929	211,727,446	27,122,483	13%
Operations	18,867,370	18,243,988	623,382	3%
Total Expenditures	<u>257,717,299</u>	<u>229,971,434</u>	<u>27,745,865</u>	<u>12%</u>
Deficiency of Revenues over Expenditures	<u>(255,517,997)</u>	<u>(227,140,253)</u>	<u>(28,377,744)</u>	<u>12%</u>
OTHER FINANCING SOURCES				
Transfers in- Legislative requirements	637,774,059	405,438,157	232,335,902	57%
Transfers out - Legislative requirements	(381,683,735)	(172,081,590)	(209,602,145)	122%
Total Other Financing Sources	<u>256,090,324</u>	<u>233,356,567</u>	<u>22,733,757</u>	<u>10%</u>
CHANGE IN NET POSITION	<u>572,327</u>	<u>6,216,314</u>	<u>(5,643,987)</u>	<u>-91%</u>
BEGINNING NET POSITION	<u>8,225,935</u>	<u>2,009,621</u>	<u>6,216,314</u>	<u>309%</u>
ENDING NET POSITION	<u>\$ 8,798,262</u>	<u>\$ 8,225,935</u>	<u>\$ 572,327</u>	<u>7%</u>

General Fund Budgetary Highlights

Variances between final budget and actual are the result of increased resources due to a higher cash balance from grant award encumbrances. At the same time, there was an increase in budgetary outflows for grant reimbursement payments particularly from the bond proceed balance issued for older grant awards. See page 20 for a budgetary comparison information.

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Future Outlook

The 88th Texas Legislature fully funded CPRIT in fiscal year 2024 with the maximum \$300 million in general obligation bond proceeds allowed by law.

With more than 550 active grant awards, CPRIT will continue to process a high volume of quarterly grantee reimbursement payments as well as other required annual financial reports during fiscal year 2024. In conjunction with the continued high volume in grantee reimbursements, CPRIT estimates it will request that TPFA issue approximately \$298.4 million in additional debt to support grant reimbursement payments and operating expenses during fiscal year 2024.

Request for Information

This financial report is designed to provide a general overview of CPRIT's operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Cancer Prevention and Research Institute of Texas, Chief Operating Officer, P.O. Box 12097, Austin, Texas 78711.

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**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE
SHEET
FOR THE YEAR ENDED AUGUST 31, 2023**

	<u>General Fund</u>	<u>Governmental Funds Total</u>	<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Other Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Current Assets:						
Cash and cash equivalents						
Cash in state treasury	\$ 7,626,229	\$ 7,626,229	\$ -	\$ -	\$ -	\$ 7,626,229
Due from other agencies	44,160,954	44,160,954	-	-	-	44,160,954
Consumable inventories	2,577	2,577	-	-	-	2,577
Total Current Assets	<u>51,789,760</u>	<u>51,789,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,789,760</u>
Capital Assets:						
Building improvements	-	-	699,679	-	-	699,679
Accumulated depreciation	-	-	(358,196)	-	-	(358,196)
Furniture and equipment	-	-	138,119	-	-	138,119
Accumulated depreciation	-	-	(133,775)	-	-	(133,775)
Total Assets	<u>\$ 51,789,760</u>	<u>\$ 51,789,760</u>	<u>\$ 345,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,135,587</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Payables from:						
Accounts payable	\$ 6,894,388	\$ 6,894,388	\$ -	\$ -	\$ -	\$ 6,894,388
Payroll payable	534,736	534,736	-	-	-	534,736
Due to other agencies	35,084,576	35,084,576	-	-	-	35,084,576
Employees' compensable leave-current portion	-	-	-	494,632	-	494,632
Total Current Liabilities	<u>42,513,700</u>	<u>42,513,700</u>	<u>-</u>	<u>494,632</u>	<u>-</u>	<u>43,008,332</u>
Long-Term Liabilities:						
Employees' compensable leave	-	-	-	328,993	-	328,993
Total Liabilities	<u>42,513,700</u>	<u>42,513,700</u>	<u>-</u>	<u>823,625</u>	<u>-</u>	<u>43,337,325</u>
FUND BALANCES						
Nonspendable for inventory	(2,577)	(2,577)			2,577	-
Committed	7,626,229	7,626,229			(7,626,229)	-
Unassigned	1,652,408	1,652,408			(1,652,408)	-
Total Fund Balances	<u>9,276,060</u>	<u>9,276,060</u>			<u>(9,276,060)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 51,789,760</u>	<u>\$ 51,789,760</u>				
<i>Governmental-Wide Statement of Net Position</i>						
NET POSITION						
Net investment in capital assets			\$ 345,827	-	-	\$ 345,827
Unrestricted			-	(823,625)	9,276,060	8,452,435
Total Net Position			<u>\$ 345,827</u>	<u>\$ (823,625)</u>	<u>\$ 9,276,060</u>	<u>\$ 8,798,262</u>
TOTAL LIABILITIES AND NET POSITION						<u>\$ 52,135,587</u>

