



University of Connecticut
Health Center

Financial Report
For the Year Ended June 30, 2005

Message from the Vice President and the Chief Financial Officer

Founded in 1881, the University of Connecticut (University) serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research and service. The University of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. The financial statements contained herein represent the transactions and balances of the Health Center only.

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its State appropriation, check-writing authority, human resource control, purchasing authority and, with the advent of UCONN 2000 in 1995, management of capital projects.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans, operating and capital budgets approved by the University Board of Trustees. In addition, in fiscal year 2004, the Board of Trustees restructured and expanded the role of its Joint Audit and Compliance Committee, with a charge that includes oversight of all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by state auditors. An important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of the University. They are responsible for auditing its financial operations and their opinion appears in this report.

In 2005, the University identified weaknesses in the administration of the UCONN 2000 program with regard to code compliance, building inspection and organizational checks and balances. These issues have been addressed through an extensive corrective action plan undertaken by the University, as well as through recommendations made by the Governor's Commission on UConn Review and Accountability. The financial implications of this matter relate in large measure to the cost of corrective action for code deficiencies in three residential complexes. Actual and estimated costs of achieving code compliance are reflected in the accompanying financial statements. Please note also that, to date, much of the corrective work has been performed and paid for by contractors; the University will continue to pursue financial recovery as appropriate.

The University of Connecticut Health Center is an academic medical center composed of the School of Medicine, School of Dental Medicine, John Dempsey Hospital, the UConn Medical Group, UConn Health Partners and University Dentists. Established in 1961, the Health Center pursues its mission of providing outstanding health care education in an environment of exemplary patient care, research and public service. With approximately 4,400 full-time equivalent employees, the Health Center is Connecticut's 16th largest employer and an important contributor to the local and regional economy. The Health Center's campus in Farmington is situated on 162 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University's main campus is in Storrs, about 30 miles east of Hartford.) The Health Center campus includes 37 buildings totaling over 2 million square feet. During Fiscal 2005 the Health Center expanded through the completion of the new 4-story, 99,000 square-foot musculoskeletal research and outpatient surgery facility (MARB) and through the acquisition of a five story, 110,000 square foot building on property adjacent to the Health Center and located on Munson Road.

Educational Programs

Dedicated to providing broad educational opportunities in the biomedical sciences, the Health Center offers degree programs in medicine (M.D.), dental medicine (D.M.D.), and biomedical science (Ph.D.); master's degree programs in public health and dental science; postdoctoral fellowships; residency programs providing specialty training for newly graduated physicians and dentists; and continuing education programs for practicing health care professionals. Combined degree programs, such as the M.D./Ph.D., D.M.D./Ph.D., Dental Clinical Specialty/Ph.D. and M.D./M.P.H. are also offered.

The UConn Health Center is the only academic health center in the nation where a medical school was founded concurrently with a dental school, a circumstance which led to strong links. Medical and dental students share an essentially common curriculum during the first two years of their four-year degree programs and study the basic medical sciences together. This experience provides UConn's dental students with an especially strong foundation in the biomedical sciences, reflected in the dental school's decision to award its graduates the D.M.D. (doctor of dental medicine).

Each year in Farmington, about 320 students work toward the medical doctor's degree and 160 toward the doctor of medical dentistry degree. Admission to each school is highly competitive, but both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards, ranking first among the country's 55 dental schools on these examinations in 2001 and again in 2003. In the years since the Health Center graduated its first students in 1972, 1,290 men and women have received the D.M.D. degree; 2,756 the M.D. degree.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 590 newly graduated M.D.s each year. These physicians come from all over the country to acquire advanced skills in fields such as the surgical specialties, internal medicine, and primary care. Some of the residency training occurs on the Health Center's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending the Health Center's positive impact on the region.

Research Programs

Since the Health Center's inception, its administration and faculty have been committed to maintaining high-quality research programs as part of the institution's fabric. This commitment has enabled the Health Center to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only 14 such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of five. Clinical research is facilitated by the Lowell Weicker General Clinical Research Center and the Clinical Trials Unit. Research awards have grown from \$44.8 million in FY '97 to over \$92 million in FY 05.

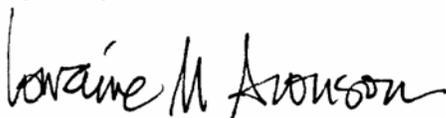
Health Care Services

Through John Dempsey Hospital (204 general acute care beds and 20 nursery beds), the Health Center provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular, cancer and musculoskeletal services, as well as high risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region's health in other ways: in fiscal year 2005, John Dempsey Hospital received the "Top 100 Hospitals, Performance Improvement Leaders," designation, an award given for consistent clinical and financial improvement over five years compared to peer hospitals. . Also offered are a wide range of ambulatory and primary care services on the Health Center campus in Farmington and in physician offices conveniently located in West Hartford, Simsbury and East Hartford. The UConn Medical Group is the largest medical practice in Greater Hartford, offering patients access to health care services from more than 230 Health Center physicians in more than 50 specialties. The hospital, the faculty practice and the dental clinics all achieved record patient visits in FY '05. And with this tremendous increase in volume, the financial operation simultaneously achieved its best performance ever in accounts receivable management.

Connecticut Health

UConn Health Center faculty, staff, residents, and students, participate in a variety of joint efforts to address public health and community health needs of citizens throughout our state. Under the umbrella of Connecticut Health, hundreds of projects have been developed in collaboration with other state agencies, city and town governments, and community-based organizations and the public to serve the poor and uninsured by providing better medical care, health education, and research. The UConn Health Center is committed to finding new and effective ways to reach out to the public at large as part of the University's ongoing effort to bring a better quality of life to all our citizens.

Respectfully Submitted,



Lorraine M. Aronson
Vice President and Chief Financial Officer
University of Connecticut



Daniel L. Upton
Chief Financial Officer
University of Connecticut Health Center

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion & Analysis	2 – 8
Statements of Net Assets	11
Statements of Revenues, Expenses, and Changes in Net Assets	12
Statements of Cash Flows	13,14
Notes to Financial Statements	16-26
Supplemental Information	28-32
Directors, Trustees and Financial Officers	34,35

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

We have audited the accompanying statements of net assets of the University of Connecticut Health Center (Health Center) as of June 30, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. The Health Center is a component unit of the University of Connecticut system, which includes the University of Connecticut, the Health Center, the University of Connecticut Foundation, Inc. and the University of Connecticut Law School Foundation, Inc. These financial statements are the responsibility of the Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the John Dempsey Hospital, which represented 30 and 27 percent of the assets of the Health Center as of June 30, 2005 and 2004, respectively and 32 and 31 percent of the revenues of the Health Center for the years then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the John Dempsey Hospital, is based on the report of the other auditors. The audit of the John Dempsey Hospital was conducted in accordance with auditing standards generally accepted in the United States of America.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Health Center, as of June 30, 2005 and 2004, and the results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements of the Health Center, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Center's basic financial statements. The introductory section and the consolidating statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The consolidating statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

Handwritten signature of Kevin P. Johnston in blue ink.

Kevin P. Johnston
Auditor of Public Accounts

Handwritten signature of Robert G. Jaekle in blue ink.

Robert G. Jaekle
Auditor of Public Accounts

February 3, 2006
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Connecticut Health Center (the "Health Center") for the year ended June 30, 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Founded in 1881, the University of Connecticut (University) serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research and service. The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University of Connecticut and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority.

The financial statements presented here represent the transactions and balances of the Health Center only. The Health Center offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. The Health Center's component parts are the School of Medicine, School of Dental Medicine, UConn Medical Group, the University of Connecticut Finance Corporation and University Dentists ("Primary Institution") and John Dempsey Hospital (the "Hospital"). The Health Center's enrollment in fiscal year 2005 was 318 in the School of Medicine, 167 in the School of Dental Medicine, and 388 Graduate students, taught by 570 full time equivalent (FTE) faculty members. The Health Center employs approximately 5,100 people. John Dempsey Hospital (JDH) has 204 acute care beds and 20 nursery beds and in fiscal year 2005 provided care to over 360,000 inpatient and outpatient visits. UConn Medical Group (UMG) in fiscal year 2005 provided care to over 501,000 patient visits.

