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

Consolidated Financial Statements as of and for the Years Ended August 31, 2022 and 2021, Required Supplementary Information, and Independent Auditor's Reports

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The University of Texas M.D. Anderson Cancer Center and subsidiaries (the "Center"), a division of the UT System, as of and for the years ended August 31, 2022 and 2021, and the related notes to the consolidated financial statements, which collectively comprise the Center's consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Center, as of August 31, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note 1, the consolidated financial statements of the Center are intended to present the financial position, the changes in financial position, and cash flows of the University of Texas System attributable to the Center. They do not purport to, and do not, present fairly the financial position of the University of Texas System as of August 31, 2022 and 2021, the changes in its financial position, or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Center restated its consolidated financial statements as of August 31, 2021 to reflect the effects of the adoption of Governmental Accounting Standards Board Statements No. 87, *Leases,* and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, the Schedule of the Center's Proportionate Share of the Net Pension Liability, the Schedule of the Center's Contributions for the Teachers Retirement System Pension Plan, the Schedule of the Center's Proportionate Share of the Total OPEB Liability, and the Schedule of the Center's PRS SRP/RBP Pension Liability be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting or placing the consolidated financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the consolidated financial statements. Such missing information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. Our opinion on the consolidated financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023 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 Center's internal control over financial reporting and compliance.

Deloitte & Touche LLP

January 18, 2023

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

CONSOLIDATED BALANCE SHEETS
AS OF AUGUST 31, 2022 AND 2021
(In thousands)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,294,974	$ 729,090
Patient accounts receivable—net of bad debt allowances of $157,130 and $85,071 in 2022 and 2021, respectively	522,564	438,155
Lease receivables—current portion	1,064	1,639
Estimated third-party payor settlements	67,693	83,215
Inventories and other current assets	341,422	311,878
Grants receivable	161,446	165,041
Restricted:		
Cash and cash equivalents	347,224	369,151
Contributions receivable—net—current portion	5,090	5,753
Restricted investments—SRP/RBP Plan—current portion	70,491	47,006
Due from UT System	1,841	4,591
Total current assets—net	2,813,809	2,155,519
NONCURRENT ASSETS:		
Restricted assets:		
Investments held by UTIMCO	901,717	979,295
T. Boone Pickens Fund	775,996	859,258
Contributions receivable—net—noncurrent	9,073	4,126
Restricted investments—SRP/RBP Plan—noncurrent	514,936	620,322
Due from UT System—noncurrent	7,643	12,023
Total restricted assets—net	2,209,365	2,475,024
Capital assets:		
Land	264,555	243,835
Buildings and other improvements	4,648,158	4,579,466
Equipment	2,199,159	2,138,062
Nondepreciable collections	2,158	2,158
Construction in progress	282,124	185,471
Total capital assets	7,396,154	7,148,992
Less accumulated depreciation	(4,607,399)	(4,317,607)
Capital assets—net	2,788,755	2,831,385
Other noncurrent assets:		
Investments held by UTIMCO	7,351,472	7,919,612
Joint ventures and other noncurrent assets	111,329	65,131
Lease receivables—noncurrent	1,898	4,907
Total other noncurrent assets	7,464,699	7,989,650
Total noncurrent assets	12,462,819	13,296,059
Total assets	15,276,628	15,451,578
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows—asset retirement obligations	-	520
Deferred outflows—Proton Therapy Center acquisition	13,287	13,690
Deferred outflows—SRP/RBP Plan related	110,549	110,443
Deferred outflows—pension related	439,703	586,231
Deferred outflows—other postemployment benefits related	806,136	452,443
Total deferred outflows of resources	1,369,675	1,163,327
TOTAL ASSETS AND DEFERRED OUTFLOWS	$16,646,303	$16,614,905

(Continued)

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

CONSOLIDATED BALANCE SHEETS
AS OF AUGUST 31, 2022 AND 2021
(In thousands)

	2022	2021
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 510,951	$ 477,723
Unearned revenue	271,871	274,914
Estimated third-party payor settlements	30,700	42,301
Compensated absences—current	191,390	180,029
Total pension liability—SRP/RBP Plan—current	70,491	47,006
Lease liabilities—current	27,713	30,940
Other postemployment benefit liability—current	58,394	51,403
Other current liabilities	132,137	121,559
Due to UT System	29,810	30,381
Total current liabilities	1,323,457	1,256,256
NONCURRENT LIABILITIES:		
Compensated absences—noncurrent	61,675	63,952
Total pension liability—SRP/RBP Plan—noncurrent	975,561	979,351
Net pension liability	694,735	1,528,701
Other postemployment benefit liability—noncurrent	3,462,928	2,848,586
Lease liabilities—noncurrent	172,607	184,465
Asset retirement obligation	8,583	8,583
Other	749	854
Total noncurrent liabilities	5,376,838	5,614,492
Total liabilities	6,700,295	6,870,748
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows—pension related	808,320	236,493
Deferred inflows—other postemployment benefit related	400,042	477,449
Deferred inflows—split interest	9,999	1,570
Deferred inflows—lease related	2,882	6,414
Total deferred inflows of resources	1,221,243	721,926
Total liabilities and deferred inflows	7,921,538	7,592,674
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET POSITION:		
Net investment in capital assets	2,588,435	2,615,980
Restricted:		
Nonexpendable	1,052,922	1,026,359
Expendable	944,375	1,148,489
Unrestricted	4,139,033	4,231,403
Total net position	8,724,765	9,022,231
TOTAL LIABILITIES AND NET POSITION	$16,646,303	$16,614,905

See notes to consolidated financial statements.

(Concluded)

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

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021 (In thousands)

	2022	2021
OPERATING REVENUES:		
Net patient service revenue	$ 4,849,725	$ 4,302,383
Net professional fees	446,607	409,757
Grants and contracts revenue	542,742	506,671
Net sales and services of educational activities	3,439	2,964
Auxiliary revenue	34,980	23,141
Other	119,897	149,859
Total operating revenues	5,997,390	5,394,775
OPERATING EXPENSES:		
Salaries and benefits	2,919,374	2,753,439
Pension expense—SRP/RBP Plan	70,310	69,347
Pension expense—TRS Plan	15,028	202,270
Other postemployment benefit expense	238,702	163,197
Medical supplies and drugs	1,419,184	1,199,406
Travel	7,585	1,419
Professional and contractual services	612,213	485,768
Utilities	69,339	63,745
Repairs and maintenance	111,762	120,952
Rentals and leases	22,564	23,162
Depreciation and amortization	372,316	400,518
Other	70,636	52,317
Total operating expenses	5,929,013	5,535,540
OPERATING INCOME (LOSS)	68,377	(140,765)
NONOPERATING REVENUES:		
State appropriations	222,277	119,994
Gift contributions for operations	137,077	114,614
Net investment income (loss)	(688,143)	1,952,755
Other—net	53,837	235,266
Total nonoperating revenues	(274,952)	2,422,629
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, ADDITIONS TO PERMANENT ENDOWMENTS, AND TRANSFERS	(206,575)	2,281,864
CAPITAL CONTRIBUTIONS	39	(8)
ADDITIONS TO PERMANENT ENDOWMENTS	19,306	13,440
TRANSFERS FROM UT SYSTEM	158,463	116,907
TRANSFERS TO UT SYSTEM	(268,699)	(187,606)
INCREASE (DECREASE) IN NET POSITION	(297,466)	2,224,597
NET POSITION—Beginning of year (as restated, Note 1)	9,022,231	6,797,634
NET POSITION—End of year	$ 8,724,765	$ 9,022,231

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021
(In thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Proceeds from third-party payors and patients	$ 5,211,923	$ 4,604,708
Proceeds from grants and contracts	550,906	491,960
Proceeds from auxiliary enterprise charges	34,971	22,965
Proceeds from other revenues and expenses	95,122	260,208
Payments to employees	(3,108,398)	(2,942,435)
Payments to suppliers	(2,339,593)	(2,063,552)
Net cash provided by operating activities	444,931	373,854
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from state appropriations	222,277	120,625
Operating gifts	132,792	117,063
Private gifts for endowment and annuity life purposes	19,306	13,440
Other nonoperating transfers from UT System	32,462	16,120
Other nonoperating transfers to UT System	(2,871)	(2,486)
Proceeds from other sources	55,976	237,895
Net cash provided by noncapital financing activities	459,942	502,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(321,443)	(253,680)
Nonmandatory capital-related transfers from UT System	19,292	43,859
Mandatory transfers to UT System for capital-related debt	(150,416)	(127,358)
Proceeds from sales of capital assets	8,519	6,409
Payments of principal on long-term obligations	(32,499)	(31,415)
Payments of interest on long-term obligations	(2,239)	(2,518)
Payments of capital grants and gifts	-	(8)
Net cash used in capital and related financing activities	(478,786)	(364,711)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(483,830)	(589,724)
Proceeds from sales and maturities of investments	69,392	47,106
Interest and dividends	532,308	430,257
Net cash provided by (used in) investing activities	117,870	(112,361)
INCREASE IN CASH AND CASH EQUIVALENTS	543,957	399,439
CASH AND CASH EQUIVALENTS—Beginning of year	1,098,241	698,802
CASH AND CASH EQUIVALENTS—End of year	$ 1,642,198	$ 1,098,241

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021
(In thousands)

	2022	2021
SUPPLEMENTAL DISCLOSURES—Noncash activity:		
Unrealized gain on investments	$ 1,149,172	$ 1,500,546
Additions to ROU assets	$ 20,942	$ 13,232
Capital asset acquisitions in accounts payable and accrued expenses	$ 18,277	$ 20,069
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 68,377	$ (140,765)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	372,316	400,518
Changes in assets and liabilities:		
Receivables—net	(74,208)	(114,836)
Lessor-related receivables and deferred inflows	52	(132)
Inventories and other assets	(56,122)	(107,318)
Accounts payable and accrued expenses	24,689	10,362
Due to UT System	(570)	(1,188)
Unearned revenue	(3,042)	10,961
Compensated absences	9,083	9,122
Asset retirement obligations	520	(7,530)
Pension-related obligations, deferred inflows, and deferred outflows	(96,023)	108,088
Other postemployment benefits-related obligations, deferred inflows, and deferred outflows	190,233	120,511
Other liabilities	9,626	86,061
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 444,931	$ 373,854

See notes to consolidated financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- M. D. Anderson Physicians Network (MDAPN), 7007 Bertner Avenue, Suite 10.3212, Houston, TX 77030, is governed by a four-member board appointed by the Center. MDAPN transfers programs representative of the Center's mission to the broad community. MDAPN is blended rather than discretely presented because it is organized as a not-for-profit corporation and the Center is the sole corporate member. MDAPN's fiscal year end is August 31.