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2023**

	General Fund	Total Governmental Funds	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Position
REVENUES						
Interest income	\$ 2,153	\$ 2,153	\$ -	\$ -	\$ -	\$ 2,153
Licenses, fees & permits	2,131,317	2,131,317	-	-	-	2,131,317
Other	65,832	65,832	-	-	-	65,832
Total Revenues	<u>2,199,302</u>	<u>2,199,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,199,302</u>
EXPENDITURES						
Salaries and wages	4,939,798	4,939,798	-	98,923	-	5,038,721
Payroll related costs	1,117,483	1,117,483	-	-	-	1,117,483
Professional fees and services	11,025,743	11,025,743	-	-	-	11,025,743
Travel	52,257	52,257	-	-	-	52,257
Materials and supplies	267,945	267,945	-	-	-	267,945
Communication and utilities	455,910	455,910	-	-	-	455,910
Repairs and maintenance	1,252	1,252	-	-	-	1,252
Rentals and leases	15,011	15,011	-	-	-	15,011
Printing and reproduction	633	633	-	-	-	633
State grant payments -pass-thru	140,979,674	140,979,674	-	-	-	140,979,674
Public assistance payments	97,870,255	97,870,255	-	-	-	97,870,255
Other expenditures	842,638	842,638	-	-	-	842,638
Depreciation expense	-	-	49,777	-	-	49,777
Total Expenditures	<u>257,568,599</u>	<u>257,568,599</u>	<u>49,777</u>	<u>98,923</u>	<u>-</u>	<u>257,717,299</u>
CHANGE IN NET POSITION BEFORE (OTHER FINANCING SOURCES)						
	<u>(255,369,297)</u>	<u>(255,369,297)</u>	<u>(49,777)</u>	<u>(98,923)</u>	<u>-</u>	<u>(255,517,997)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in- Legislative requirements	637,774,059	637,774,059	-	-	-	637,774,059
Transfers out - Legislative requirements	<u>(381,683,735)</u>	<u>(381,683,735)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(381,683,735)</u>
Net transfers	<u>256,090,324</u>	<u>256,090,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,090,324</u>
Net Change in Fund Balances/Net Position	<u>721,027</u>	<u>721,027</u>	<u>(49,777)</u>	<u>(98,923)</u>	<u>-</u>	<u>572,327</u>
FUND BALANCES						
Fund Balances, September 1, 2022	<u>8,555,033</u>	<u>8,555,033</u>	<u>395,604</u>	<u>(724,702)</u>	<u>-</u>	<u>8,225,935</u>
Fund Balances, August 31, 2023	<u>\$ 9,276,060</u>	<u>\$ 9,276,060</u>	<u>\$ 345,827</u>	<u>\$ (823,625)</u>	<u>\$ -</u>	
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES						
Net position, September 1, 2022						<u>8,225,935</u>
Net position, August 31, 2023						<u>\$ 8,798,262</u>

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Cancer Prevention and Research Institute of Texas (CPRIT) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to a local governmental agency. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. CPRIT's significant accounting policies are described below.

A. Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of CPRIT. Under the GASB Statement No. 34, *Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, CPRIT qualifies as a special purpose government unit with one program, to support cancer research and prevention efforts in the State of Texas (STATE). All activities of CPRIT are considered governmental activities, as defined by GASB. GASB Statement No. 34 allows such entities to combine the presentation of the fund financial statements and the government-wide financial statements, rather than present separate statements. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for reconciling items in the "Adjustments" column are provided on the face of the financial statements.

B. Measurement Focus and Basis of Accounting

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are presented using "current financial resources measurement focus" and "modified accrual basis of accounting." With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The operating statements of these funds present increases and decreases in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. CPRIT considers all revenues as available if it is collected within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

General Fund

The following sub-funds collectively comprise the general fund.

- a) TPFA G.O. Commercial Paper Series A&B Cancer Project Fund (fund 7639) is used to account for general obligation bond proceeds issued by the Texas Public Finance Authority. These bond

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- proceeds support the agency's operating expenses, including providing cancer research and prevention grants. It accounts for all financial resources except those required to be accounted for in another fund.
- b) Cancer Prevention and Research Fund (fund 5136) is used to receive fees for product development research grant applications and all miscellaneous agency revenues.
 - c) License Plate Trust Fund (fund 0802) is used to receive and account for fees charged for specialty license plates in addition to motor vehicle registration fees.
 - d) Interest and Sinking Fund (fund 5168) is used to receive payments from grantees based on the revenue from licensing fee, royalty, or equity payments as a result of their CPRIT-funded grants. Revenue collected in this fund may only be appropriated by the Texas Legislature to pay debt service on CPRIT's general obligation bonds.

Government-wide Adjustment Fund Types

The statement of net position and statement of activities display information about CPRIT as a whole. The statement of net position and statement of activities were prepared using the "economic resources measurement focus" and the "accrual basis of accounting." Revenues, expenses, gains, losses, assets, and liabilities are recognized when the underlying transactions take place. This includes unpaid employee compensable leave, capital assets and accumulated depreciation.

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the Texas Legislature and approved by the STATE's Governor (the General Appropriations Act). The STATE monitors its statewide budget by establishing the legal level of control at the agency level to ensure that expenditures are not made in excess of budgetary authority. Within CPRIT, procedures are used to ensure that expenditures do not exceed the total budget, but the Texas Comptroller of Public Accounts (the Texas Comptroller) ultimately ensures that each total authorized agency budget is not exceeded.

Unencumbered appropriations are generally lapsed 60 days after the end of the fiscal year for which they have been appropriated.

Fund Balances/Net Position

The difference between fund assets and liabilities is "Net Position" on the government-wide statements and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

CPRIT follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to classify its governmental fund balances as follows:

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- a) Non-spendable Fund Balance: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts if any. It also includes the long-term amounts of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than in a non-spendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
- b) Restricted Fund Balance: These are amounts that are restricted for specific purposes. The fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- c) Committed Fund Balance: These are amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Compliance with constraints imposed by the government that commit amounts to specific purposes is not considered to be legally enforceable and may be redeployed for other purposes with appropriate due process. Amounts used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the STATE's highest level of decision-making authority.
- d) Assigned Fund Balance: Amounts constrained by the STATE's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by: (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated CPRIT to assign amounts to be used for specific purposes.
- e) Unassigned Fund Balance: The residual classification for the general fund which represents fund balances that were not assigned to other funds, and were not restricted, committed or assigned to specific purposes within the general fund.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

Under the government-wide financial statements, net position is classified into three components as follows:

- a) *Invested in capital assets*: This component of net position consists of capital assets, net of accumulated depreciation and reduced by any bonds, notes, or other borrowings.
- b) *Restricted*: This component of net position consists of constraints on use placed on net position through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- c) *Unrestricted*: This component of net position consists of net position that does not meet the definition of “invested in capital assets” or “restricted”.