The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by new standards of the GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of the Health Center for the fiscal year ended June 30, 2005, based on currently known facts, decisions, or conditions. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

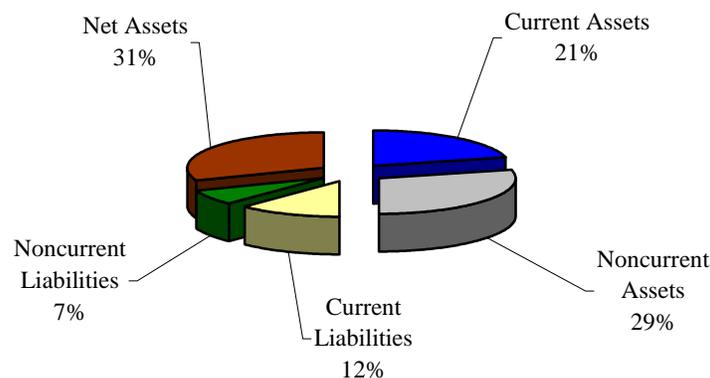
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows) present the financial position of the Health Center at June 30, 2005, and the results of operations and financial activities for the year then ended. These statements report information about the Health Center using accounting methods similar to those used by private-sector companies. In addition a prior year column is presented for comparison purposes. The statement of net assets includes all of the Health Center's assets and liabilities. The statement of revenues, expenses and changes in net assets reflects the year's activities on the accrual basis of accounting, i.e., when services are provided or obligations are incurred, not when cash is received or paid. This statement reports the Health Center's net assets and how they have changed. Net assets (the difference between assets and liabilities) are one way to measure financial health or position. The statement of cash flows provides relevant information about each year's cash receipts and cash payments and classifies them as to operating, investing, noncapital financing and capital and related financing activities. The financial statements include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

The Health Center's financial position remained strong at June 30, 2005, with assets of \$401.3 million and liabilities of \$153.1 million. Net assets, which represent the residual interest in the Health Center's assets after liabilities are deducted, increased \$17.6 million in fiscal year 2005 to \$248.1 million at June 30, 2005.

Statement of Net Assets



The increase in net assets is primarily attributable to clinical operations of the John Dempsey Hospital and capital appropriations related to the issuance of UCONN 2000 bond funds from the State of Connecticut.

Changes in net assets represent the operating activity of the Health Center, which results from revenues, expenses, gains and losses, and are summarized for the years ended June 30, 2005, 2004 and 2003 as follows:

	(in millions)		
	2005	2004	2003
Total operating revenue	\$ 496.7	\$ 464.8	\$ 435.6
Total operating expenses	622.8	585.5	551.2
Operating (loss)	(126.1)	(120.7)	(115.6)
Other changes in net assets	143.7	125.5	119.6
Increase in net assets	\$ 17.6	\$ 4.8	\$ 4.0

The financial statements contained herein show an operating loss of \$126.1 million for the year ending June 30, 2005 (fiscal year 2005). The measure more indicative of normal and recurring activities is net income before capital appropriations, which includes revenue from state appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the state and issuance of UCONN 2000 bond funds, which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income, so a loss under this measurement is expected. The Health Center experienced a gain before capital appropriations of \$684,000.

Sources of recurring operating and nonoperating revenues were strong in 2005 and most are expected to remain strong in 2006, including tuition and fees revenue, patient service revenues, grants and contracts revenue. State support, not including state funded capital appropriations, increased 4.6% from the prior year mainly due to the increased in-kind fringe benefits associated with salary expense of general funded employees.

STATEMENT OF NET ASSETS

The statement of net assets presents the financial position of the Health Center at the end of the fiscal years and includes all assets and liabilities of the Health Center. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the Health Center, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the Health Center's assets, liabilities and net assets at June 30, 2005, 2004 and 2003 is as follows:

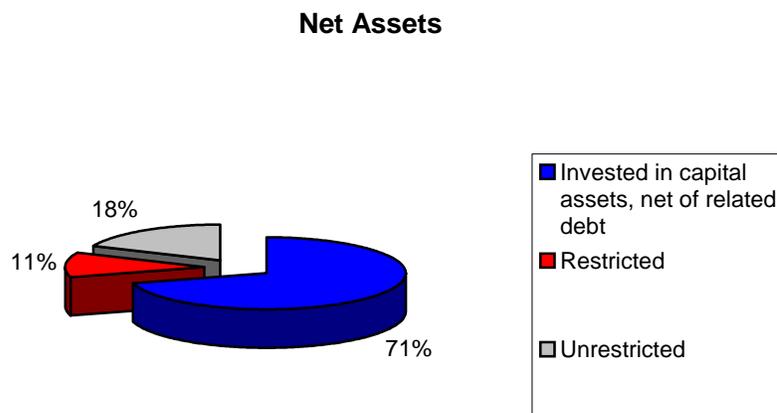
	(in millions)		
	2005	2004	2003
Current assets	\$ 169.3	\$ 144.2	\$ 132.7
Noncurrent assets:			
Capital assets, net	212.5	178.3	167.2
Other	19.4	35.5	17.3
Total assets	<u>\$ 401.2</u>	<u>\$ 358.0</u>	<u>\$ 317.2</u>
Current liabilities	\$ 97.8	\$ 83.1	\$ 76.3
Noncurrent liabilities	55.3	44.3	15.2
Total liabilities	<u>\$ 153.1</u>	<u>\$ 127.4</u>	<u>\$ 91.5</u>
Net assets	<u>\$ 248.1</u>	<u>\$ 230.6</u>	<u>\$ 225.7</u>

The total assets of the Health Center increased by \$43.3 million, or 12.1% over the prior year. The increase was primarily due to an increase in plant of \$34.2 million and a \$16.3 million increase in Due from Affiliates. Amounts Due from Affiliates represent UConn 2000 Bond Funds held by the University for the Health Center. Increases in plant were offset by decreases of \$15.0 million in Assets Limited As to Use. These funds were used in the completion of the MARB building. Plant also increased due to the acquisition of the Munson Road property. These increases were offset by a \$4.1 million decrease in the receivable for capital allocations from the State of Connecticut.

The total liabilities for the year increased by \$25.7 million or 20.2% primarily due to a \$9.9 million increase in long-term debt as well as significant increases in several other categories. Increases in Long Term Debt resulted from the acquisition of the Munson road property. Other significant increases included Accrued salaries increasing \$4.4 million and Due to Third Party Payers increasing \$5.2 million. Accrued salaries have increased due to timing differences between years and are also affected by wage increases. The increase in amounts Due to Third Party payers is the result of the Hospital's analysis of outstanding Medicare and Medicaid cost reports.

Net Assets

Net assets represent the residual interest in the Health Center's assets after liabilities are deducted. The Health Center had net assets of \$248.1 million at June 30, 2005, which was made up of the following:

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The statement of revenues, expenses and changes in net assets presents the Health Center's results of operating and nonoperating activities. A summary of the Health Center's revenues, expenses and changes in net assets for the years ended June 30, 2005, 2004 and 2003 is as follows:

	(in millions)		
	2005	2004	2003
Operating revenues			
Patient Services	\$ 348.8	\$ 319.8	\$ 298.1
Grants and Contracts	91.4	88.9	80.8
Other	56.5	56.1	56.7
Total operating revenue	<u>496.7</u>	<u>464.8</u>	<u>435.6</u>
Operating expenses			
Patient services	363.9	336.3	321.3
Instruction	100.2	98.3	94.1
Other	158.7	150.9	135.8
Total operating expenses	<u>622.8</u>	<u>585.5</u>	<u>551.2</u>
Operating (loss) income	(126.1)	(120.7)	(115.6)
Net nonoperating revenues	126.8	121.6	118.9
Total other revenues	16.9	3.9	0.8
Increase in net assets	<u>\$ 17.6</u>	<u>\$ 4.8</u>	<u>\$ 4.1</u>

Revenue highlights for the year ending June 30, 2005, including operating and nonoperating revenues and capital additions, presented on the Statement of Revenues Expenses, and Changes in Net Assets are as follows:

- The largest source of revenue was patient service revenue. Patient service revenue increased \$29 million or 9.1% over the prior year. The increase for the John Dempsey Hospital of \$25.2 million or 13.7% was mainly due to increased volume with admissions to the hospital increasing 4.7% and outpatient visits increasing by 5.9%. More detailed information about the Health Center's patient revenue is presented in note 4 of the financial statements.
- The state appropriation (including in-kind fringe benefits), which is included in nonoperating revenues, totaled \$124.6 million. This represents a 4.6% increase over the prior year mainly due to the increased in-kind fringe benefits associated with salary expense of general funded employees.
- Federal grant and contract revenue increased \$5.2 million, or 7.9%, to \$70.2 million. This was due to an increase in the number of awards granted to the Health Center along with an increase in the dollars per award.