- M. D. Anderson Services Corporation (MDASC), 7007 Bertner Avenue, Suite 10.3212, Houston, TX 77030, is governed by a seven-member board appointed by the president of the Center and the System Board of Regents. MDASC serves as an instrument of the Center in its efforts to achieve its mission beyond the Center's main campus. MDASC is blended rather than discretely presented because it is organized as a not-for-profit corporation and the Center is the sole corporate member. MDASC's fiscal year end is August 31.

Blended financial information is available upon request. Condensed financial statement information related to the Center's blended component units as of and for the year ended August 31, 2022, is as follows (in thousands):

Condensed Balance Sheet	**M. D. Anderson Physicians Network**	**M. D. Anderson Services Corporation**	**Total**
Current assets	$ 66,938	$ 80,212	$ 147,150
Noncurrent assets	204,078	804,419	1,008,497
Total assets	$271,016	$884,631	$ 1,155,647
Current liabilities	$ 10,219	$101,024	$ 111,243
Noncurrent liabilities	130	90,965	91,095
Total liabilities	$ 10,349	$191,989	$ 202,338
Investment in capital assets	$ 643	$ 20	$ 663
Restricted nonexpendable	-	50,000	50,000
Restricted expendable	-	603,196	603,196
Unrestricted	260,024	39,427	299,451
Total net position	$260,667	$692,643	$ 953,310
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	$ 54,080	$ 1,366	$ 55,446
Operating expenses	(23,663)	(747)	(24,410)
Operating income	30,417	619	31,036
Nonoperating (expenses)revenue	(16,778)	(51,911)	(68,689)
Income (loss)	13,639	(51,292)	(37,653)
Change in net position	13,639	(51,292)	(37,653)
Net position—August 31, 2021	247,028	743,935	990,963
Net position—August 31, 2022	$260,667	$692,643	$ 953,310
Condensed Statement of Cash Flows			
Net cash provided by (used in):			
Operating activities	$ 20,350	$ (2,042)	$ 18,308
Noncapital financing activities		(34,754)	(34,754)
Capital and related financing activities	(173)		(173)
Investing activities	(14,386)	37,759	23,373
Net increase in cash and cash equivalents	5,791	963	6,754
Cash and cash equivalents—August 31, 2021	56,659	78,664	135,323
Cash and cash equivalents—August 31, 2022	$ 62,450	$ 79,627	$ 142,077

Blended financial information is available upon request. Condensed financial statement information related to the Center's blended component units as of and for the year ended August 31, 2021, is as follows (in thousands):

Condensed Balance Sheet	**M. D. Anderson Physicians Network**	**M. D. Anderson Services Corporation**	**Total**
Current assets	$ 65,735	$ 79,866	$ 145,601
Noncurrent assets	205,949	889,851	1,095,800
Total assets	$271,684	$969,717	$1,241,401
Current liabilities	$ 24,464	$102,652	$ 127,116
Noncurrent liabilities	191	123,130	123,321
Total liabilities	$ 24,655	$225,782	$ 250,437
Investment in capital assets	$ 1,017	$ 10	$ 1,027
Restricted nonexpendable	-	50,000	50,000
Restricted expendable	-	655,372	655,372
Unrestricted	246,011	38,553	284,564
Total net position	$247,028	$743,935	$ 990,963
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	$ 58,229	$ 2,252	$ 60,481
Operating expenses	(26,385)	(1,522)	(27,907)
Operating income	31,844	730	32,574
Nonoperating revenues	21,203	217,045	238,248
Income	53,047	217,775	270,822
Change in net position	53,047	217,775	270,822
Net position—August 31, 2020	193,981	526,160	720,141
Net position—August 31, 2021	$247,028	$743,935	$ 990,963
Condensed Statement of Cash Flows			
Net cash provided by (used in):			
Operating activities	$ 32,557	$ 2,879	$ 35,436
Capital and related financing activities	(256)	(50,006)	(50,262)
Investing activities	(52,316)	29,231	(23,085)
Net decrease in cash and cash equivalents	(20,015)	(17,896)	(37,911)
Cash and cash equivalents—August 31, 2020	76,674	96,560	173,234
Cash and cash equivalents—August 31, 2021	$ 56,659	$ 78,664	$ 135,323

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

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

COVID-19—In January 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. On March 13, 2020, the Governor of the State of Texas declared a state of emergency. On March 19, 2020, the Governor signed Executive Orders to mitigate the spread of COVID-19 in Texas that closed all nonessential businesses and services statewide, canceled or postponed all nonessential gatherings of individuals, and emphasized social distancing practices in business and personal life. The orders resulted in work-from-home policies, travel restrictions, online education and closure of student residential buildings, and cancellation of events. In addition, the restrictions required rescheduling of elective or noncritical surgical and procedural cases along with nonurgent and routine provider appointments, as well as redeployment of resources to address the novel coronavirus needs. This resulted in reduced hospital and faculty practice patient care revenues and operating cash flows. To alleviate the economic impact, Congress passed several acts that provide economic grants to offset additional expenses and forgone revenue which were reported as Nonexchange Sponsored Programs. In mid-April 2020, consistent with the guidance from regulatory agencies, the Center resumed surgical and professional services that were postponed in March and early April 2020. The outbreak of COVID-19 caused domestic and global disruption in operations for institutions of higher education and health care organizations and negatively impacted the financial markets and the value of the Center's investments. Other adverse consequences of COVID-19 or any other similar outbreaks in the future may include, but are not limited to, decline in enrollment, decline in demand for housing, decline in demand for Center programs that involve travel or that have international connections, and declines in patient service revenues. The Center continues to carefully monitor developments and the directives of federal, state, and local officials to determine what additional precautions and procedures may need to be implemented by the Center. While the COVID-19 outbreak has adversely impacted the Center's fiscal year 2021 and 2022 results, the Center cannot at this time accurately predict the full extent to which the COVID-19 outbreak will affect the Center's future finances and operations. The Center received $36,798,000 and $122,106,000 in Provider Relief Funds (PRF) in fiscal year 2022 and 2021, respectively. The Center received $556,000 and $99,600,000 in CARES Act Coronavirus Relief Funds (CRF) via the Office of the Governor to be used for payroll costs for employees of the institutions that were responding directly to the COVID-19 pandemic in fiscal year 2022 and 2021, respectively. The CRF was not an increased allocation to the institution, but rather an offset to an equal reduction to our state appropriations. Both the PRF and CRF are classified as other nonoperating revenues.

OPEB Error Correction and GASB Statements Implemented in Fiscal Year 2022— Subsequent to the issuance of the August 31, 2021 consolidated financial statements, the System identified errors in the census data which impacted actuarial assumptions used to calculate the total other postemployment benefits (OPEB) liability as of September 1, 2020. The System determined that certain demographic information and assumptions related to assumed rates of participation by eligible terminated employees had been excluded from the determination of the OPEB liability. The Center has restated the September 1, 2020 OPEB liability and related accounts and footnotes for the year ended August 31, 2021. The impacts of the restatements are detailed in the table below. See Note 11 for additional information.

GASB Statement No. 87, *Leases*, effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases.

Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the consolidated financial statements for the earliest period presented, August 31, 2021, and for some disclosures September 1, 2020.

Other than the portion of this statement implemented in 2020, the remainder of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, is effective 2022. The requirements of this statement implemented in 2022 relate to the accounting and financial reporting for Section 457 plans. The Center's 457 plan meets the definition of a pension plan. As a result of this implementation, net position previously reported as of August 31, 2021 was reduced by $248,586,000.

The effect of the correction of the OPEB error and the implementation of GASB Statements No. 87 and 97 on the Center's financial statements for the year ended August 31, 2021 was as follows: (in thousands)

	Consolidated Statement of Net Position as of August 31, 2021				
	As Reported in Fiscal Year 2021	**Correction of OPEB Errors**	**GASB Statement No. 87 Restatement**	**GASB Statement No. 97 Restatement**	**Restated Fiscal Year 2021**
Assets and Deferred Outflows					
Total current assets	$ 2,106,874	$ -	$ 1,639	$ 47,006	$ 2,155,519
Total noncurrent assets	13,126,525	-	216,540	(47,006)	13,296,059
Total assets	15,233,399	-	218,179	-	15,451,578
Total deferred outflows of resources	1,126,230	(73,346)	-	110,443	1,163,327
Total assets and deferred outflows	$ 16,359,629	$ (73,346)	$ 218,179	$ 110,443	$ 16,614,905
Liabilities and Deferred Inflows					
Total current liabilities	$ 1,184,635	$ (6,325)	$ 30,940	$ 47,006	$ 1,256,256
Total noncurrent liabilities	5,691,614	(573,610)	184,465	312,023	5,614,492
Total liabilities	6,876,249	(579,935)	215,405	359,029	6,870,748
Total deferred inflows of resources	715,512	-	6,414	-	721,926
Total liabilities and deferred inflows	$ 7,591,761	$ (579,935)	$ 221,819	$ 359,029	$ 7,592,674
Net Position					
Net investment in capital assets	$ 2,619,752	$ -	$ (3,772)	$ -	$ 2,615,980
Restricted:					
Nonexpendable	1,026,359	-	-	-	1,026,359
Expendable	1,148,489	-	-	-	1,148,489
Unrestricted	3,973,268	506,589	132	(248,586)	4,231,403
Total net position	$ 8,767,868	$ 506,589	$ (3,640)	$ (248,586)	$ 9,022,231

	Consolidated Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended August 31, 2021				
	As Reported in Fiscal Year 2021	**Correction of OPEB Errors**	**GASB Statement No. 87 Restatement**	**GASB Statement No. 97 Restatement**	**Restated Fiscal Year 2021**
Total operating revenues	$ 5,394,691	$ -	$ 84	$ -	$ 5,394,775
Total operating expenses	5,544,092	(45,658)	1,262	35,844	5,535,540
Operating loss	(149,401)	45,658	(1,178)	(35,844)	(140,765)
Net nonoperating revenues (expenses)	2,308,960	-	(2,462)	116,131	2,422,629
Income/(loss) before other revenue, expenses, gains/(losses), and transfers	2,159,559	45,658	(3,640)	80,287	2,281,864
Other	(57,267)	-	-	-	(57,267)
Change in net position	2,102,292	45,658	(3,640)	80,287	2,224,597
Beginning net position	6,665,576	460,931	-	(328,873)	6,797,634
Ending net position	$ 8,767,868	$ 506,589	$ (3,640)	$ (248,586)	$ 9,022,231