Cash and Cash Equivalents

Short-term, highly liquid investments with an original maturity of three months or less are considered cash equivalents. Cash held in the STATE’s Treasury are derived from the sale of "Texans Conquer Cancer" and “A Fine Cause” specialty license plates and fees from company product development applications. These funds are utilized, subject to legislative appropriations, for additional cancer prevention grants and to defray the cost of CPRIT’s due diligence reviews on product development grants.

Consumable Inventories

Consumable inventories consist of items purchased by CPRIT for (a) reissue/reuse, which CPRIT controls as part of its ongoing operations (e.g., hardware items, or maintenance parts that have a long shelf life and are stocked by CPRIT). Inventories are valued at cost, generally using the first-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

Due from/to Other Agencies

Amount due from other agencies are appropriations due to CPRIT that have not been received at year end. The amount due to other agencies is grant funds payable to other STATE agencies, including STATE institutions of higher education.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if donated, at appraisal fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures.

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Depreciation is reported on all "exhaustible" assets in the entity-wide financial statements. Maintenance and repairs are charged to operations when incurred.

Capital assets are depreciated over the estimated useful life of the asset (5 years) using the straight-line method.

Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately, either as current or noncurrent, in the statement of net position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

Administrative Expenses

Administrative expenses include agency operation costs and grant payments to organizations for cancer research and prevention projects authorized by CPRIT's Oversight Committee.

Inter-fund Transactions and Balances

CPRIT may have the following types of transactions among funds: (1) Transfers - Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund. (2) Legislative Sources/Uses — Budget transfers between agencies within a fund. In this particular instance, CPRIT is required to transfer funds to the Texas Department of STATE Health Services for the Texas Cancer Registry.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. There were no significant estimates included in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 2 — CAPITAL ASSETS

A summary of capital assets for the year ended August 31, 2023, is presented below:

	Balance 09/01/2022	Additions	Retirements	Deletion	Balance 08/31/2023
<u>Governmental Activities</u>					
Capital assets:					
Building improvements	\$ 699,679	\$ -	\$ -	\$ -	\$ 699,679
Furniture and equipment	<u>169,291</u>	<u>-</u>	<u>-</u>	<u>(31,172.00)</u>	<u>138,119</u>
Total	<u>868,970</u>	<u>-</u>	<u>-</u>	<u>(31,172.00)</u>	<u>837,798</u>
Less accumulated depreciation for:					
Building improvements	(313,884)	(44,313)	-	-	(358,197)
Furniture and equipment	<u>(159,482)</u>	<u>(5,464)</u>	<u>-</u>	<u>31,172.00</u>	<u>(133,774)</u>
Total	<u>(473,366)</u>	<u>(49,777)</u>	<u>-</u>	<u>31,172.00</u>	<u>(491,971)</u>
Governmental activities capital assets, net	<u>\$ 395,604</u>	<u>\$ (49,777)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,827</u>

Depreciation expense for the year ended August 31, 2023 was \$49,777.

NOTE 3 — DEPOSITS

As of August 31, 2023, the carrying amount of deposits for CPRIT was \$7,626,229. CPRIT's cash is held in the STATE's Treasury and has no interest rate risk or credit risk.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned to the government. All of CPRIT's deposits are held by the Texas Comptroller, in the STATE's Treasury. Deposits of STATE are managed by the Texas Comptroller. Deposits that exceed the \$250,000 of insurance coverage by the Federal Deposit Insurance Corporation are collateralized in accordance with the Texas Comptroller's policy.