Highlights of expenses including operating and nonoperating expenses presented on the Statement of Revenues, Expenses and Changes in Net Assets are as follows:

- Patient service expense is the largest expense category for the Health Center; it accounts for 58.4% of total operating expenses. It increased of \$27.6 million or 8.2% over the prior year. The increase is mainly attributable to the increase in patient volume for the John Dempsey Hospital and UConn Medical Group. This increase in expense for the year was more than offset by the increase in patient service revenue as stated above.
- Instruction, the Health Center's second largest operating expense, increased approximately \$1.9 million or 2.0%. The increase reflects a slight increase in average faculty salaries and increase in fringe benefit expense some of which is included in the in-kind fringe benefit recovery reported as income in the state appropriation line in the nonoperating revenues (expenses) section.
- Research expense also increased \$3.9 million or 6.8%. This is directly related to the increase in federal grant and contract and nongovernmental grant and contract revenues.

STATEMENTS OF CASH FLOWS

The statement of cash flows provides additional information about the Health Center's financial results by reporting the major sources and uses of cash. A summary of the statement of cash flows for the years ended June 30, 2005, 2004 and 2003 is as follows:

	(in millions)		
	2005	2004	2003
Cash received from operations	\$ 481.8	\$ 467.9	\$ 428.3
Cash expended for operations	(542.2)	(511.6)	(483.0)
Net cash (used in) provided by operating activities	(60.4)	(43.6)	(54.7)
Net cash used in investing activities	(37.7)	(39.9)	(29.6)
Net cash provided by noncapital financing activities	74.7	74.2	73.2
Net cash provided by (used in) capital and related financing activities	29.7	25.3	9.8
Net (decrease) increase in cash and cash equivalents	6.3	16.0	(1.3)
Cash and cash equivalents, beginning of the year	64.5	48.5	49.8
Cash and cash equivalents, end of the year	\$ 70.8	\$ 64.5	\$ 48.5

CAPITAL AND DEBT ACTIVITIES

During fiscal year 2005 the Finance Corporation completed the construction of the Medical Arts and Research Building, (MARB). This was undertaken as part of the Health Center's efforts to increase patient facility space on campus. Also part of this initiative was the Health Center's acquisition of the Konover Building located adjacent to the Health Center on Munson Road.

In addition, Fiscal 2005 is the first year the Health Center participated in the UCONN 2000 program. This is the third phase of the program also known as 21st Century UConn, which provides \$1.3 billion for improvements to facilities at the University and the Health Center. The Health Center is scheduled to receive \$305 million over the next 10 years from this program. During fiscal 2005 the Health Center received \$16.4 million from the UConn 2000 bond issuance which is included in the capital appropriation line in the Statements of Revenues, Expenses, and Changes in Net Assets.

At June 30, 2005, the Health Center had plant and equipment, net of accumulated depreciation, of \$212.5 million. The Health Center's fiscal 2006 capital budget projects spending of approximately \$75.4 million, which includes \$26.1 million from issuance of UCONN 2000 Bond Funds, \$3.9 million from allocated State bond funds, and \$45.4 million from other Health Center sources.

Debt activity during fiscal year 2005 included the assumption of the Munson Road Mortgage as well as was the annual payments for the bonds and loans outstanding and lease payments on a capital lease entered into by the Hospital.

More detailed information about the Health Center's capital assets and debt activities are presented in notes 5 and 8 of the financial statements.

FISCAL YEAR 2006 OUTLOOK

As discussed above, the Health Center believes its financial position is stable. From a fiscal perspective, one of the most significant economic factors for the foreseeable future is the impact of the state's current financial status. The state's fiscal constraints are such that the share of state support for the Health Center may continue to decline.

The realities of the state's budget environment mean that the Health Center's other significant income streams will continue to play an increasingly important role in its financial health. These sources include private support through patient services provided, research funding, and tuition and fees. The Health Center has established an ongoing planning process designed to address the impact of reduced appropriations and has budgeted accordingly.

CONTACTING THE HEALTH CENTER'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of the Health Center's finances and operations. If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer, University of Connecticut Health Center, Farmington, Connecticut 06030.

[PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF NET ASSETS
As of June 30, 2005 and 2004

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 59,017,579	\$ 55,612,468
Assets limited as to use	147,246	156,520
Patient receivables, net	30,143,345	31,622,215
Contract and other receivables	36,632,480	34,979,337
Due from Affiliates	16,253,127	-
Due from State of Connecticut	4,360,924	3,992,182
Due from Department of Correction	13,372,269	10,987,085
Inventories	5,137,415	5,462,083
Prepaid expenses	4,220,927	1,428,672
Total current assets	169,285,312	144,240,562
Noncurrent Assets		
Restricted cash and cash equivalents	11,842,883	8,930,706
Other assets	586,000	346,955
Assets limited as to use	1,969,787	16,994,483
Due from State of Connecticut	5,043,324	9,185,734
Capital assets, net	212,548,492	178,318,891
Total noncurrent assets	231,990,486	213,776,769
Total assets	\$ 401,275,798	\$ 358,017,331
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 22,888,227	\$ 25,495,727
Due to State of Connecticut	5,700,525	2,696,502
Accrued salaries	19,008,733	14,601,553
Compensated absences	26,966,501	21,655,102
Due to third party payors	8,559,000	3,378,933
Deferred revenue	10,081,953	11,338,053
Malpractice reserve	2,634,000	2,308,000
Long-term debt - current portion	1,997,184	1,640,162
Total current liabilities	97,836,123	83,114,032
Noncurrent Liabilities		
Malpractice reserve	10,728,000	8,032,000
Compensated absences	8,054,929	9,729,104
Long-term debt	36,513,326	26,573,185
Total noncurrent liabilities	55,296,255	44,334,289
Total liabilities	153,132,378	127,448,321
NET ASSETS		
Invested in capital assets, net of related debt	175,050,339	166,604,362
Restricted for		
Nonexpendable		
Scholarships	58,451	58,451
Expendable		
Research	3,532,683	3,323,534
Loans	3,186,477	3,079,826
Capital projects	20,771,408	8,931,347
Unrestricted	45,544,062	48,571,490
Total net assets	\$ 248,143,420	\$ 230,569,010

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$2,750,102 and \$1,793,336 respectively)	\$ 8,321,010	\$ 7,659,757
Patient services (net of charity care of \$1,278,242 and \$231,712 respectively)	348,799,319	319,777,310
Federal grants and contracts	70,187,854	65,019,826
Nongovernmental grants and contracts	21,200,597	23,856,803
Contract and other operating revenues	48,196,931	48,442,838
Total operating revenues	496,705,711	464,756,534
OPERATING EXPENSES		
Educational and General		
Instruction	100,192,686	98,274,728
Research	60,469,782	56,597,973
Patient services	363,872,294	336,255,034
Academic support	15,169,210	14,891,907
Institutional support	42,519,275	43,974,145
Operations and maintenance of plant	18,939,314	14,889,973
Depreciation	20,914,597	19,511,082
Loss on disposal	128,029	340,629
Student aid	616,426	776,293
Total operating expenses	622,821,613	585,511,764
Operating (loss) income	(126,115,902)	(120,755,230)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	124,580,676	119,067,925
Gifts	1,507,042	688,133
Interest income (net of investment expense of \$63,996 for 2005 and 2004)	2,339,388	2,103,722
Interest on capital asset - related debt	(1,626,794)	(233,320)
Net nonoperating revenues	126,800,312	121,626,460
Income before other revenues, expenses, gains or losses	684,410	871,230
Capital appropriations	16,890,000	3,931,636
Total other revenues	16,890,000	3,931,636
Increase in net assets	17,574,410	4,802,866
NET ASSETS		
Net assets-beginning of year	230,569,010	225,766,144
Net assets-end of year	\$ 248,143,420	\$ 230,569,010