	Consolidated Statement of Cash Flows For the Year Ended August 31, 2021				
	As Reported in Fiscal Year 2021	Correction of OPEB Errors	GASB Statement No. 87 Restatement	GASB Statement No. 97 Restatement	Restated Fiscal Year 2021
Net cash provided (used) by operating activities	$ 354,283	$ -	$ 33,885	$ (14,314)	$ 373,854
Net cash provided (used) by non-capital financing activities	502,657	-	-	-	502,657
Net cash provided (used) by capital and related financing activities	(330,778)	-	(33,933)	-	(364,711)
Net cash provided by (used) by investing activities	(126,723)	-	48	14,314	(112,361)
Net increase (decrease) in cash and cash equivalents for the year	399,439	-	-	-	399,439
Cash and cash equivalents at the beginning of year	698,802	-	-	-	698,802
Cash and cash equivalents at the end of year	$ 1,098,241	$ -	$ -	$ -	$ 1,098,241
Supplement disclosures—noncash activity:					
Unrealized gain on investments	$ 1,419,991	$ -	$ -	$ 80,555	$ 1,500,546
Additions to ROU assets	$ -	$ -	$ 13,232	$ -	$ 13,232
Capital asset acquisitions in accounts payable and accrued expenses	$ 20,069	$ -	$ -	$ -	$ 20,069
Reconciliation of net operating (loss) to net cash provided by operating activities:					
Operating loss	$ (149,401)	$ 45,658	$ (1,178)	$ (35,844)	$ (140,765)
Adjustments to reconcile operating results to net cash:					
Total adjustments	503,684	(45,658)	35,063	21,530	514,619
Net cash provided (used) by operating activities	$ 354,283	$ -	$ 33,885	$ (14,314)	$ 373,854

Other than the portions of this statement implemented in 2021, the remainder of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, is effective beginning 2022 or later depending on when London Inter-Bank Offered Rate (LIBOR) is no longer available. This statement preserves consistency and comparability of reporting hedging derivative instruments and leases after agreements are amended to replace LIBOR. The application of this portion of the statement had no effect on the Center's net position or changes in net position.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, effective 2022, establishes the term annual comprehensive financial report and its acronym ACFR. The implementation of Statement 98 has no effect on the Center.

For GASB Statement No. 99, *Omnibus 2022*, the following portions of the statement are effective 2022: the requirements related to extension of the use of LIBOR, accounting for the Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The application of this portion of the statement had no effect on the Center's net position or changes in net position.

GASB Statements Implemented in Fiscal Year 2021—The requirements of GASB Statement No. 92, *Omnibus 2020*, are effective in 2021. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The application of the statement had no effect on the Center's net position or changes in net position.

The requirements of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, except for paragraphs 11b, 13, and 14 are effective in 2021. This statement preserves consistency and comparability of reporting hedging derivative instruments and leases after agreements are amended to replace the LIBOR. The application of this portion of the statement had no effect on the Center's net position or changes in net position.

Cash and Cash Equivalents—Short-term, highly liquid investments with maturities of three months or less when purchased are generally considered cash and cash equivalents. The Center's policy is to exclude items that meet this definition if they are part of an investment pool that has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the intermediate-term fund (ITF) and the long-term fund (LTF) are not considered cash and cash equivalents. Cash held in the state treasury for the Permanent University Fund and the Permanent Health Fund (PHF) are considered cash and cash equivalents. Other highly liquid investments of these major funds invested with custodians are not considered cash and cash equivalents according to the investment policies of the Center and UT System.

Lease Receivables—The receivables are recorded by the Center at the present value of lease payments expected to be received under all leases other than short term leases, regulated leases, or leases of assets that are classified as investments. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected.

Restricted Assets—Restricted assets include funds restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond proceeds receivable, trust funds, and constitutional restrictions.

Net Position—The Center has classified resources into the following three net position categories:

Net Investment in Capital Assets—Capital assets, net of accumulated depreciation and outstanding principal balances of debt and other long-term obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted:

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

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

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

Donor-Restricted Gifts—Unconditional promises to give cash and other assets are reported at fair value when eligibility requirements are met. The gifts are reported as

restricted net position if they are received with donor stipulations that limit the use of the donated assets.

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

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

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

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

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

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

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

All real estate holdings by endowments are recorded at fair value. As of August 31, 2022, and 2021, the Center had real estate holdings approximating $1,768,000 and $1,245,000, respectively.

Capital Assets and Intangible Assets—Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The Center

follows the State's capitalization policy with a cost equal to or greater than $5,000 for equipment items, $100,000 for buildings, building improvements and improvements other than buildings, and $500,000 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. The thresholds for software are $100,000 for purchased software and $1,000,000 for internally developed software including Enterprise Resource Planning replacements. The Center capitalizes but does not depreciate works of art and historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved.

Right-of-Use (ROU) intangible assets are recognized at the lease commencement date and represent the Center's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor at or before commencement and initial direct costs.

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

Deferred Outflows and Deferred Inflows—Deferred outflows and deferred inflows consisting of changes in pension or Other Post-Employment Benefits (OPEB) liabilities not included in pension or OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions or OPEB. Certain employer contributions, benefit payments, administrative expenses or premiums subsequent to the measurement date of the pension and OPEB liabilities, asset retirement obligation (ARO) and acquisition-related deferred outflows are also required to be reported as deferred outflows of resources. For irrevocable split-interest agreements in which the Center has an unconditional beneficial interest, the fair value of the gift beneficial interest is deferred and reported as deferred inflows until the resources become applicable to the reporting period. Future period revenues from leases where the Center is the lessor are recorded as deferred inflows and amortized using the straight-line method over the lease term.

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

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

presented as Restricted Investments—SRP/RBP Plan. The total pension liability and related deferred outflows of resources and deferred inflows of resources are measured and reported in accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

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

Lease Liability—Lease liabilities, included as part of notes, loans, and leases payable on the statement of net position, represent the Center's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

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

Excess Consideration Paid—The Center entered into an asset purchase agreement for all the assets, including nonexcluded working capital accounts, with PTC-Houston Management, LP. The related excess consideration paid is the difference between the consideration provided for the purchase of the assets and the market value of the assets and is reported as a deferred outflow and amortizing through November 2059.

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

State Appropriations—The appropriation of tax revenues by the Texas Legislature ("Legislature") is in the form of general revenue. The Legislature meets every odd-numbered year and approves a two-year budget (biennial) for all state agencies. The general revenue appropriation to the Center supports the instruction, research, and patient care mission of the Center. Approximately, 95% of the Center's state appropriation is calculated based on formulas using space, research expenditures, student headcount, and the number of new cancer cases in Texas. The balance of the state appropriation supports patient care activities and unsponsored charity care to Texas residents. There is no

assurance that the Legislature will continue its state appropriations to the Center in future years; however, the Center expects that the Legislature will continue to do so.

Uncompensated Care and Charity Care—The Center provides uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured, as well as the unreimbursed costs from government-sponsored health programs. Generally, to calculate uncompensated care, charges are converted to costs and providers recognize appropriate patient-specific funding and lump-sum funding available to offset costs. Hospital charges are converted to cost by the application of the Medicare cost-to-charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy cost-to-charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor's Office. Uncompensated care costs amounted to $309,581,000 and $314,074,000 for the years ended August 31, 2022 and 2021, respectively.

GASB requires health-related institutions to report the cost of providing charity care. The American Institute of Certified Public Accountants defines charity care as care for which hospitals never expected to be reimbursed. Charity care occurs when a patient applies to the hospital for financial assistance, and the hospital waives all or part of its charges, consistent with its internal charity care policy. The cost of charity care is calculated using the uncompensated care calculation methodology discussed above. Charity care costs amounted to $44,051,000 and $50,276,000 for the years ended August 31, 2022 and 2021, respectively.

Use of Estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

2. NET PATIENT SERVICE REVENUE AND NET PROFESSIONAL FEES

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

Medicare—Inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facility's current-year cost to the facility-specific cost per discharge. Certain outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services. However, since the Center is designated as a cancer hospital, the Medicare program provides for a "hold harmless" payment that is equal to the difference between the prospectively determined amounts and the current-year adjusted cost (i.e., the current-year adjusted cost is

determined through application of a payment-to-cost ratio, which is derived from a previous Medicare cost report, to the current-year actual cost). The Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the Medicare fiscal intermediary. The Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through August 31, 2019.

Medicaid—Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the Medicaid fiscal intermediary. The Center's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through August 31, 2019.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by $64,709,000 and $45,032,000 in 2022 and 2021, respectively, due to changes in estimates resulting from the addition of allowances or removal of allowances previously estimated that are no longer necessary as a result of final settlements; years that are no longer subject to audits, reviews, or investigations; revision of allowance estimates recorded in prior years relating to expected retroactive adjustments; and revisions based on updated information from the fiscal intermediary.

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

The Center recognized contractual and bad debt expense of $6,672,568,000 and $5,925,781,000 in 2022 and 2021, respectively, which is included as a deduction to derive net patient service revenue and net professional fees in the consolidated statements of revenues, expenses, and changes in net position.

3. DEPOSITS AND INVESTMENTS

Deposits of Cash in Bank—The carrying amount of deposits was $5,361,000 and $20,690,000 as of August 31, 2022 and 2021, respectively, as presented below (in thousands):

	2022	**2021**
Cash and cash equivalents	$1,642,198	$1,098,241
Less:		
Cash in state treasury	4,430	2,315
Cash equivalent investments in money market funds (STF)	1,632,254	1,075,119
Other	153	117
Total	$ 5,361	$ 20,690

In addition, the Center has also invested in UTIMCO's short-term fund (STF); these funds are invested in money market funds. At August 31, 2022 and 2021, the Center had $1,632,254,000 and $1,075,119,000, respectively, invested in the STF; these amounts are included in cash and cash equivalents.

Deposit Risks:

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

As of August 31, 2022, and 2021, there were no bank balances exposed to custodial risk as uninsured and uncollateralized deposits.

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

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

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

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

Level 3—Unobservable inputs

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

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

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

		Fair Value Hierarchy	
	2022	Level 1	NAV
Exchange traded and equity mutual funds (domestic and international)	$ 316,540	$ 316,540	$ -
Fixed-income money market and bond mutual funds	199,201	199,201	-
Real estate & mineral interests	39,713	-	39,713
Private investments	29,717	-	29,717
Hedge funds	256	-	256
Total	$ 585,427	$ 515,741	$ 69,686

		Fair Value Hierarchy	
	2021	Level 1	NAV
Exchange traded and equity mutual funds (domestic and international)	$ 453,576	$ 453,576	$ -
Fixed-income money market and bond mutual funds	161,650	161,650	-
Real estate & mineral interests	30,006	-	30,006
Private investments	21,862	-	21,862
Hedge funds	234	-	234
Total	$ 667,328	$ 615,226	$ 52,102

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

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

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

Other Investments Held by UT System—The Center also has other investments held by UT System for the purpose of endowment, annuity, and life income funds. These separately invested assets totaled $8,405,000 and $4,669,000 at August 31, 2022 and 2021, respectively. These holdings are primarily invested in publicly listed money market funds categorized as Level 1 in the fair value hierarchy.