NOTE 4 — SHORT-TERM DEBT (NOT APPLICABLE)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 5 — SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2023, the following changes occurred:

Employees' Compensable Leave

Governmental Activities	Balance 09/01/2022	Additions	Reductions	Other Changes	Balance 08/31/2023	Amount Due within One Year	Amount Due Thereafter
Compensable leave	\$ 724,702	\$ 604,365	\$ (505,342)	\$ (100)	\$ 823,625	\$ 494,632	\$ 328,993

A STATE employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or other separation from STATE employment, provided the employee has had continuous employment with the STATE for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

NOTE 6 — BONDED INDEBTEDNESS (NOT APPLICABLE)

NOTE 7 — CAPITAL LEASES (NOT APPLICABLE)

NOTE 8 — OPERATING LEASES (NOT APPLICABLE)

NOTE 9 — EMPLOYEE BENEFITS

CPRIT contributes to the Employee Retirement System of Texas (the System), a cost-sharing, multiple-employer, defined benefit plan. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. Under provisions in STATE law, plan members are required to contribute 9.5% of their annual salary. The System's annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207. CPRIT contributed the STATE's share of benefits totaling \$365,012, \$290,520 and \$309,645, respectively, to the System for the fiscal years ended August 31, 2023, 2022 and 2021.

NOTE 10 — DEFERRED COMPENSATION (NOT APPLICABLE)

NOTE 11 — POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFIT (NOT APPLICABLE)

NOTE 12 — INTERFUND ACTIVITY AND TRANSACTIONS (NOT APPLICABLE)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 13 — CONTINUANCE SUBJECT TO REVIEW (NOT APPLICABLE)

NOTE 14 — ADJUSTMENTS TO FUND BALANCE/NET ASSETS (NOT APPLICABLE)

NOTE 15 — CONTINGENT LIABILITIES (NOT APPLICABLE)

NOTE 16 — SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2023, the date the financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

NOTE 17 — RISK MANAGEMENT (NOT APPLICABLE)

NOTE 18 — MANAGEMENT DISCUSSION AND ANALYSIS (SEE PAGE 3)

NOTE 19 — REPORTING ENTITY

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the financial reporting entity are based on the criteria prescribed by accounting principles generally accepted in the United States of America (U.S. GAAP). These same criteria are evaluated in considering whether CPRIT is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that CPRIT's financial reporting entity status is that of a component unit are: that it does not have a separately elected governing body; and it is not fiscally independent of other STATE and local governments.

Based on criteria prescribed by U.S. GAAP, CPRIT is considered a component unit of the STATE. The primary criterion for this is that of financial accountability. The STATE appoints voting Oversight Committee members and approves CPRIT's budget.

NOTE 20 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (NOT APPLICABLE)

NOTE 21(a) — NATURE OF OPERATIONS

CPRIT is an agency of the STATE, and its financial records comply with STATE statutes and regulations. This includes compliance with the Texas Comptroller *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

In 2007, Texans overwhelmingly approved a constitutional amendment to create CPRIT and issue \$3 billion in general obligation bonds to fund grants to support cancer research and prevention projects in Texas. In 2019, Texans again overwhelmingly approved a second constitutional amendment to increase CPRIT's general obligation bond authority to \$6 billion. CPRIT works on behalf of all Texans to: (1) create and expedite innovation in the area of cancer research, and in enhancing the potential for a medical or scientific breakthrough in the prevention of cancer and cures for cancer; (2) attract, create, or expand research

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

capabilities of public or private institutions of higher education, and other public or private entities, that will promote a substantial increase in cancer research and in the creation of high-quality new jobs in this STATE; and (3) develop and implement the Texas Cancer Plan.

CPRIT is primarily funded through STATE appropriations financed through sale of general obligation debt provided by the Texas Public Finance Authority (TPFA).

NOTE 21(b) — CANCER PREVENTION AND RESEARCH AWARDS

CPRIT has entered into various grant contract awards with third party grant recipients to perform cancer prevention and research activities through 2023. The outstanding value of these grants awards as of August 31, 2023, totals approximately \$1,048,270,483. Payments will be made from bond proceeds issued by TPFA and provided to CPRIT under annual appropriation.