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 353,073,072	\$ 329,346,089
Cash received from tuition and fees	8,321,010	7,659,757
Cash received from grants, contracts and other revenue	120,423,012	130,916,958
Cash paid to employees for personal services and fringe benefits	(346,379,305)	(322,763,399)
Cash paid for other than personal services	<u>(195,773,238)</u>	<u>(188,798,558)</u>
Net cash (used in) operating activities	<u>(60,335,449)</u>	<u>(43,639,153)</u>
Cash flows from investing activities:		
Malpractice and bond trust funds	15,033,970	(15,018,365)
Interest received	2,494,390	1,909,718
Additions to property and equipment	<u>(55,272,227)</u>	<u>(26,797,777)</u>
Net cash used in investing activities	<u>(37,743,867)</u>	<u>(39,906,424)</u>
Cash flows from noncapital financing activities:		
State appropriations	73,186,783	73,514,204
Gifts	<u>1,507,042</u>	<u>688,133</u>
Net cash provided by noncapital financing activities	<u>74,693,825</u>	<u>74,202,337</u>
Cash flows from capital and related financing activities:		
Capital appropriations	21,032,410	3,766,582
Interest paid	(1,626,794)	(233,320)
Proceeds from borrowing	12,024,733	22,799,881
Repayment of long-term debt	<u>(1,727,570)</u>	<u>(984,977)</u>
Net cash provided by capital and related financing activities	<u>29,702,779</u>	<u>25,348,166</u>
Net increase in cash and cash equivalents	6,317,288	16,004,926
Cash and cash equivalents at beginning of year	<u>64,543,174</u>	<u>48,538,248</u>
Cash and cash equivalents at end of year	<u>\$ 70,860,462</u>	<u>\$ 64,543,174</u>
Accompanying schedule of non-cash transactions		
Proceeds from capital leases	<u>\$ —</u>	<u>\$ 4,171,780</u>

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2005 and 2004

	2005	2004
Operating income	\$ (126,115,902)	\$ (120,755,230)
Adjustments to reconcile operating income to net cash provided by (Used in) operating activities:		
Depreciation and loss on disposal	21,042,626	19,851,711
Personal services and fringe benefits in-kind from State	50,870,149	44,932,046
Changes in assets and liabilities:		
Patients receivables, net	1,478,870	2,113,777
Contract and other receivables	(1,653,143)	(4,542,262)
Due from Affiliates	(16,253,127)	—
Due from DOC	(2,385,184)	(4,655)
Inventories	324,668	370,902
Third party payors	5,180,067	7,459,658
Deferred charges	—	175,000
Prepaid expenses	(2,792,255)	189,446
Other assets	(239,045)	(62,704)
Accounts payable and accrued liabilities	(2,607,500)	864,135
Due to State of Connecticut	3,004,023	757,763
Accrued salaries	4,407,180	1,939,156
Compensated absences	3,637,224	3,092,351
Deferred revenue	(1,256,100)	(1,860,247)
Malpractice reserve	3,022,000	1,840,000
Net cash (used in) provided by operating activities	\$ (60,335,449)	\$ (43,639,153)

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

[PAGE INTENTIONALLY LEFT BLANK]

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements For the Years Ended June 30, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut Health Center (the "Health Center") is a part of a comprehensive institution of higher education, the University of Connecticut (the "University"). Although governed by a single Board of Trustees, the Health Center and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. These financial statements represent transactions and balances of the Health Center for the years ended June 30, 2005 and 2004, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group, University of Connecticut Health Center Finance Corporation and University Dentists (the "Primary Institution") and John Dempsey Hospital (the "Hospital"). The Health Center offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. There is also an affiliated entity that supports the mission of the Health Center: The University of Connecticut Foundation Inc. (the "Foundation"). The Foundation raises funds to promote, encourage, and assist education and research at the University, including its Health Center.

Basis of Presentation

The Health Center's financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," states that proprietary activities may elect to apply the provisions of Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Health Center has not elected this option.

Use of Estimates

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

Proprietary Fund Accounting

The Health Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. All revenues and expenses are subject to accrual.

Accounts Receivable and Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Investments and Investment Income

The State of Connecticut has established various funds to account for the operations of the Health Center. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the John Dempsey Hospital Malpractice Trust Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Trust Fund accounts for assets set aside based on actuarial funding recommendations. The Operating Fund acts as a "General Fund" for the Health Center, accounting for all operations not accounted for elsewhere.

Unrestricted Research Foundation Fund and Malpractice Trust Fund assets in excess of immediate cash needs are invested in the State of Connecticut Short-Term Investment Fund (STIF). Most restricted Research Foundation Fund assets are not invested, though there are certain exceptions including gift accounts and funds invested at the request of sponsoring organizations. Local student activity funds controlled by the Health Center are also invested in STIF; these funds are minimal in amount.

The STIF, which was established and is operated under Sections 3-27a through 3-27i of the General Statutes, provides State agencies, funds, political subdivisions and others with a mechanism for investing at a daily-earned rate with interest from day of deposit to day of withdrawal. STIF participants have daily access to their account balances. Underlying investments of the STIF are mainly in money market instruments.

Though Operating Fund participation in STIF is not significant, the Health Center earns interest on Operating Fund cash balances through the State Treasurer's interest credit program. Under this program, the Treasurer pays the Health Center STIF equivalent interest on the average daily cash balance held in the Operating Fund each quarter. Additionally, interest is paid on monies transferred from the Health Center's civil list funds into the direct disbursement account used to process checks issued directly to vendors by the Health Center. Though the balance in this account may include assets of the Operating, Research Foundation and Hospital Funds, all interest earned is credited to the Operating Fund.

The Hospital Fund does not participate in STIF or, other than described above, the Treasurer's interest credit program. However, certain funds held in the Hospital Fund and segregated as a sinking fund to meet future debt service requirements are invested in marketable securities.

Capital Assets

Property and equipment acquisitions are recorded at cost. Betterments and major renewals are capitalized, and maintenance and repairs are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Medical Malpractice

Health care providers and support staff of the Hospital are fully protected by state statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment ("statutory immunity"). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity have been charged against the Health Center's malpractice self-insurance fund. Effective July 1, 1999, the Health Center developed a methodology by which it could allocate malpractice costs between the Hospital and UMG. For the year ended June 30, 2005, and 2004, these costs are included in the statement of revenues, expenses and changes in net assets.

Regulatory Matters

The Hospital is required to file semi-annual and annual operating information with the State of Connecticut Office of Health Care Access ("OHCA"), and is required to file annual cost reports with Medicare and Medicaid.

2. CASH DEPOSITS AND INVESTMENTS

Statement No. 3 of the Governmental Accounting Standards Board requires governmental entities to categorize deposits and investments to give an indication of the level of credit risk assumed. Category 1 includes investments that are insured or registered, or for which securities are held by the Health Center or its agent in the name of the Health Center. Category 2 includes uninsured and unregistered investments for which securities are held by the broker or dealer trust department or agent in the name of the Health Center. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Health Center's name. Investments that are not evidenced by securities are not categorized.

As of June 30, 2005, the Health Center's cash and cash equivalents balance was \$70,860,462, which included \$31,395,343 in cash balances maintained by the State of Connecticut Treasurer, \$38,527,871 of investments with the State of Connecticut Investment Pool (Short Term Investment Fund), \$935,748 in deposits with financial institutions and \$1,500 in currency (change funds).

A portion of the bank balance of the State of Connecticut was insured by the Federal Deposit Insurance Corporation or held by the State's agent in the State's name (Category 1). Additionally, part of the remaining balance was collateralized. Collateralized deposits are deposits protected by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal at least to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio - a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

As a State of Connecticut agency, the Health Center benefits from the protections from potential custodial credit risk described in the preceding paragraph. However, the extent to which the \$31,395,343 in cash balances maintained by the State Treasurer for the Health Center was protected cannot be readily determined.

The Short Term Investment Fund is a money market investment pool, which is available for investment to the State, municipal entities, and political subdivisions of the State of Connecticut. The State Treasurer is authorized to invest monies of the short term investment fund in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities and student loans. The Health Center's Short Term Investment Fund holdings of \$38,527,871 were not categorized as they consisted of deposits held in the Short Term Investment Fund; they were not evidenced by securities.