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

- As of August 31, 2022, and 2021, investments held by UTIMCO in its ITF on behalf of the Center were $3,477,192,000 and $3,864,623,000, respectively. The ITF includes investments in fixed-income and equity securities in both domestic and international markets. In addition to traditional exchange-traded equity and fixed-income securities, the portfolio includes marketable alternative investments, hedge funds, and various other specialized public market investments. The Center's investments in the ITF are redeemable monthly. Redemption requests from the ITF should be initiated on or before the last business day of the month. ITF transactions will be effective on the first business day of the following month; however, proceeds from ITF redemptions may take up to five business days depending upon the liquidity available in the ITF. For ITF transactions greater than $25 million, at least three business days' notice is required.

- The Center holds investments in UTIMCO's LTF and PHF, which are invested in a combination of government and nongovernment securities, which include various fixed-income, and equity-type securities as well as alternative investments, such as hedge funds, private equity funds, and specialized public market investments. The Center's T. Boone Pickens Fund is invested primarily in LTF (see Note 17—T. Boone The Pickens Contribution). The Center's total investments in the LTF and PHF as of August 31, 2022 and 2021, were $5,526,957,000 and $5,856,393,000, respectively. The LTF investments are redeemable quarterly. If the withdrawal is greater than $25 million, advance notice of 60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $25 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 5% of the LTF's NAV, the UT System Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all LTF unit holders. The PHF investments are nonredeemable by the Center.

- As of August 31, 2022, equity investments in public technology companies (Tech Stocks) of $10,724,000 are categorized as Level 1 and $5,557,000 are categorized as Level 3. As of August 31, 2021, Tech Stocks of $25,418,000 are categorized as Level 1 and $5,410,000 are categorized as Level 3.

The audited consolidated financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO via www.utimco.org.

Investment Risks:

Credit Risk—Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a NRSRO. The Center's investment policy limits investments in US domestic bonds and non-dollar-denominated bond investments to those that are rated investment grade Baa3 or better by Moody's Investor Services, BBB or better by Standard & Poor's Corporation, or an equivalent rating by a NRSRO at the time of acquisition. This requirement does not apply to investment managers that are authorized by the terms of an investment advisory agreement to invest in below investment-grade bonds. The Center's credit quality

distribution for investments with credit risk exposure as of August 31, 2022 and 2021, is as follows: (in thousands)

	2022					
	Moody's		Standard and Poor's		FITCH	
Investment Type	**Fair Value**	**Rating**	**Fair Value**	**Rating**	**Fair Value**	**Rating**
Fixed-income money market and bond mutual fund	$ 3,604	AAA	$ 3,604	AAA	$ -	AAA
	195,598	Unrated	195,598	Unrated	199,202	Unrated
	$199,202		$199,202		$199,202	

	2021					
	Moody's		Standard and Poor's		FITCH	
Investment Type	**Fair Value**	**Rating**	**Fair Value**	**Rating**	**Fair Value**	**Rating**
Fixed-income money market and bond mutual fund	$ 20,832	AAA	$ 20,832	AAA	$ 20,832	AAA
	140,826	Unrated	140,826	Unrated	140,826	Unrated
	$161,658		$161,658		$161,658	

Custodial Credit Risk—The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Center will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the Center's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2022, and 2021, the Center does not have any investments that are exposed to custodial credit risk.

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

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

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

4. UNCONDITIONAL PROMISES TO GIVE

Contributions and gifts received from donors resulting from nonexchange transactions are recorded as revenues when all the eligibility requirements are met. Restricted contributions

are recorded as restricted net position if they are received with donor stipulations that limit the use or the timing of the donated asset.

Unconditional promises to give are recorded when the gift intent is made known in writing. A receivable is established, and net position is increased by the time-discounted value of the promises. At August 31, 2022 and 2021, discount rates used ranged from .07% to 1.90% and 0.11% to 1.35%, respectively. Irrevocable trusts are recorded at the point of notification and are recorded as restricted expendable or restricted nonexpendable as determined by the trust instruments.

The Center estimates the year of receipt to the extent possible for unconditional promises. The anticipated present value of the contribution receivable as of August 31, 2022 and 2021, is as follows (in thousands):

	2022	**2021**
Due in one year	$ 5,641	$ 6,827
Due in two to five years	9,632	4,448
Due thereafter	369	644
Gross contributions receivable	15,642	11,919
Less present value discount of gross contributions	(700)	(813)
Less allowance for uncollectible contributions	(779)	(1,227)
Net contributions receivable	$14,163	$ 9,879

As of August 31, 2022, and 2021, the Center had received conditional promises to give and indications of intentions to give of approximately $73,096,000 and $56,449,000, respectively, in addition to the amounts recorded as contributions receivable. These amounts are not reflected in the accompanying consolidated financial statements.

5. ENDOWMENTS

The net position classifications in the consolidated balance sheets related to quasi-endowment funds as of August 31, 2022 and 2021, are as follows (in thousands):

Quasi-Endowments	**2022**	**2021**
Restricted—nonexpendable	$1,052,922	$1,026,359
Restricted—expendable:		
Net appreciation	530,378	707,282
Income	93,073	103,410
Funds functioning as endowments—unrestricted	52,741	57,773
Total	$1,729,114	$1,894,824

In the table above, amounts reported as "Net appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the UT System Board of Regents. For donor-restricted

endowments, pursuant to the Uniform Management of Institutional Funds Act, as adopted by the State of Texas, the UT System Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. UT System's policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The Center's endowment distribution policy is further discussed below.

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

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

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

The general endowment fund (GEF), created on March 1, 2001, is a pooled fund established for the collective investment of LTFs under the control and management of the UT System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. As provided in the LTF investment policy, distributions from the LTF are determined in the same manner as the PHF described above.

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

(iii) the funds are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

Annuity and Life Income Funds—The annuity funds consist of funds donated to an institution on the condition that the institution pays a stipulated amount of the funds to the donor or designated individual for a specified time or until the time of death of the annuitant. The life income funds consist of funds contributed to an institution subject to the requirement that the institution periodically pays the income earned on the assets, less management expenses, to designated beneficiaries. At August 31, 2022 and 2021, accounts payable to beneficiaries approximated $9,999,000 and $2,257,000, respectively.

6. CAPITAL ASSETS

The Center's capital assets including capital intangible assets, as of August 31, 2022, are as follows (in thousands):

	Balance 9/1/2021	Adjustments	Reclassifications Completed CIP
Nondepreciable assets:			
Land and land improvements	$ 243,835	$ -	$ -
Construction in Progress (CIP)	185,471	-	(34,659)
Nondepreciable collections	2,158	-	-
Nonamortizable intangible assets	2,061	-	-
Total nondepreciable/nonamortizable assets	433,525	-	(34,659)
Depreciable assets:			
Buildings and building improvements	4,399,939	-	19,886
Infrastructure	62,186	-	-
Facilities and other improvements	15,853	-	357
Furniture and equipment	1,431,531	-	-
Vehicles, boats and aircraft	8,072	-	-
Other depreciable assets (including library books)	101,488	-	4,107
Total depreciable assets at historical cost	6,019,069	-	24,350
Less accumulated depreciation for:			
Buildings and building improvements	(2,772,168)	-	-
Infrastructure	(34,732)	-	-
Facilities and other improvements	(11,904)	-	-
Furniture and equipment	(1,033,908)	-	-
Vehicles, boats and aircraft	(6,695)	-	-
Other depreciable assets (including library books)	(36,402)	-	-
Total accumulated depreciation	(3,895,809)	-	-
Depreciable assets, net	2,123,260	-	24,350
Amortizable intangible assets:			
Computer software	450,062	-	10,309
Right-of-use building	198,876	-	-
Right-of-use equipment	47,460	-	-
Total amortizable intangible assets	696,398	-	10,309
Less accumulated amortization for:			
Computer software	(387,094)	-	-
Right-of-use building	(15,967)	-	-
Right-of-use equipment	(18,737)	-	-
Total accumulated amortization	(421,798)	-	-
Intangible capital assets, net	274,600	-	10,309
Capital assets, net	$ 2,831,385	$ -	$ -

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 8/31/2022
$ -	$ -	$ 20,720	$ -	$ 264,555
-	-	131,312	-	282,124
-	-	-	-	2,158
-	-	-	-	2,061
-	-	152,032	-	550,898
-	-	44,342	-	4,464,167
-	-	-	-	62,186
-	-	-	-	16,210
-	(446)	122,080	(71,490)	1,481,675
-	-	915	(495)	8,492
-	-	-	-	105,595
-	(446)	167,337	(71,985)	6,138,325
-	-	(156,347)	-	(2,928,515)
-	-	(2,537)	-	(37,269)
-	-	(394)	-	(12,298)
-	437	(130,846)	64,025	(1,100,292)
-	-	(713)	495	(6,913)
-	-	(7,491)	-	(43,893)
-	437	(298,328)	64,520	(4,129,180)
-	(9)	(130,991)	(7,465)	2,009,145
-	-	-	(4,629)	455,742
-	-	6,369	-	205,245
-	-	14,573	(16,089)	45,944
-	-	20,942	(20,718)	706,931
-	-	(38,667)	4,629	(421,132)
-	-	(17,179)	-	(33,146)
-	-	(17,774)	12,570	(23,941)
-	-	(73,620)	17,199	(478,219)
-	-	(52,678)	(3,519)	228,712
$ -	$ (9)	$ (31,637)	$ (10,984)	$ 2,788,755

A summary of changes in the Center's capital assets as of August 31, 2021, is presented below and includes adjustments made for GASB Statement No. 87. See Note 10 for further details on the restatements (in thousands):

