



University of Connecticut  
Health Center

Financial Report  
For the Year Ended June 30, 2007

## 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. On September 14, 2007, the University welcomed its fourteenth president, Michael J. Hogan. 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 activities, including projects for the Health Center starting in 2005.

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. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises 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.

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 one of Connecticut's largest employers 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.

### 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 Medical Dentistry).

Each year at UConn, 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; 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, 1,249 men and women have received the D.M.D. degree; 2,662 the M.D. degree.

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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, high-quality research programs have been part of the institution's fabric. This history 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. In recent years, the University has also become a leader in stem cell research. 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 \$92.5 million in FY 07.

#### 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 and health education.

#### Health Care Services

Through John Dempsey Hospital (224 licensed 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. This year the hospital was named one of the nation's top 100 hospitals, according to the *Solucient 100 Top Hospitals®: National Benchmarks for Success* study for 2006, one of only 15 hospitals nationwide recognized in the major teaching hospital category. In fiscal years 2005 and 2006, 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. Health Center physicians make up the UConn Medical Group, the largest medical practice in Greater Hartford, offering primary care and services in more than 50 specialties.

While the hospital, the faculty practice and the dental clinics continue to achieve record volume, the challenges of the health care marketplace (recruitment, malpractice reserves and low reimbursement) continue to take their toll. John Dempsey Hospital's financial health is also directly affected by its small size, bed distribution (only half are medical/surgical), poorly reimbursed services provided as part of its public mission and cost factors resulting from its status as a state entity. The General Assembly has recognized the challenges facing the UConn Health Center, and has commissioned an independent study to be submitted to the legislature in its upcoming 2008 session.

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

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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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, 2007 and 2006, 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 and the University of Connecticut 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 29 and 33 percent of the assets of the Health Center as of June 30, 2007 and 2006, respectively and 31 and 33 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, based upon our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Health Center, as of June 30, 2007 and 2006, 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 inquires 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 cursive.

Kevin P. Johnston  
Auditor of Public Accounts

Handwritten signature of Robert G. Jaekle in cursive.

Robert G. Jaekle  
Auditor of Public Accounts

January 23, 2008  
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, 2007. 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") which includes the operations of the Farmington Surgery Center LLC., (the "FSC"). The Health Center's enrollment in fiscal year 2007 was 328 in the School of Medicine, 159 in the School of Dental Medicine, and 393 Graduate students, taught by over 500 full time equivalent (FTE) faculty members. The Health Center employs approximately 5,000 people. John Dempsey Hospital (JDH) has 204 acute care beds and 20 nursery beds and in fiscal year 2007 provided care to over 377,000 inpatient and outpatient visits. UConn Medical Group (UMG) in fiscal year 2007 provided care to over 531,000 unique 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, 2007, 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.

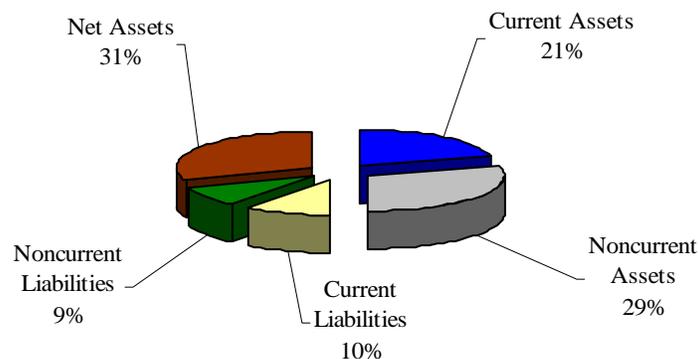
## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net assets, statements of revenues, expenses and changes in net assets and statements of cash flows) present the financial position of the Health Center at June 30, 2007, 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. These statements report 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 statements 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 at June 30, 2007, consisted of assets of \$437.6 million and liabilities of \$165.1 million. Net assets, which represent the residual interest in the Health Center's assets after liabilities are deducted, increased \$17.9 million in fiscal year 2007 to \$272.5 million at June 30, 2007.