The Health Center's deposits with financial institutions of \$935,748 were considered uninsured and uncollateralized (Category 3).

The Health Center's investments of \$2,117,076 consisted of U.S. Treasury notes which were uninsured, unregistered and held by the Health Center's agent in the Health Center's name (Category 2).

Certain funds are held by outside fiscal agents and are not under the direct control of the Health Center. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds at June 30, 2005 was \$2,553,613. Investment income earned on these assets is transferred to the Health Center in accordance with the applicable trust agreement. Income received, net of investment expenses, for the year ended June 30, 2005 was \$63,996.

3. CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2005 and 2004, the Hospital provided charity care services of \$1,278,242 and \$231,712, respectively. All related expenses are included in operating expenses.

4. NET PATIENT SERVICE REVENUE

The Health Center provides health care services primarily to residents of the region. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Health Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Health Center.

The Health Center has agreements with third-party payors that provide for payments at amounts different from its established rates. These third party payors include Medicare, Medicaid and certain commercial insurance carriers and Health Maintenance Organizations. Additionally, under the Correctional Managed Health Care Program, the Health Center provides medical, dental and psychiatric care to the inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Correction.

Patient service revenue for the Health Center is as follows:

	<u>2005</u>	<u>2004</u>
John Dempsey Hospital		
Gross patient services revenue	\$ 375,878,199	\$ 342,666,324
Less allowances	<u>166,049,901</u>	<u>158,087,683</u>
Net patient service revenue	209,828,298	184,578,641
UConn Medical Group		
Gross patient services revenue	139,316,911	132,556,982
Less allowances	<u>75,532,030</u>	<u>72,588,695</u>
Net patient service revenue	63,784,881	59,968,287
Correctional Managed Health Care	83,398,843	77,415,127
All other	<u>2,829,437</u>	<u>3,103,552</u>
Total net patient service revenue	\$ <u><u>359,841,458</u></u>	\$ <u><u>325,065,607</u></u>

(amounts above include internal transactions eliminated on face of statements. See Supplemental Information for greater details)

5. CAPITAL ASSETS

Capital assets at June 30, 2005 and 2004 consisted of the following:

	<u>2005</u>	<u>2004</u>
Land	\$ 8,353,698	1,830,510
Construction in Progress	26,052,366	32,922,884
Buildings	300,461,472	264,454,182
Equipment	157,856,145	140,038,449
Capital leases	<u>4,171,780</u>	<u>4,171,780</u>
	496,895,461	443,417,805
Less accumulated depreciation	<u>284,346,969</u>	<u>265,098,914</u>
Capital assets, net	\$ <u><u>212,548,492</u></u>	<u><u>178,318,891</u></u>

The Health Center's fine art collection is capitalized on the statement of net assets. This collection is included in equipment in the Primary Institution and totaled \$645,736 at June 30, 2005 and 2004. Plant and equipment activity and related information on accumulated depreciation for the Health Center for the year ended June 30, 2005 and 2004 was as follows:

	<u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>2005</u>
<u>Property and equipment:</u>				
Land	\$ 1,830,510	\$ 6,523,188	\$ -	\$ 8,353,698
Construction in Progress	32,922,884	27,109,178	(33,979,696)	26,052,366
Buildings	257,987,238	34,133,115	-	292,120,353
Improvements other than buildings	6,466,944	1,874,175	-	8,341,119
Equipment	140,038,449	19,978,327	(2,160,631)	157,856,145
Capital leases	4,171,780	-	-	4,171,780
Total property and equipment	<u>443,417,805</u>	<u>89,617,983</u>	<u>(36,140,327)</u>	<u>496,895,461</u>
<u>Less accumulated depreciation:</u>				
Buildings	152,181,606	8,523,026	-	160,704,632
Improvements other than buildings	5,903,493	353,692	-	6,257,185
Equipment	106,596,637	11,568,659	(2,031,678)	116,133,618
Capital Leases	417,178	834,356	-	1,251,534
Total accumulated depreciation	<u>265,098,914</u>	<u>21,279,733</u>	<u>(2,031,678)</u>	<u>284,346,969</u>
<u>Net property and equipment:</u>				
Land	1,830,510	6,523,188	-	8,353,698
Construction in Progress	32,922,884	27,109,178	(33,979,696)	26,052,366
Buildings	105,805,632	25,610,089	-	131,415,721
Improvements other than buildings	563,451	1,520,483	-	2,083,934
Equipment	33,441,812	8,409,668	(128,953)	41,722,527
Capital leases	3,754,602	(834,356)	-	2,920,246
Total capital assets, net	<u>\$ 178,318,891</u>	<u>\$ 68,338,250</u>	<u>\$ (34,108,649)</u>	<u>\$ 212,548,492</u>
	<u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>2004</u>
<u>Property and equipment:</u>				
Land	\$ 1,830,510	\$ -	\$ -	\$ 1,830,510
Construction in Progress	19,989,084	17,568,878	(4,635,078)	32,922,884
Buildings	256,520,238	1,467,000	-	257,987,238
Improvements other than buildings	6,464,844	2,100	-	6,466,944
Equipment	133,161,849	12,394,877	(5,518,277)	140,038,449
Capital leases	-	4,171,780	-	4,171,780
Total property and equipment	<u>417,966,525</u>	<u>35,604,635</u>	<u>(10,153,355)</u>	<u>443,417,805</u>
<u>Less accumulated depreciation:</u>				
Buildings	144,676,905	7,504,701	-	152,181,606
Improvements other than buildings	5,819,356	84,137	-	5,903,493
Equipment	100,269,219	11,505,066	(5,177,648)	106,596,637
Capital leases	-	417,178	-	417,178
Total accumulated depreciation	<u>250,765,480</u>	<u>19,511,082</u>	<u>(5,177,648)</u>	<u>265,098,914</u>
<u>Net property and equipment:</u>				
Land	1,830,510	-	-	1,830,510
Construction in Progress	19,989,084	17,568,878	(4,635,078)	32,922,884
Buildings	111,843,333	(6,037,701)	-	105,805,632
Improvements other than buildings	645,488	(82,037)	-	563,451
Equipment	32,892,630	889,811	(340,629)	33,441,812
Capital leases	-	3,754,602	-	3,754,602
Total capital assets, net	<u>\$ 167,201,045</u>	<u>\$ 16,093,553</u>	<u>\$ (4,975,707)</u>	<u>\$ 178,318,891</u>

Construction in progress at June 30, 2005 and 2004, represents accumulated costs for various Health Center construction projects. The Health Center has entered into various contractual arrangements related to these projects. Upon completion, the cost of the project is transferred to the appropriate investment in plant category and depreciation will commence.

6. INVENTORIES

Consumable supplies are expensed when received with the exception of certain central inventories. Cost of the inventory is determined on a moving average basis for the Central Warehouse, and on a first-in, first-out basis for the others.

7. ENDOWMENTS

The Health Center designated the Foundation as manager of the Health Center's endowment funds. The Foundation makes spending allocation distributions to the Health Center for each participating endowment. The distribution is spent by the Health Center in accordance with the respective purposes of the endowments and with the policies and procedures of the Health Center.