NOTE 21(c) — LIQUIDITY (NOT APPLICABLE)

NOTE 21(d) — BOND ISSUANCE

As provided by statute, CPRIT submits requests to TPFA to issue and sell general obligation commercial paper of the STATE as authorized by Section 67, Article III, Texas Constitution. TPFA is not authorized to issue or sell more than \$300 million in general obligation debt in a single STATE fiscal year. Proceeds of the debt are required to be deposited into the STATE treasury and may be only used for 1) making grant payments, 2) purchasing laboratory facilities, 3) paying operating cost of CPRIT, or 4) paying the cost of issuing the debt and related administrative cost of TPFA. As of August 31, 2023, \$2,797,054,128 has been disbursed by TPFA since CPRIT was formed in 2008. The commercial paper is a general obligation of the STATE and is not a specific obligation of CPRIT.

For the year ended August 31, 2023, CPRIT received proceeds from the sale of debt of approximately \$283,700,000, which are included in “Transfers In” from other entities on the Statement of Activity.

NOTE 22 — DONOR RESTRICTED ENDOWMENTS (NOT APPLICABLE)

NOTE 23 — EXTRAORDINARY AND SPECIAL ITEMS (NOT APPLICABLE)

NOTE 24 — DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES (NOT APPLICABLE)

NOTE 25 — TERMINATION BENEFITS (NOT APPLICABLE)

NOTE 26 — SEGMENT INFORMATION (NOT APPLICABLE)

REQUIRED SUPPLEMENTARY INFORMATION

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**BUDGETARY COMPARISON INFORMATION (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Budget Positive/ (Negative)</u>
Budgetary Balance, September 1, 2022	\$ 49,552	\$ 2,317,132	\$ 8,555,033	\$ 6,237,901
Resources (Inflows):				
Appropriated Receipts	40,000	40,000	65,832	25,832
Other	11,000	11,000	2,133,470	2,122,470
Transfers in - Legislative Appropriations	<u>300,000,000</u>	<u>300,488,946</u>	<u>637,774,059</u>	<u>337,285,113</u>
Total Resources	<u>300,100,552</u>	<u>302,857,078</u>	<u>648,528,394</u>	<u>345,671,316</u>
Uses of Resources (Outflows):				
Operations	21,027,276	21,527,468	18,718,670	2,808,798
Grants	275,905,692	275,945,604	238,849,929	37,095,675
Transfers out- Legislative Requirement	<u>3,118,032</u>	<u>3,118,032</u>	<u>381,683,735</u>	<u>(378,565,703)</u>
Total Uses of Resources	<u>300,051,000</u>	<u>300,591,104</u>	<u>639,252,334</u>	<u>(338,661,230)</u>
Budgetary Fund Balance, August 31, 2023	<u>\$ 49,552</u>	<u>\$ 2,265,974</u>	<u>\$ 9,276,060</u>	<u>\$ 7,010,086</u>

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**BUDGETARY COMPARISON INFORMATION (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2023**

(Continued)

Explanation of Differences Between Budgetary Inflows and GAAP Revenues:

Sources/Inflows of Resources	\$ 648,528,394
Differences – budget to GAAP:	
The balance at the beginning of the year is a budgetary item but is not current year revenue for financial reporting purposes.	(8,555,033)
The transfer in for legislative appropriations is a budgetary resource but is not current year revenue for financial reporting purposes.	<u>(637,774,059)</u>
Total revenue as reported on the statement of activities and governmental fund revenues, expenditures, and changes in fund balances	<u>\$ 2,199,302</u>

Explanation of Differences Between Budgetary Outflows and GAAP Expenditures:

Uses/Outflows of Resources	\$ 639,252,334
Differences – budget to GAAP:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	49,777
The transfer out for legislative requirements is a budgetary uses but is not current year expenditures for financial reporting purposes.	(381,683,735)
Long-term liabilities for employees compensable leave are not available to pay current period expenditures and therefore, are not reported in the governmental funds.	<u>98,923</u>
Total expenditure as reported on the statement of governmental fund revenues, expenditures, and changes in fund balances	<u>\$ 257,717,299</u>

COMPLIANCE SECTION

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**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2023**

SECTION 1:

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| c) Noncompliance material to financial statements noted? | No |

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**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2023**

CURRENT YEAR FINDINGS

None noted.

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**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2023**

PRIOR YEAR FINDINGS

None noted.