	Balance 9/1/2020	Adjustments	Reclassifications Completed CIP
Nondepreciable assets:			
Land and land improvements	$ 223,703	$ -	$ -
Construction in Progress (CIP)	107,365	-	(49,112)
Nondepreciable collections	2,158	-	-
Nonamortizable intangible assets	-	-	-
Total nondepreciable/nonamortizable assets	333,226	-	(49,112)
Depreciable assets:			
Buildings and building improvements	4,359,292	-	40,647
Infrastructure	62,186	-	-
Facilities and other improvements	15,202	-	651
Furniture and equipment	1,397,269	-	-
Vehicles, boats and aircraft	8,350	-	-
Other depreciable assets (including library books)	100,454	-	1,034
Total depreciable assets at historical cost	5,942,753	-	42,332
Less accumulated depreciation for:			
Buildings and building improvements	(2,593,915)	-	-
Infrastructure	(32,195)	-	-
Facilities and other improvements	(11,517)	-	-
Furniture and equipment	(961,702)	-	-
Vehicles, boats and aircraft	(6,645)	-	-
Other depreciable assets (including library books)	(28,858)	-	-
Total accumulated depreciation	(3,634,832)	-	-
Depreciable assets, net	2,307,921	-	42,332
Amortizable intangible assets:			
Computer software	500,895	-	6,780
Right-of-use building	195,887	-	-
Right-of-use equipment	38,461	-	-
Total amortizable intangible assets	735,243	-	6,780
Less accumulated amortization for:			
Computer software	(409,392)	-	-
Right-of-use building	-	-	-
Right-of-use equipment	-	-	-
Right-of-use infrastructure	-	-	-
Total accumulated amortization	(409,392)	-	-
Intangible capital assets, net	325,851	-	6,780
Capital assets, net	$ 2,966,998	$ -	$ -

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 8/31/2021
$ -	$ -	$ 21,174	$ (1,042)	$ 243,835
-	-	127,218	-	185,471
-	-	-	-	2,158
-	-	2,061	-	2,061
-	-	150,453	(1,042)	433,525
-	-	-	-	4,399,939
-	-	-	-	62,186
-	-	-		15,853
9	-	99,129	(64,876)	1,431,531
-	-	440	(718)	8,072
-	-	-	-	101,488
9	-	99,569	(65,594)	6,019,069
-	-	(178,253)	-	(2,772,168)
-	-	(2,537)	-	(34,732)
-	-	(387)	-	(11,904)
(9)	-	(135,743)	63,546	(1,033,908)
-	-	(177)	127	(6,695)
-	-	(7,544)	-	(36,402)
(9)	-	(324,641)	63,673	(3,895,809)
-	-	(225,072)	(1,921)	2,123,260
-	-	5,000	(62,613)	450,062
-	-	3,835	(846)	198,876
-	-	9,397	(398)	47,460
-	-	18,232	(63,857)	696,398
-	-	(40,315)	62,613	(387,094)
-	-	(16,213)	246	(15,967)
-	-	(18,982)	245	(18,737)
-	-	(75,510)	63,104	(421,798)
-	-	(57,278)	(753)	274,600
$ -	$ -	$ (131,897)	$ (3,716)	$ 2,831,385

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

The Asset Retirement Obligation for the year ended August 31, 2022, is presented below:

Asset Retirement Obligation	**Amount**	**Life**
Broadscope and Irradiator	$ 4,328	0 months
Cyclotron	949	0 months
Gamma Knife	2,016	0 months
Proton Therapy	1,290	0 months
Total	$ 8,583	

The Asset Retirement Obligation for the year ended August 31, 2021, is presented below:

Asset Retirement Obligation	**Amount**	**Life**
Broadscope and Irradiator	$ 4,328	12 months
Cyclotron	949	0 months
Gamma Knife	2,016	0 months
Proton Therapy	1,290	0 months
Total	$ 8,583	

7. RISK FINANCING AND RELATED INSURANCE

UT System has eight funded self-insurance/high retention plans providing coverage in the following areas: employee health and dental; unemployment compensation; workers' compensation; professional medical liability; property protection; directors and officers/employment practices and cyber liability; construction contractor insurance; and automobile, property, and liability. The Center is covered under these individual insurance plans; the related liability is recorded at UT System level. The Center disperses funds to UT System for payment of their pro rata share of costs related to these insurance programs.

Employee Health and Dental Insurance—The UT System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment, long-term disability, short-term disability, and flexible spending account coverage to all benefits-eligible employees and retirees of the UT System and its 13 institutions. These insurance benefits are provided through both self-funded and fully insured arrangements. A portion of UT System's cost of providing group health and basic life insurance coverage is paid by the state as specified in the General Appropriations Act. The UT System's OEB is responsible for the overall administration of the insurance plans. OEB was established by Chapter 1601 of the Texas Insurance Code and complies with state laws and statues pertinent to employee benefits for the UT System.

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

Workers' Compensation Insurance—The University of Texas Center Workers' Compensation Insurance program provides coverage to all employees of the UT System and its 13 institutions. Under the oversight of the UT System's Office of Risk Management, the UT System self-insures and administers the program through the use of a third-party administrator. The coverage provides income and medical benefits to all employees who have sustained compensable job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the Texas Labor Code.

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

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

Comprehensive Property Protection Program—The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) and Named Windstorm and Flood (Wind and Flood) coverage. All coverage is subject to the terms, exclusions, limits, and conditions of the insurance policies. The Fire and AOP program provides a $1.3 billion per occurrence limit for most perils, with sublimits that do apply. The System participates in a seven percent (7%) quota share of the $75 million layer excess of the $25 million layer of commercial insurance coverage. Deductibles for Fire and AOP increased in April 2021 to $10 million per occurrence with a $20 million annual aggregate limit; institutions have a $500,000 per occurrence deductible. The commercial insurance coverage for Named Windstorm and resulting perils provides a $250 million per occurrence limit with the System participating in a seven percent (7%) quota share of the $75 million layer excess of the $25 million layer. The Center purchases a dedicated $100 million policy excess of the $250 million per occurrence Named Windstorm CPPP limit. Deductibles for Wind and Flood are $100 million per occurrence for the Center (locations in Texas Medical Center only), 5% of affected values in other Tier 1 counties subject to a $10 million minimum, and AOP deductibles for all other locations. Tier 1 counties include counties along the Texas coast plus parts of Harris County.

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

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

Coverage applies to individual board members, employees, faculty, and other covered individuals, as well as to each of the institutions and UT System Administration. The limit of liability is a $15 million annual aggregate (Coverages A, B, and C combined), with an additional $5 million self-insured annual aggregate excess limit for Coverages A and B. Self-insured retentions for the Plan are subject to a $5 million annual aggregate. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a UT institution that is required to indemnify a covered individual with deductibles of $100,000 per individual and $300,000 per occurrence. Coverage C applies to a UT institution with a $300,000 deductible. In the event a loss involves any or all of Coverages A, B, and C, then only the single largest deductible amount will apply.

The Cyber Liability Program—The Cyber Liability Program provides coverage for claims arising from the following causes of loss: media liability, network security liability, privacy liability, regulatory liability, loss of digital assets, network asset protection, and Payment Card Industry Data Security Standard (PCI-DSS). Each claim is subject to a $5 million self-insured retention; institutions have a $500,000 per occurrence deductible. In the $20 million excess of $5 million layer, there is a $10 million institution quota share and a $5 million self-insured quota share.

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

Automobile, Property & Liability Plan—The Automobile, Property & Liability Plan provides automobile liability and physical damage coverage for owned, leased, hired, and non-owned (excess liability only) vehicles, along with general liability coverage for certain scheduled exposures. All auto liability and general liability coverages are subject to a self-insured retention of $100,000 with a corridor endorsement for an additional layer of up to $100,000 per occurrence with an aggregate limit of $200,000 applicable to losses over $100,000, subject to a $970,000 annual aggregate stop loss for the fiscal year 2022 policy term. Physical Damage claims are subject to $25,000 deductible per occurrence. Institution deductibles are $2,500 per occurrence for liability, $1,000 per vehicle for physical damage, and $5,000 per vehicle for vehicles valued over $100,000.

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

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

8. DEBT SERVICES AND LONG-TERM LIABILITIES

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

At August 31, 2022 and 2021, UT System had outstanding Revenue Financing Centers commercial paper notes payable of $956,450,000 and $796,053,000, respectively. No amount of indebtedness related to these commercial paper notes has been recorded in the Center's consolidated financial statements, as the UT System is the party directly liable for these commercial paper notes. At August 31, 2022 and 2021, however, the Center's remaining unpaid share of short-term internal loans was $143,543,000 and $170,949,000, respectively.

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

At August 31, 2022 and 2021, UT System had outstanding bonds payable of $6,544,540,000 and $6,702,085,000, respectively. All bonds issued by UT System are defined as revenue bonds. As such, the revenues of all UT System consolidated entities and blended component units, including the Center, are pledged for repayment of the bonds.

No amount of indebtedness related to these bonds has been recorded in the Center's consolidated financial statements, as the UT System is the party directly liable for these bonds. At August 31, 2022 and 2021, however, the Center's remaining unpaid share of long-term internal loans was $723,734,000 and $771,369,000, respectively. Such amount is expected to be transferred to UT System as of August 31 as follows (in thousands):

Years Ending August 31	Principal	Interest	Total
2023	$ 46,295	$ 29,380	$ 75,675
2024	48,638	27,232	75,870
2025	49,539	25,064	74,603
2026	50,898	22,841	73,739
2027	44,033	20,609	64,642
2028–2032	171,810	80,091	251,901
2033–2037	134,837	48,371	183,208
2038–2042	123,771	23,083	146,854
2043–2047	35,975	7,016	42,991
2048–2052	17,938	825	18,763
Total	$723,734	$284,512	$1,008,246

Interest rates on the Center's remaining unpaid pro rata share of bond proceeds range from 1.50% to 5.375%. At August 31, 2022 and 2021, the Center incurred $32,375,000 and $34,771,000, respectively, of interest expense on long-term and short-term internal loans held by UT System.

Long-term liability activity for the year ended August 31, 2022, is summarized as follows (in thousands):

	Balance 9/1/2021	Additions	Reductions	Balance 8/31/2022	Amounts due within One Year
Lease liability	$ 215,405	$ 20,941	$ 36,026	$ 200,320	$ 27,713
Compensated absences	243,981	234,400	225,316	253,065	191,390
Asset retirement obligation	8,583	-	-	8,583	-
Total long-term liabilities	$ 467,969	$ 255,341	$ 261,342	$ 461,968	$ 219,103

Long-term liability activity for the year ended August 31, 2021, as restated for GASB Statement No. 87 is summarized as follows (in thousands):

	Balance 9/1/2020	Additions	Reductions	Balance 8/31/2021	Amounts due within One Year
Lease liability	$ 234,348	$ 13,232	$ 32,175	$ 215,405	$ 30,940
Compensated absences	234,859	188,587	179,465	243,981	180,029
Asset retirement obligation	16,632	-	8,049	8,583	-
Total long-term liabilities	$ 485,839	$ 201,819	$ 219,689	$ 467,969	$ 210,969

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

9. COMMITMENTS AND CONTINGENCIES

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

Commitments for Construction—At August 31, 2022 and 2021, the remaining commitment on construction contracts for expansion and remodeling of the Center's facilities is approximately $179,676,000 and $144,739,000, respectively.