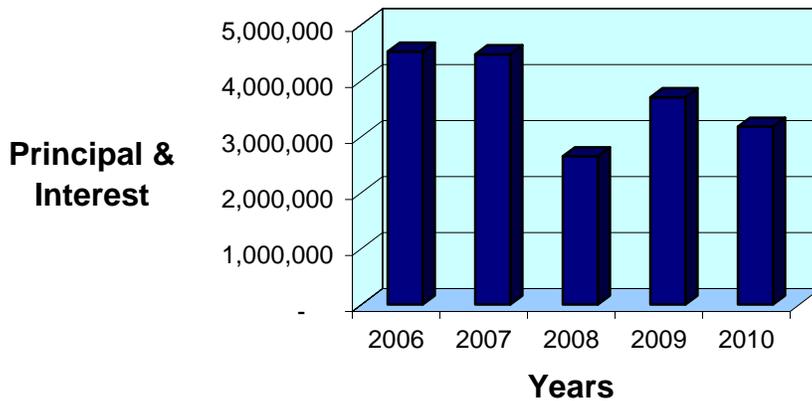
8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2005 and 2004 was as follows:

	June 30, 2004			June 30, 2005		Amounts due within 1 year
	Balance	Additions	Reductions	Balance		
Long-Term debt:						
Bonds Payable John Dempsey Hospital	\$ 590,215	-	185,333	404,882		125,696
Bonds Payable Primary Institution	1,036,588	-	325,399	711,189		222,904
Lease Agreements John Dempsey Hospital	3,786,663	-	785,431	3,001,232		816,565
Mortgage Agreements Primary Institution	22,799,881	12,024,733	431,407	34,393,207		832,019
Total Long-Term Debt	28,213,347	12,024,733	1,727,570	38,510,510		1,997,184
Malpractice reserve	10,340,000	3,958,921	936,921	13,362,000		2,634,000
Compensated absences	31,384,206	16,168,285	12,531,061	35,021,430		26,966,501
Total Long - Term Liabilities	\$ 69,937,553	32,151,939	15,195,552	86,893,940		31,597,685
	June 30, 2003			June 30, 2004		Amounts due within 1 year
	Balance	Additions	Reductions	Balance		
Long-Term debt:						
Bonds Payable John Dempsey Hospital	\$ 807,430	-	217,215	590,215		186,300
Bonds Payable Primary Institution	1,419,233	-	382,645	1,036,588		326,702
Lease Agreements John Dempsey Hospital	-	4,171,780	385,117	3,786,663		790,129
Mortgage Agreements Primary Institution	-	22,799,881	-	22,799,881		337,031
Total Long-Term Debt	2,226,663	26,971,661	984,977	28,213,347		1,640,162
Malpractice reserve	8,500,000	6,226,955	4,386,955	10,340,000		2,308,000
Compensated absences	28,291,855	24,213,636	21,121,285	31,384,206		21,655,102
Total Long - Term Liabilities	\$ 39,018,518	57,412,252	26,493,217	69,937,553		25,603,264

Estimated cash basis interest and principal requirements for the long-term debt for the next five years are as follows:

Long-Term Debt Requirement



<u>Year</u>	<u>Long-Term Debt</u>
2006	\$ 4,516,907
2007	4,469,682
2008	2,647,166
2009	3,702,937
2010	3,177,617
Thereafter	<u>40,245,116</u>
Totals	\$ <u><u>58,759,425</u></u>

The Health Center is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under the Hospital’s incident reporting system and an estimate of incurred but not reported claims are accrued based on actuarially determined present value estimates that incorporate the Hospital’s past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued malpractice losses have been discounted at a rate of 4% for the years ended June 30, 2005 and 2004.

The scope of the Hospital’s assessment for establishing reserves for malpractice costs encompasses physicians, dentists and all other University of Connecticut Health Center health care providers and support staff that are part of the primary institution.

The Health Center is involved in litigation claiming damages arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Health Center and are currently in various stages of litigation. It is the opinion of management, however, that the amounts accrued for estimated malpractice costs at June 30, 2005 are adequate to provide for potential losses resulting from pending or threatened litigation and an actuarially determined estimate for incurred but not reported claims.

The Hospital has established a trust fund for the payment of medical malpractice claim settlements. The trust is funded based on actuarially determined amounts and is funded by the Hospital and the primary institution.

9. RESIDENCY TRAINING PROGRAM

The Health Center's School of Medicine Residency Training Program provides area hospitals with the services of interns and residents. Participating hospitals remit payments to the Health Center, in accordance with an established rate schedule, for services provided. The Health Center, in turn, funds the Capital Area Health Consortium, Inc., which coordinates the payment of payroll and the provision of related fringe benefits to the interns and residents, under a contractual arrangement. Amounts remitted or owed by participating hospitals for payments made to interns and residents, and amounts paid or due under contract to the Capital Area Health Consortium, Inc., are reflected in the accompanying financial statements as current unrestricted revenues and expenditures, respectively.

10. BOND FINANCED ALLOTMENTS

The Health Center recognizes an asset when an allotment is processed for State general obligation bonds or when bonds are funded from Health Center resources or issued under the UConn 2000 program are sold.

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act). This Act amended Public Act No. 95-230 that enabled the University to borrow money in its own name for a special ten year capital improvement program (UConn 2000) designed to modernize, rehabilitate, and expand the physical plant of the University. The Act extended the UConn 2000 financing program that was scheduled to end in 2005, for an additional 10 years to June 30, 2015. The new Act authorized additional projects for the University and the Health Center for what is to be called Phase III of UConn 2000 at an estimated cost of \$1,348,400,000. Project costs include \$305,400,000 authorized for the Health Center.

The total revenue of \$98,110,000 was recorded as State debt service commitment for principal for the 2005 Series A bonds includes \$16,390,000 to finance projects for the Health Center. As noted above, Phase III includes a commitment to fund projects totaling \$305,400,000 for the Health Center. As bonds are issued, the amount of the commitment for the Health Center is reflected as an offset to the revenue, which in fiscal year 2005 totaled \$16,390,000. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State debt service commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for the Health Center. A corresponding receivable is recorded for the unspent portion of the bonds (\$16,253,127 at June 30, 2005) in the Statement of Net Assets.

11. RETIREMENT PLAN

All regular full-time employees participate in one of two retirement plans. The State Employees' Retirement System, a single employer defined benefit public employee retirement system, is administered by the State and covers most full-time employees. The State of Connecticut is statutorily responsible for the pension benefits of the Health Center employees who participate in this plan. The Health Center makes contributions on behalf of the employees through a fringe benefit charge assessed by the State.

Alternatively, employees may choose to participate in the Connecticut Alternate Retirement Program (CARP). CARP is a State-administered, portable pension plan offered to eligible employees of the State's constituent units of higher education as an alternate to the State Employees' Retirement System. CARP is underwritten by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). Under this defined contribution plan, plan members are required to contribute 5 percent of their annual salaries; the State is required to contribute 8 percent of covered salary.

12. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 11, the State provides post retirement health care and life insurance benefits to eligible Health Center employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at time of retirement. The State finances the cost of post retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

13. COMMITMENTS

On June 30, 2004, the Health Center had individual outstanding commitments exceeding \$300,000 in amount, totaling \$9,796,364. A portion of this amount was included in the June 30, 2004 accounts payable. Commitments above do not include any commitments arising from the administration of UConn 2000 funds by the University on the Health Center's behalf. Such obligations would be paid directly from proceeds of current and future bond issuances.

The Health Center agreed to pay \$33,350,100 during the 2005-2006 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll and related fringe benefits to the interns and residents participating in the School of Medicine Residency Training Program. These costs are to be funded by participating hospitals, which will remit payments to the Health Center, in accordance with an established rate schedule, for services provided.

The Health Center leases various building space under operating lease commitments, which expire at various dates through fiscal year 2016. Expenses related to these leases were approximately \$2,312,000 and \$2,251,000 for the year ended June 30, 2005 and 2004, respectively. Future minimum rental payments at June 30, 2005 under non-cancelable operating leases are approximately as follows:

Year	Payments
2006 \$	1,139,171
2007	718,356
2008	576,000
2009	594,000
2010	<u>612,000</u>
Totals \$	<u><u>3,639,527</u></u>

14. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the "Foundation") is a tax-exempt organization whose objective is the betterment of the University, including its Health Center. The Foundation is a consolidated part of the University and therefore an affiliated party. As is the case with the University's Storrs based program, the Health Center has entered into a written agreement with the Foundation whereby the Health Center agrees to reimburse the Foundation for certain administrative services, and the Foundation agreed to reimburse the Health Center for certain personal services performed and for operating expenses for the benefit of the Foundation. The following transactions occurred between the Health Center and the Foundation during the year ended June 30, 2005:

Amount paid to the Foundation	\$ <u><u>682,100</u></u>
Amount received from the Foundation	
for personal services and operating expenses	\$ <u><u>122,576</u></u>
Amount received from the Foundation	
from endowments	\$ <u><u>1,305,403</u></u>

In November of 2004 the Health Center through the UCHCFC Munson Corporation (Munson Road Corp.), entered into a related party transaction whereby it exchanged cash, a note payable to the Munson Road, LLC and assumed the mortgage on the Munson Road property from the Munson Road, LLC. Michael Konover, the Secretary of the University of Connecticut Foundation's Board of Directors, is also an owner of Munson Road, LLC.