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

10. LEASES

Leases Where the Center is the Lessee—The Center entered into various leases for buildings and equipment. Of these leases, some agreements call for payments that are partially or completely variable and therefore were not included in ROU assets or lease liabilities. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The Center recognized a total of $1,621,000 and $771,000 as expenses from these variable payments for the years ended August 31, 2022 and 2021, respectively.

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

Years Ending August 31

Fiscal Year	Principal	Interest	Total
2023	$ 27,713	$ 2,112	$ 29,825
2024	21,305	1,902	23,207
2025	16,791	1,715	18,506
2026	15,860	1,544	17,404
2027	16,189	1,370	17,559
2028–2032	52,569	4,659	57,228
2033–2037	35,178	2,161	37,339
2038–2042	14,715	173	14,888
Total requirements	$200,320	$15,636	$ 215,956

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

Leases Where the Center is the Lessor—The leasing arrangements where the Center is the lessor include distinct lessees as occupants in building leases. For the years ended August 31, 2022 and 2021, the Center earned a total of $1,420,972 and $1,735,000 in lease revenue and $33,888 and $47,850 in lease interest revenue, respectively, from arrangements meeting the definition of a lease.

11. EMPLOYEES' RETIREMENT PLANS

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

All Center personnel employed in a position on a half-time or greater basis for at least 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced

retirement benefits at age 65 or provided they have a combination of age plus years of service, which equals 80 or more. However, members who began TRS participation on or after September 1, 2007, must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014, must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

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

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees were 8.0 percent of gross earnings for 2022, and 7.7% of gross earnings for 2021 and 2020. Depending upon the source of funding for the employee's compensation, the State or the Center contributes a percentage of participant salaries totaling 7.75% of annual compensation for 2022, 7.5% of annual compensation for 2021 and 2020. The Center's actual contributions excluding the State match to TRS for the years ended August 31, 2022 and 2021, were $129,905,000 and $115,683,000, respectively.

The total pension liability is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2021 and 2020, measurement dates.

Summary of Actuarial Methods and Assumptions—TRS Plan	
Actuarial Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.25%
Investment Rate of Return	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2020*	1.95%
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00%
Mortality:	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Postemployment Benefit Changes	None

Summary of Actuarial Methods and Assumptions—TRS Plan	
Actuarial Valuation Date	August 31, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.25%
Investment Rate of Return	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2020*	2.33%
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00%
Mortality:	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Postemployment Benefit Changes	None

Notes:

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

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the three-year period ending August 31, 2017, and adopted in July 2018. The mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. The postretirement mortality rates were based on the 2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP.

The actuarial assumptions used in the determination of the total pension liability as of the August 31, 2021, measurement date are the same assumptions used in the actuarial valuation as of August 31, 2020, with no changes since the prior measurement date. There have been no changes to the benefit provisions of the plan since the prior measurement date.

The discount rate of 7.25% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and State contributions will be 8.50% of payroll for the measurement period ending August 31, 2020, gradually increasing to 9.55% over the next several years. This includes a factor for all employer and State contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2021, measurement date are presented below:

Asset Class	**Target Allocation***	**Long-Term Expected Geometric Real Rate of Return****
Global Equity:		
U.S.	18.0 %	3.6 %
Non-U.S. Developed	13.0	4.4
Emerging Markets	9.0	4.6
Private Equity	14.0	6.3
Stable Value:		
U.S. Treasury	16.0	(0.2)
Absolute Return	-	1.1
Stable Value Hedge Funds	5.0	2.2
Real Return:		
Real Assets	15.0	4.5
Energy, Natural Resources, and Infrastructure	6.0	4.7
Commodities	-	1.7
Risk Parity:		
Risk Parity	8.0	2.8
Asset Allocation Leverage Cash	2.0	(0.7)
Asset Allocation Leverage	(6.0)	(0.5)
Total	100.0 %	

*Target allocations are based on fiscal year 2021 policy model.

**Capital Market assumptions come from Aon Hewitt (as of 08/31/2021).

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2020, measurement date are presented below:

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**
Global Equity:		
U.S.	18.0 %	3.9 %
Non-U.S. Developed	13.0	5.1
Emerging Markets	9.0	5.6
Private Equity	14.0	6.7
Stable Value:		
U.S. Treasury	16.0	(0.7)
Absolute Return	-	1.8
Stable Value Hedge Funds	5.0	1.9
Real Return:		
Real Assets	15.0	4.6
Energy, Natural Resources, and Infrastructure	6.0	6.0
Commodities	-	0.8
Risk Parity:		
Risk Parity	8.0	3.0
Asset Allocation Leverage Cash	2.0	(1.5)
Asset Allocation Leverage	(6.0)	(1.3)
Total	100.0 %	

*Target allocations are based on fiscal year 2020 policy model.
**Capital Market assumptions come from Aon Hewitt (as of 08/31/2020).

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

Sensitivity of Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate 2022

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$1,518,106,000	$ 694,735,000	$ 26,731,000

Sensitivity of Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate 2021

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$2,357,230,000	$1,528,701,000	$855,540,000

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position may be obtained from TRS' fiscal 2021 Annual Comprehensive Financial Report. Further information regarding actuarial assumptions and conclusions, together with audited consolidated financial statements, are included in the TRS' annual financial report, which may be obtained from the TRS website at www.trs.state.tx.us.

At August 31, 2022 and 2021, the Center reported a liability of $694,735,000 and $1,528,701,000, respectively, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020 and 2019, respectively, and rolled forward to the measurement date. The Center's proportion at August 31, 2021 and 2020, was 2.73% and 2.85%, respectively. The Center's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2020, through August 31, 2021, and September 1, 2019, through August 31, 2020. At August 31, 2022 and 2021, respectively, the amount of the net pension liability related to the Center reported by the state was $220,413,000 and $505,172,000. The amount reported by the state is related to the on-behalf contributions, which are recognized as state appropriation general revenue on the Center's consolidated financial statements in the fiscal year that the state contributed the amounts to TRS on the Center's behalf.

For the years ended August 31, 2022 and 2021, the Center recognized pension expense of $15,028,000 and $202,270,000, respectively. At August 31, 2022 and 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2022	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 1,163	$ 48,910
Changes of assumptions	245,575	107,050
Net difference between projected and actual investment return	-	582,526
Change in proportion and contribution difference	63,060	69,834
Contributions subsequent to the measurement date	129,905	-
Total	$439,703	$808,320

	2021	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 2,791	$ 42,662
Changes of assumptions	354,714	150,822
Net difference between projected and actual investment return	30,947	-
Change in proportion and contribution difference	82,096	43,009
Contributions subsequent to the measurement date	115,683	-
Total	$586,231	$236,493

The $129,905,000 and $115,683,000 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the years ended August 31, 2023 and 2022, respectively.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions as of August 31, 2022, will be recognized in pension expense in the following years (in thousands):

Fiscal Years	Increase (Reduction) of Pension Expense
2023	$ (86,077)
2024	(90,064)
2025	(133,106)
2026	(173,438)
2027	(11,620)
Thereafter	(4,217)
Total	$ (498,522)

Postemployment Health Care and Life Insurance Benefits

OPEB Error Corrections
As discussed in Note 1, the Center has restated fiscal year 2021 information within this disclosure to correct for the effects of the census data errors and resultant changes to actuarial assumptions used to calculate the total OPEB liability. Specifically, the employees covered by the benefit terms has been adjusted for errors in the census data. Further, the Last State Employer Assumption (described below), representing the assumed rates of participation by eligible terminated employees, was added to restate the total OPEB liability as of September 1, 2020.

Health and Life Insurance Benefits for Retired Employees
In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. For the years ended August 31, 2022 and 2021, the State and retiree monthly contribution rates for the self-funded plan per full-time retired employee are shown in the following table. The retiree contributes any premium charged over and above the State contributions.

	2022		2021	
Level of Coverage	Employer	Retiree	Employer	Retiree
Retiree only	$ 628.06	$ -	$ 628.06	$ -
Retiree/spouse	957.26	270.42	957.26	270.42
Retiree/children	838.70	282.82	838.70	282.82
Retiree/family	1,169.88	532.52	1,169.88	532.52

Plan Description and Funding Policy—OPEB are provided to the Center's retirees under the UT System EGIP. The EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding the plan, the State is

reporting a proportionate share. The benefits provided are discussed in Note 8. Chapter 1551 of the Texas Insurance Code, Sections 310 and 311, require that the State contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) contributions. The State's proportion was 18.06% and 18.26% of the collective OPEB-related liabilities, deferred outflows and inflows, and expense based on HEGI contributions by the State to total contributions as of August 31, 2022 and 2021, respectively. The Center's proportion as of August 31, 2022 and 2021, was 19.63% and 19.87%, respectively. At August 31, 2022 and 2021, the amount of the total OPEB liability related to the Center was $3,521,322,000, and $2,899,988,000, respectively. The amount reported by the State is related to the premium-sharing contributions, which are recognized as State appropriation general revenue on the Center's consolidated financial statements in the fiscal year that the State contributed the amounts for OPEB on the Center's behalf.

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

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

	Measurement Dates December 31, 2021	**Measurement Dates December 31, 2020**
a. Inactive employees or beneficiaries currently receiving benefit payments	31,104	30,057
b. Inactive employees entitled to but not yet receiving benefit payments	15,091	13,089
c. Active employees	104,546	99,474
d. Total	150,741	142,620

Total OPEB Liability—The Center has elected to use a measurement date that is eight months in advance of the fiscal year end. The Center's proportionate share of the total OPEB liability of $3,521,322,000 includes a current portion of $58,394,000 and a noncurrent portion of $3,462,928,000, reported for the fiscal year ended August 31, 2022, was measured as of December 31, 2021, and was determined by an actuarial valuation as of the same date. The Center's proportionate share of the total OPEB liability of $2,899,988,000 includes a current portion of $51,402,000 and a noncurrent portion of $2,848,586,000, reported for the fiscal year ended August 31, 2021, was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019 and rolled forward twelve months to December 31, 2020.