The building, whose property was adjacent to the Health Center, has 9 years remaining on its mortgage. The mortgage, at 7.85%, will be paid back via monthly payments and a balloon payment due January 2011. The transaction also included a \$300,000 payment and a \$700,000 note payable to Munson Road, LLC. The note, at 6.5%, will be paid back quarterly over the next 6 years.

The University of Connecticut Foundation recorded a gift of \$14 million through the Munson Road Corp., which was the appraised value of the building and the land. The Munson Road Corp., however, has recorded the property at the value of the closing costs, mortgage assumed plus cash and the promissory note to Munson Road LLC. Because the Munson Road Corp. assumed the mortgage rather than purchasing the asset outright on the market we believe that the transaction takes on properties of an exchange of assets; with the Health Center assuming the mortgage in exchange for the property. In these cases, the most accurate valuation is for the party to value the asset obtained based on the assets given up, namely the amount of funds to be paid, the mortgage and the promissory note. For Fiscal 2005 this resulted in interest costs of \$540,317 as well as associated depreciation expense of \$91,000 which has been included in the Statement of Revenues, Expenses, and Net Assets as part of the Health Center's total depreciation expense.

Connecticut Children's Medical Center (CCMC), is a children's hospital that participates in the residency training program at the Health Center. During fiscal year 2006 Dr. Peter Deckers, Executive Vice President for Health Affairs and Dean of the School of Medicine, assumed additional duties and agreed to serve as CCMC's Interim Senior Vice President for Medical Affairs and Chief Medical Officer (CMO) until such time that a permanent CMO is on brought on board.

15. CONTINGENCIES

The Health Center is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on the Health Center financial statements.

[PAGE INTENTIONALLY LEFT BLANK]

SUPPLEMENTAL INFORMATION

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2005

	2005			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 36,603,275	\$ 22,414,304	\$ -	\$ 59,017,579
Assets limited as to use	-	147,246	-	147,246
Patient receivables, net	7,198,308	22,945,037	-	30,143,345
Contract and other receivables	52,237,945	647,662	-	52,885,607
Due from State of Connecticut	4,360,924	-	-	4,360,924
Due from Primary Institution	-	968,783	(968,783)	-
Due from Department of Correction	13,372,269	-	-	13,372,269
Inventories	1,320,151	3,817,264	-	5,137,415
Deferred charges	-	-	-	-
Prepaid expenses	2,608,523	1,612,404	-	4,220,927
Total current assets	<u>117,701,395</u>	<u>52,552,700</u>	<u>(968,783)</u>	<u>169,285,312</u>
Noncurrent Assets				
Restricted cash and cash equivalents	591,540	11,251,343	-	11,842,883
Other assets	-	586,000	-	586,000
Assets limited as to use	1,605,667	871,466	(507,346)	1,969,787
Due from State of Connecticut	5,043,324	-	-	5,043,324
Capital assets, net	157,143,461	55,405,031	-	212,548,492
Total noncurrent assets	<u>164,383,992</u>	<u>68,113,840</u>	<u>(507,346)</u>	<u>231,990,486</u>
Total assets	<u>\$ 282,085,387</u>	<u>\$ 120,666,540</u>	<u>\$ (1,476,129)</u>	<u>\$ 401,275,798</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 13,756,634	\$ 9,131,593	\$ -	\$ 22,888,227
Due to State of Connecticut	2,038,566	3,661,959	-	5,700,525
Accrued salaries	14,599,369	4,409,364	-	19,008,733
Compensated absences	18,281,460	8,685,041	-	26,966,501
Due to John Dempsey Hospital	1,476,129	-	(1,476,129)	-
Due to third party payors	-	8,559,000	-	8,559,000
Deferred revenue	10,081,953	-	-	10,081,953
Malpractice reserve	-	2,634,000	-	2,634,000
Long-term debt - current portion	1,054,923	942,261	-	1,997,184
Total current liabilities	<u>61,289,034</u>	<u>38,023,218</u>	<u>(1,476,129)</u>	<u>97,836,123</u>
Noncurrent Liabilities				
Malpractice reserve	-	10,728,000	-	10,728,000
Compensated absences	5,460,696	2,594,233	-	8,054,929
Long-term debt	34,049,473	2,463,853	-	36,513,326
Total noncurrent liabilities	<u>39,510,169</u>	<u>15,786,086</u>	<u>-</u>	<u>55,296,255</u>
Total liabilities	<u>100,799,203</u>	<u>53,809,304</u>	<u>(1,476,129)</u>	<u>153,132,378</u>
NET ASSETS				
Invested in capital assets, net of related debt	123,051,422	51,998,917	-	175,050,339
Restricted for				
Nonexpendable				
Scholarships	58,451	-	-	58,451
Expendable				
Research	3,392,734	139,949	-	3,532,683
Loans	3,186,477	-	-	3,186,477
Capital projects	20,771,408	-	-	20,771,408
Unrestricted	30,825,692	14,718,370	-	45,544,062
Total net assets	<u>\$ 181,286,184</u>	<u>\$ 66,857,236</u>	<u>\$ -</u>	<u>\$ 248,143,420</u>

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2004

	2004			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 45,549,466	\$ 10,063,002	\$ -	\$ 55,612,468
Assets limited as to use	-	156,520	-	156,520
Patient receivables, net	9,082,141	22,540,074	-	31,622,215
Contract and other receivables	34,186,035	793,302	-	34,979,337
Due from State of Connecticut	3,992,182	-	-	3,992,182
Due from Primary Institution	-	401,569	(401,569)	-
Due from Department of Correction	10,987,085	-	-	10,987,085
Inventories	1,293,919	4,168,164	-	5,462,083
Deferred charges	-	-	-	-
Prepaid expenses	289,917	1,138,755	-	1,428,672
Total current assets	<u>105,380,745</u>	<u>39,261,386</u>	<u>(401,569)</u>	<u>144,240,562</u>
Noncurrent Assets				
Restricted cash and cash equivalents	1,532,564	7,398,142	-	8,930,706
Other assets	-	346,955	-	346,955
Assets limited as to use	16,498,818	1,923,703	(1,428,038)	16,994,483
Due from State of Connecticut	9,185,734	-	-	9,185,734
Capital assets, net	128,472,830	49,846,061	-	178,318,891
Total noncurrent assets	<u>155,689,946</u>	<u>59,514,861</u>	<u>(1,428,038)</u>	<u>213,776,769</u>
Total assets	<u>\$ 261,070,691</u>	<u>\$ 98,776,247</u>	<u>\$ (1,829,607)</u>	<u>\$ 358,017,331</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 18,284,865	\$ 7,210,862	\$ -	\$ 25,495,727
Due to State of Connecticut	1,442,231	1,254,271	-	2,696,502
Accrued salaries	10,917,566	3,683,987	-	14,601,553
Compensated absences	14,886,977	6,768,125	-	21,655,102
Due to John Dempsey Hospital	1,829,607	-	(1,829,607)	-
Due to third party payors	-	3,378,933	-	3,378,933
Deferred revenue	11,338,053	-	-	11,338,053
Malpractice reserve	-	2,308,000	-	2,308,000
Long-term debt - current portion	660,494	979,668	-	1,640,162
Total current liabilities	<u>59,359,793</u>	<u>25,583,846</u>	<u>(1,829,607)</u>	<u>83,114,032</u>
Noncurrent Liabilities				
Malpractice reserve	-	8,032,000	-	8,032,000
Compensated absences	6,688,352	3,040,752	-	9,729,104
Long-term debt	23,175,976	3,397,209	-	26,573,185
Total noncurrent liabilities	<u>29,864,328</u>	<u>14,469,961</u>	<u>-</u>	<u>44,334,289</u>
Total liabilities	<u>89,224,121</u>	<u>40,053,807</u>	<u>(1,829,607)</u>	<u>127,448,321</u>
NET ASSETS				
Invested in capital assets, net of related debt	121,135,178	45,469,184	-	166,604,362
Restricted for				
Nonexpendable				
Scholarships	58,451	-	-	58,451
Expendable				
Research	3,281,508	42,026	-	3,323,534
Loans	3,079,826	-	-	3,079,826
Capital projects	8,931,347	-	-	8,931,347
Unrestricted	35,360,260	13,211,230	-	48,571,490
Total net assets	<u>\$ 171,846,570</u>	<u>\$ 58,722,440</u>	<u>\$ -</u>	<u>\$ 230,569,010</u>