Actuarial Assumptions and Other Inputs—The total OPEB liability as of December 31, 2021 and 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3%
Salary increases	3.05% to 9.05% (includes inflation)
Discount rate	2.06% for December 31, 2021; 2.12% for December 31, 2020
Healthcare cost trend rates	
Medical	6.00% for calendar year (CY)23, 5.50% for CY24, 5.25% for CY25, 5.00% for CY26, 4.75% for CY27, 4.60% for CY28, 4.50% for CY29, 4.40% for CY30 and 4.30% for CY31 and later years
Pharmacy	10.50% for CY23, 10.00% for CY24, 9.50% for CY25, 9.00% for CY26, 8.00% for CY27, 7.00% for CY28, 6.00% for CY29, 5.00% for CY30 and 4.30% for CY31 and later years
Retiree contributions and opt-out credit trend rates	7.50% for CY23, 6.90% for CY24, 6.60% for CY25, 6.25% for CY26, 5.80% for CY27, 5.35% for CY28, 4.95% for CY29, 4.60% for CY30 and 4.30% for CY31 and later years

Mortality

a. Service Retirees, Survivors, and other Inactive Members:

   Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.

b. Disability Retirees:

   Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a three-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.

c. Active Members:

   Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Discount Rate

a. For fiscal year ended August 31, 2022: The discount rate used to measure the total OPEB liability as of December 31, 2021, was 2.06%. The discount rate used to determine the total OPEB liability as of December 31, 2020, was 2.12%.

b. For fiscal year ended August 31, 2021: The discount rate used to measure the total OPEB liability as of

December 31, 2020, was 2.12%. The discount rate used to determine the total OPEB liability as of December 31, 2019, was 2.74%.

c. Municipal Bond Rate: 2.06% as of December 31, 2021, and 2.12% as of December 31, 2020; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Last State Employer Assumption

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

Age at Termination Rate	Participation
<20	20%
20-24	20%
25-34	20%
35-44	40%
45-54	40%
≥55	40%

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed by the TRS retirement plan actuary as of August 31, 2017.

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

Economic Assumptions

- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The expenses directly related to the payment of EGIP health benefits have been updated since the previous valuation.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated since the previous valuation to reflect IRS Notice 2020-44 published June 8, 2020.

Other Inputs

- The discount rate was changed as a result of requirements by GASB Statement No. 75 to utilize the yield or index rate as of the measurement date for 20-year,

tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

As of the measurement date of December 31, 2021, no changes in benefit terms have occurred. Accordingly, the benefit terms used in this valuation have not been changed since the prior valuation.

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

	FY22		
	1% Decrease (1.06%)	**Discount Rate (2.06%)**	**1% Increase (3.06%)**
Total OPEB liability	$4,297,195,000	$3,521,322,000	$2,925,022,000

	FY21		
	1% Decrease (1.12%)	**Discount Rate (2.12%)**	**1% Increase (3.12%)**
Total OPEB liability	$3,530,195,000	$2,899,988,000	$2,414,700,000

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

	FY22		
	1% Decrease	**Healthcare Cost Trend Rates**	**1% Increase**
Total OPEB liability	$ 2,857,292,000	$ 3,521,322,000	$ 4,422,403,000

	FY21		
	1% Decrease	**Healthcare Cost Trend Rates**	**1% Increase**
Total OPEB liability	$ 2,337,582,000	$ 2,899,988,000	$ 3,665,675,000

Healthcare Cost Trend Rates used for fiscal year 2022 are shown below:

	Medical			Pharmacy		
Calendar Year	**1% Decrease**	**Healthcare Cost Trend**	**1% Increase**	**1% Decrease**	**Healthcare Cost Trend**	**1% Increase**
2023	5.00 %	6.00 %	7.00 %	9.50 %	10.50 %	11.50 %
2024	4.50	5.50	6.50	9.00	10.00	11.00
2025	4.25	5.25	6.25	8.50	9.50	10.50
2026	4.00	5.00	6.00	8.00	9.00	10.00
2027	3.75	4.75	5.75	7.00	8.00	9.00
2028	3.60	4.60	5.60	6.00	7.00	8.00
2029	3.50	4.50	5.50	5.00	6.00	7.00
2030	3.40	4.40	5.40	4.00	5.00	6.00
2031 and beyond	3.30	4.30	5.30	3.30	4.30	5.30

Healthcare Cost Trend Rates used for fiscal year 2021 are shown below:

Calendar Year	**1% Decrease**	**Healthcare Cost Trend Rates**	**1% Increase**
2023	6.00 %	7.00 %	8.00 %
2024	5.50	6.50	7.50
2025	5.00	6.00	7.00
2026	4.50	5.50	6.50
2027	4.00	5.00	6.00
2028	3.75	4.75	5.75
2029 and beyond	3.30	4.30	5.30

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

	Increase (Decrease) in Total OPEB Liability	
	For Measurement Year from 12/31/2020 to 12/31/2021	For Measurement Year from 12/31/2019 to 12/31/2020
Balance at beginning of measurement year	$ 11,931,417,814	$ 9,683,463,315
Changes for the year:		
Service cost	708,022,293	572,677,209
Interest	266,654,173	286,398,460
Differences between expected and actual experience	160,861,824	-
Changes of assumptions or other inputs	1,780,677,623	1,269,349,798
Benefit payments (employer)	(181,252,716)	(153,657,997)
Net changes	2,734,963,197	1,974,767,470
Changes in proportional share	29,213,295	273,187,029
Balance at end of measurement year	$ 14,695,594,306	$ 11,931,417,814

The Center recognized OPEB expense of $238,702,000 for the fiscal year ended August 31, 2022, and $163,197,000 for the fiscal year ended August 31, 2021.

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

	Increase (Decrease) in Total OPEB Liability	
	For Measurement Year from 12/31/2020 to 12/31/2021	For Measurement Year from 12/31/2019 to 12/31/2020
Balance at beginning of measurement year	$ 14,597,601,922	$ 12,181,544,654
Changes for the year:		
Service cost	864,120,588	700,647,153
Interest	325,443,652	350,396,808
Differences between expected and actual experience	196,327,171	-
Changes of assumptions or other inputs	2,173,265,178	1,552,997,585
Benefit payments (employer)	(221,213,661)	(187,994,278)
Net changes	3,337,942,928	2,416,047,268
Balance at end of measurement year	$ 17,935,544,850	$ 14,597,591,922

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

	As of August 31, 2022		As of August 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,032	$ 26,536	$ -	$ 34,043
Changes of assumptions or other inputs	687,975	283,917	364,374	363,664
Change in proportion and contribution difference	50,373	89,589	58,816	79,742
Contributions subsequent to the measurement date	33,756	-	29,253	-
Total	$ 806,136	$ 400,042	$ 452,443	$ 477,449

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

Fiscal Year Ended August 31, 2022	Amount
2023	$ 4,618
2024	4,618
2025	21,866
2026	62,646
2027	76,232
Thereafter	202,358
Total	$ 372,338

Changes in the Total OPEB Liability between the Measurement Date and August 31, 2022—The Center adopted the following changes to the OPEB plan between the December 31, 2021 measurement date of the Total OPEB Liability and the Employer's fiscal year 2022 reporting date of August 31, 2022:

- Effective September 1, 2022, EGIP benefits for retirees for whom Medicare is not primary will reflect increases in retiree cost sharing as compared to benefits in effect prior to September 1, 2022.

- Effective January 1, 2023, for retirees for whom Medicare is primary, medical benefits will be provided through UTCare, a fully insured Medicare Advantage Plan, and

- For retirees who do not opt-out of EGIP health coverage upon retirement, the employer funded life insurance coverage of $6,000 will increase to $10,000 in fiscal year 2023.

The System estimates that the above changes would reduce the Total OPEB Liability, including both the System's and the State's portion, to $11.5 billion as of December 31, 2021, using the current discount rate of 2.06%.

Optional Retirement Program (ORP)—The state has also established an optional defined contribution retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions, including, but not limited to, director-level and above, librarians, and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentage of annual compensation by participants is 6.65% and the contributory percentage by the Center is 8.5% (6.6% state base rate plus a supplement) for the fiscal years ended August 31, 2022 and 2021. Depending upon the source of funding for the employee's compensation, the Center may be required to make the employer contributions in lieu of the state. Since these are individual annuity contracts, the state and the Center have no additional or unfunded liability for this program. The participants' contributions for the years ended August 31, 2022 and 2021, were $27,230,000 and $25,632,000, respectively. The Center's contributions for the years ended August 31, 2022 and 2021, were $34,772,000 and $32,733,000, respectively.

Physicians Referral Service (PRS) Supplemental Retirement Plan (SRP)/Retirement Benefit Plan (RBP)—The Center has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plan (the SRP/RBP Plan). The SRP/RBP Plan is a nonqualified plan described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The assets of the SRP/RBP Plan of $585,427,000 and $667,328,000 at August 31, 2022 and 2021, respectively, are presented as Restricted Investments-SRP/RBP Plan and remain subject to the claims of the general creditors of the Center.

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

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

	Measurement Dates September 1, 2020 and September 1, 2021
a. Inactive employees or beneficiaries receiving benefit payments	508
b. Inactive employees entitled to but not yet receiving benefit payments	279
c. Active employees	1,597
d. Total	2,384

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

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

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

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

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

Total Pension Liability for SRP/RBP Plan—The total pension liability for the SRP/RBP Plan is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the September 1, 2021 and 2020, measurement dates.

Summary of Actuarial Methods and Assumptions	
Actuarial Valuation Date	September 1, 2021
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A—Unfunded Plan
Actuarial Assumptions:	
Discount Rate*	2.14%
Rate of Compensation increase	4.00%
Mortality:	The mortality table is based upon the final report of RP-2014 Mortality Tables and MP-2014 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC), with adjustments that align with the SOA's subsequent release of updates to mortality improvement scales. The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Summary of Actuarial Methods and Assumptions	
Actuarial Valuation Date	September 1, 2020
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A—Unfunded Plan
Actuarial Assumptions:	
Discount Rate	2.20%
Rate of compensation increase	4.00%
Mortality:	The mortality table is based upon the final report of RP-2014 Mortality Tables and MP-2014 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC), with adjustments that align with the SOA's subsequent release of updates to mortality improvement scales. The other key demographic assumptions, such as Termination and Retirement, are

Summary of Actuarial Methods and Assumptions
based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Notes:

* The discount rates used in these valuations were determined using the 20-year yields on the Bond Buyer 20 Index as of 8/31 prior to the measurement date.

The total pension liability for September 1, 2021 was determine based on an actuarial valuation as of the date. The total pension liability for measurement dates September 1, 2020 and 2019 were based on a rollback of the September 1, 2021 results reflecting the following adjustments:

- Benefit payments used in the rollback were based on actual payments during each period.
- Benefit accruals during each period were estimated by calculating the accruals as a percentage of payroll for September 1, 2021 and then applying that percentage to the expected payroll for measurement dates September 1, 2020 and 2019.

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

The deferred outflows (inflows) included in the expense each year do not include any difference in actual and expected demographic experience which will be measured in future years.