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
ASSETS
For the Year Ended June 30, 2005

	2005				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 8,321,010	\$ -	\$ 8,321,010	\$ -	\$ 8,321,010
Patient services, net	150,013,160	209,828,298	359,841,458	(11,042,139)	348,799,319
Federal grants and contracts	70,187,854	-	70,187,854	-	70,187,854
Nongovernmental grants and contracts	21,200,597	-	21,200,597	-	21,200,597
Contract and other operating revenues	56,127,891	1,330,869	57,458,760	(9,261,829)	48,196,931
Total operating revenues	<u>305,850,512</u>	<u>211,159,167</u>	<u>517,009,679</u>	<u>(20,303,968)</u>	<u>496,705,711</u>
OPERATING EXPENSES					
Educational and General					
Instruction	108,744,118	-	108,744,118	(8,551,432)	100,192,686
Research	60,469,782	-	60,469,782	-	60,469,782
Patient services	179,042,490	196,559,902	375,602,392	(11,730,098)	363,872,294
Academic support	15,169,210	-	15,169,210	-	15,169,210
Institutional support	42,519,506	-	42,519,506	(231)	42,519,275
Operations and maintenance of plant	18,961,521	-	18,961,521	(22,207)	18,939,314
Depreciation	14,390,599	6,523,998	20,914,597	-	20,914,597
Loss on disposal	89,042	38,987	128,029	-	128,029
Student aid	616,426	-	616,426	-	616,426
Total operating expenses	<u>440,002,694</u>	<u>203,122,887</u>	<u>643,125,581</u>	<u>(20,303,968)</u>	<u>622,821,613</u>
Operating (loss) income	<u>(134,152,182)</u>	<u>8,036,280</u>	<u>(126,115,902)</u>	<u>-</u>	<u>(126,115,902)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	124,580,676	-	124,580,676	-	124,580,676
Gifts	1,507,042	-	1,507,042	-	1,507,042
Interest income, net	2,085,114	254,274	2,339,388	-	2,339,388
Interest on capital asset - related debt	(1,471,036)	(155,758)	(1,626,794)	-	(1,626,794)
Net nonoperating revenues	<u>126,701,796</u>	<u>98,516</u>	<u>126,800,312</u>	<u>-</u>	<u>126,800,312</u>
Income before other revenues, expenses, gains or losses	<u>(7,450,386)</u>	<u>8,134,796</u>	<u>684,410</u>	<u>-</u>	<u>684,410</u>
Capital appropriations	<u>16,890,000</u>	<u>-</u>	<u>16,890,000</u>	<u>-</u>	<u>16,890,000</u>
Total other revenues	<u>16,890,000</u>	<u>-</u>	<u>16,890,000</u>	<u>-</u>	<u>16,890,000</u>
Increase in net assets	<u>9,439,614</u>	<u>8,134,796</u>	<u>17,574,410</u>	<u>-</u>	<u>17,574,410</u>
NET ASSETS					
Net assets-beginning of year	171,846,570	58,722,440	230,569,010	-	230,569,010
Net assets-end of year	<u>\$ 181,286,184</u>	<u>\$ 66,857,236</u>	<u>\$ 248,143,420</u>	<u>\$ -</u>	<u>\$ 248,143,420</u>

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
ASSETS
For the Year Ended June 30, 2004

	2004				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 7,659,757	\$ -	\$ 7,659,757	\$ -	\$ 7,659,757
Patient services, net	140,486,966	184,578,641	325,065,607	(5,288,297)	319,777,310
Federal grants and contracts	65,019,826	-	65,019,826	-	65,019,826
State and local grants and contracts	-	-	-	-	-
Nongovernmental grants and contracts	23,856,803	-	23,856,803	-	23,856,803
Contract and other operating revenues	55,495,415	2,331,752	57,827,167	(9,384,329)	48,442,838
Total operating revenues	<u>292,518,767</u>	<u>186,910,393</u>	<u>479,429,160</u>	<u>(14,672,626)</u>	<u>464,756,534</u>
OPERATING EXPENSES					
Educational and General					
Instruction	106,922,690	-	106,922,690	(8,647,962)	98,274,728
Research	56,597,973	-	56,597,973	-	56,597,973
Patient services	164,548,406	177,729,642	342,278,048	(6,023,014)	336,255,034
Academic support	14,891,907	-	14,891,907	-	14,891,907
Institutional support	43,975,795	-	43,975,795	(1,650)	43,974,145
Operations and maintenance of plant	14,889,973	-	14,889,973	-	14,889,973
Depreciation	13,955,874	5,555,208	19,511,082	-	19,511,082
Loss on disposal	86,169	254,460	340,629	-	340,629
Student aid	776,293	-	776,293	-	776,293
Total operating expenses	<u>416,645,080</u>	<u>183,539,310</u>	<u>600,184,390</u>	<u>(14,672,626)</u>	<u>585,511,764</u>
Operating (loss) income	<u>(124,126,313)</u>	<u>3,371,083</u>	<u>(120,755,230)</u>	<u>-</u>	<u>(120,755,230)</u>
State appropriations	119,067,925	-	119,067,925	-	119,067,925
Gifts	684,769	3,364	688,133	-	688,133
Interest income, net	2,038,871	64,851	2,103,722	-	2,103,722
Interest on capital asset - related debt	(69,884)	(163,436)	(233,320)	-	(233,320)
Net nonoperating revenues	<u>121,721,681</u>	<u>(95,221)</u>	<u>121,626,460</u>	<u>-</u>	<u>121,626,460</u>
Income before other revenues, expenses, gains or losses	<u>(2,404,632)</u>	<u>3,275,862</u>	<u>871,230</u>	<u>-</u>	<u>871,230</u>
Capital appropriations	3,931,636	-	3,931,636	-	3,931,636
Total other revenues	<u>3,931,636</u>	<u>-</u>	<u>3,931,636</u>	<u>-</u>	<u>3,931,636</u>
Increase in net assets	<u>1,527,004</u>	<u>3,275,862</u>	<u>4,802,866</u>	<u>-</u>	<u>4,802,866</u>
NET ASSETS					
Net assets-beginning of year	170,319,566	55,446,578	225,766,144	-	225,766,144
Net assets-end of year	<u>\$ 171,846,570</u>	<u>\$ 58,722,440</u>	<u>\$ 230,569,010</u>	<u>\$ -</u>	<u>\$ 230,569,010</u>

[PAGE INTENTIONALLY LEFT BLANK]

DIRECTORS AND FINANCIAL OFFICERS June 30, 2005

BOARD OF DIRECTORS

Members at Large

Gerald N. Burrow	<i>Hamden</i>
Bruce Chudwick	<i>Farmington</i>
Aldrage B. Cooper	<i>Skillman, NJ</i>
A. Jon Goldberg	<i>W. Hartford</i>
Robert J. Hennessey	<i>Cheshire</i>
Nancy J. Hutson	<i>Stonington</i>
* Paul H. Johnson	<i>Guilford</i>
Gerard J. Lawrence, MD	<i>Lyme</i>
David P. Marks	<i>W. Hartford</i>
Robert T. Samuels	<i>W. Hartford</i>

Appointed by the Governor

* Thomas J. Devers, MD	<i>New Britain</i>
David B. Friend, MD	<i>Weston, MA</i>
Jay L. Haberland	<i>Simsbury</i>

Members Ex Officio

Philip E. Austin	<i>Storrs</i>
* The Honorable Marc S. Ryan	<i>Higganum</i>
J. Robert Galvin	<i>Hartford</i>
Anne Gnazzo	<i>Hartford</i>

Appointed by Chairperson, Board of Trustees

The Honorable James F. Abromaitis	<i>Unionville</i>
Lenworth M. Jacobs, MD	<i>W. Hartford</i>
Claire R. Leonardi, Chairperson	<i>Harwinton</i>

* Term ended or resigned during the fiscal year.

FINANCIAL OFFICERS

Lorraine M. Aronson, Vice President and Chief Financial Officer
Daniel L. Upton, Chief Financial Officer
James H. Thornton, Controller
Jeffrey P. Geoghegan, Assistant Vice President, Finance