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

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

Sensitivity of Center’s Total Pension Liability to Changes in the Discount Rate 2022

1% Decrease (1.14%)	Current Discount Rate (2.14)%	1% Increase (3.14%)
$1,150,981,000	$1,046,052,000	$955,425,000

Sensitivity of Center’s Total Pension Liability to Changes in the Discount Rate 2021

1% Decrease (1.20%)	Current Discount Rate (2.20%)	1% Increase (3.20%)
$1,132,159,000	$1,026,357,000	$935,192,000

	Increase (Decrease) in Total Pension Liability	
	For Measurement Year from 09/01/2020 to 08/31/2021	For Measurement Year from 09/01/2019 to 08/31/2020
	(In thousands)	
Balance at beginning of measurement year	$ 1,026,357	$ 943,633
Changes for the year:		
Service cost	37,989	32,368
Interest	22,899	28,256
Changes of assumptions or other inputs	5,813	71,349
Benefit payments (employer)	(47,006)	(49,249)
Net changes	19,695	82,724
Balance at end of measurement year	$ 1,046,052	$ 1,026,357

For the years ended August 31, 2022 and 2021, the Center recognized pension expense of $70,310,000 and $69,347,000, respectively. At August 31, 2022 and 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to the SRP/RBP Plan from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands)	
Changes of assumptions	$ 58,642	$-
Benefit payments subsequent to the measurement date	51,531	-
Administrative costs subsequent to the measurement date	376	-
Total	$ 110,549	$-

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands)	
Changes of assumptions	$ 62,269	$-
Benefit payments subsequent to the measurement date	47,816	-
Administrative costs subsequent to the measurement date	358	-
Total	$110,443	$-

The $51,531,000 and $47,816,000 reported as deferred outflows of resources resulting from benefit payments subsequent to the measurement date will be recognized as a reduction in the total pension liability for the years ending August 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows and inflows of resources related to the SRP/RBP Plan as of August 31, 2023 will be recognized in pension expense in the following years (in thousands):

Fiscal Years	Increase (Reduction) of Pension Expense
2023	$ 9,911
2024	9,046
2025	9,046
2026	9,046
2027	9,046
Thereafter	12,171
Total	$ 58,266

12. EXECUTIVE MANAGEMENT INCENTIVE PLANS

The Center sponsors two incentive plans for senior-level management. The Senior Management Performance Incentive Plan provides an achievement incentive for nonfaculty senior management by using variable pay to maintain consistent treatment of comparable levels of management for market earning potential. The payout is based upon the attainment of specific and measurable goals, triggered by meeting a set institutional financial goal, and the availability of funds. At August 31, 2022 and 2021, the Center had a recorded liability related to the attainment of these goals of $14,670,000 and $12,950,000, respectively. The Center paid out $15,224,000 and $13,391,000 for the plan years August 31, 2022 and 2021, respectively. The Senior Executive and Executive Management Supplemental Benefit Program provides an annual supplemental cash benefit award to senior executives and executive management to maintain consistent treatment of comparable levels of executive management for market earning potential. Payments of these benefits are made on the first day of the following new fiscal year. For the fiscal years ended 2022 and 2021, the Center paid out $6,453,000 and $5,539,000, respectively.

13. DEFERRED COMPENSATION

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

14. CONCENTRATIONS OF CREDIT RISK

The Center grants credit without collateral to its patients, most of whom are local residents of Texas and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of August 31, 2022 and 2021, is as follows:

	2022	2021
Medicare	30.1 %	34.3 %
Medicaid	3.2	4.0
Managed care organizations	49.2	49.0
Self-pay	4.9	5.0
Others	12.6	7.7
Total	100 %	100 %

15. NONCURRENT ASSETS—JOINT VENTURES

The Center is a participating member of P.E.T. Net Houston, LLC ("PETNet"). PETNet is a joint venture entered into by the Center and P.E.T. Net Pharmaceuticals, Inc. to lease and operate a facility located on the Center's campus to produce positron radiopharmaceuticals and isotopes. The Center's equity interest in PETNet at August 31, 2022 and 2021, was $4,766,000 and $4,588,000, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, PA 19355.

The Center is a participating member of Resilience Texas LLC d/b/a CTMC. The Center and Resilience US Inc. (a sub of National Resilience, Inc.) entered into a new joint venture on October 12, 2021 for the purpose of engaging in a strategic manufacturing relationship for gene and cell therapy: cGMP manufacturing for all phases of clinical development and for commercial supply. The Center's participation in such a strategic manufacturing relationship for gene and cell therapy: cGMP manufacturing will support and advance the mission of the Center by facilitating and funding the development and commercialization of new products and technologies for diagnosis, teaching, studying, prevention and treatment of cancer. The Board of Regents of the University of Texas System on behalf of the Center, has determined that the transaction contemplated herein and in the Ancillary Agreements and the Center's engagement in the JV Business support the public mission of and serve public purposes appropriate to the function of the Center. As of August 31, 2022, the

Center's holding in the Joint Venture was valued at $23,740,000 with a 50% equity ownership percentage. Separate financial statements for Resilience Texas, LLC dba CTMC may be obtained at 2130 W Holcombe Blvd. Houston TX, 77030 or www.ctmc.com.

16. RELATED PARTIES

Through the normal course of operations, the Center both receives funds from, and provides funds to, other state agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2022, related to pass-through grants were approximately $48,686,000 and $6,719,000, respectively. Funds received and provided during the year ended August 31, 2021, related to pass-through grants were approximately $53,029,000 and $6,317,000, respectively.

The Center also routinely enters into transactions with UT System for the reimbursement of capital outlay and other expenses. Amounts due from UT System were approximately $9,484,000 and $16,614,000 at August 31, 2022 and 2021, respectively. Amounts due to UT System were approximately $29,810,000 and $30,381,000 at August 31, 2022 and 2021, respectively.

In addition, the Center purchased services from the Texas Medical Center Laundry Association in the amount of $3,220,000 and $4,040,000 for the years ended August 31, 2022 and 2021, respectively. The Center also purchased services from Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO) in the amount of $24,467,000 and $24,604,000 for the years ended August 31, 2022 and 2021, respectively.

17. T. BOONE PICKENS CONTRIBUTION

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

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

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

The Endowment is managed by UTIMCO. As of August 31, 2022, and 2021, the value of the Endowment was $775,996,000 and $859,258,000, respectively, and is recorded as restricted—nonexpendable.

18. UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 91, *Conduit Debt Obligations*, effective 2023, provides a single method of reporting conduit debt obligations. The Center is evaluating the effect that Statement 91 will have on its consolidated financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements*, effective 2023, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for availability payment arrangements. The Center is evaluating the effect that Statement 94 will have on its consolidated financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), is effective 2023. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The Center is evaluating the effect that Statement 96 will have on its consolidated financial statements.

Other than the portion of this statement implemented in 2022, the remainder of GASB Statement No. 99, *Omnibus 2022*, is effective in 2023 and 2024. The requirements related to leases, PPPs, and SBITAs are effective 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective 2024. The Center is evaluating the effect that Statement 99 will have on its consolidated financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective 2024, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Center is evaluating the effect that Statement 100 will have on its consolidated financial statements.

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

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REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER

REQUIRED SUPPLEMENTARY INFORMATION
TEACHER RETIREMENT SYSTEM PENSION PLAN
AUGUST 31, 2022

Pension RSI 2021
Schedule of the Center's Proportionate Share of the Net Pension Liability
As of the August 31 Measurement Date

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

Schedule of the Center's Contributions As of August 31	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Statutorily required contributions	$ 134,769	$ 120,760	$ 121,612	$ 99,042	$ 91,112	$ 90,325	$ 91,548	$ 90,151
Contributions in relation to the statutorily required contributions	$ 129,905	$ 115,683	$ 117,739	$ 95,828	$ 87,874	$ 87,695	$ 88,725	$ 86,682
Contribution deficiency	$ 4,864	$ 5,076	$ 3,872	$ 3,214	$ 3,238	$ 2,630	$ 2,823	$ 3,469
Center's covered payroll	$ 1,738,956	$ 1,610,128	$ 1,621,489	$ 1,456,501	$ 1,339,879	$ 1,328,316	$ 1,346,292	$ 1,325,743
Contributions as a percentage of covered payroll	7.47 %	7.18 %	7.26 %	6.58 %	6.56 %	6.60 %	6.59 %	6.53 %

Contributions by the State of Texas on behalf of the Center substantially resolved the contribution deficiency. Only eight years of information is presented due to GASB Statement No. 68 being implemented in 2015. Additional years will be displayed as they become available.

THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN
DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017	2016
Center's proportion of the total OPEB liability	19.633200 %	19.866198 %	19.643497 %	19.385514 %	19.477785 %	20.390611 %
Center's proportionate share of the total OPEB liability	$3,521,322,000	$2,899,988,000 *	$2,853,813,000	$ 2,535,548,000	$ 2,705,132,000	$ 2,847,741,000
State's proportionate share of the total OPEB liability related to Center	101,605,000	83,612,000 *	102,318,000	93,544,000	95,126,000	103,241,000
Total OPEB liability related to Center	$3,622,927,000	$2,983,600,000 *	$2,956,131,000	$ 2,629,092,000	$ 2,800,258,000	$ 2,950,982,000
Center's covered payroll	$2,103,815,000	$1,595,832,000	$1,509,897,000	$ 1,432,895,000	$ 1,371,722,000	$ 1,516,457,000
Center's proportionate share of the total OPEB liability as a percentage of its covered payroll	167.38 %	181.72 % *	189.01 %	176.95 %	197.21 %	187.79 %
Plan fiduciary net position as a percentage of the total OPEB liability	- %	- %	- %	- %	- %	- %

* The total OPEB Liability related to the Center as well as the State's and the Center's proportionate share of the Total OPEB Liability for the measurement year ended December 31, 2020 was restated to correct demographic data errors and assumptions related to assumed rates of participation by eligible terminated employees. See Notes 1 and 11 for additional details. Measurement years prior to December 31, 2020 have not been restated for the correction of the error.

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

THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER

REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2022

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

	2021	2020	2019
Total pension liability:			
Service cost	$ 37,989	$ 32,368	
Interest	22,899	28,256	
Changes of assumptions or other inputs	5,813	71,349	
Benefit payments (employer)	(47,006)	(49,249)	
Net change in total pension liability	19,695	82,724	
Total pension liability—beginning	1,026,357	943,633	
Total pension liability—ending	$ 1,046,052	$ 1,026,357	$ 943,633
Center's covered-employee payroll	$ 549,501	$ 520,631	$ 506,351
Center's total pension liability as a percentage of its covered-employee payroll	190.36 %	197.14 %	186.36 %

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