### Statement of Net Assets



The increase in net assets is primarily attributable to 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, 2007, 2006 and 2005 as follows:

	(in millions)		
	2007	2006	2005
Total operating revenue	\$ 526.5	\$ 512.1	\$ 496.7
Total operating expenses	692.9	654.6	622.8
Operating (loss)	(166.4)	(142.5)	(126.1)
Other changes in net assets	184.3	149.0	143.7
Increase in net assets	\$ 17.9	\$ 6.5	\$ 17.6

The financial statements contained herein show an operating loss of \$166.4 million for the year ending June 30, 2007 (fiscal year 2007). 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 loss before capital appropriations of \$5.1 million in fiscal year 2007.

Sources of recurring operating and nonoperating revenues increased in 2007 and most are expected to have slight increases in 2008, including tuition and fees revenue, patient service revenues and contract revenues. State support, not including state funded capital appropriations, increased 20.5% from the prior year mainly due to a \$22.1 million deficit appropriation for FY 2007.

## STATEMENTS OF NET ASSETS

The statements 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, 2007, 2006 and 2005 is as follows:

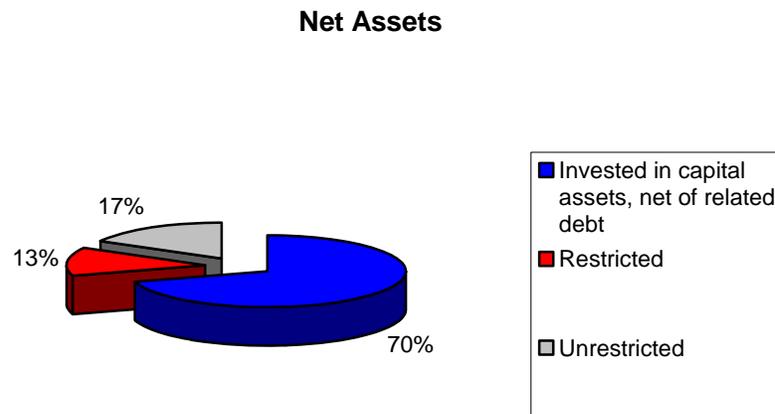
	(in millions)		
	2007	2006	2005
Current assets	\$ 180.0	\$ 169.9	\$ 169.3
Noncurrent assets:			
Capital assets, net	235.4	226.3	212.5
Other	22.2	22.1	19.4
Total assets	<u>\$ 437.6</u>	<u>\$ 418.3</u>	<u>\$ 401.2</u>
Current liabilities	\$ 90.1	\$ 81.7	\$ 84.5
Noncurrent liabilities	75.0	82.0	68.6
Total liabilities	<u>\$ 165.1</u>	<u>\$ 163.7</u>	<u>\$ 153.1</u>
Net assets	<u>\$ 272.5</u>	<u>\$ 254.6</u>	<u>\$ 248.1</u>

The total assets of the Health Center increased by \$19.4 million, or 4.6% over the prior year. The increase was primarily due to an increase in patient receivables of \$14.5 million due to changes in the billing system at year end. Additionally there was an increase in plant of \$9.1 million, not including amounts due from affiliates which represent UCONN 2000 bond funds held by the University for the Health Center. These increases were offset by a \$1.4 million decrease in the receivable for capital allocations from the State of Connecticut not associated with UCONN 2000 bond funds.

The total liabilities for the year increased by \$1.5 million or less than 1% primarily due to a \$4.1 million increase in accounts payable and accrued liabilities owed at year end and \$3.4 million increase in Deferred Revenue mainly due to grant related activities. These increases were offset by a \$4.1 million decrease in long-term debt. Decreases in long-term debt resulted from the principal payments made during FY 2007. See footnote number 8 for more details.

**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 \$272.5 million at June 30, 2007, which was made up of the following:

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

The statements 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, 2007, 2006 and 2005 are as follows:

	(in millions)		
	2007	2006	2005
Operating revenues			
Patient Services	\$ 375.9	\$ 363.1	\$ 348.8
Grants and Contracts	90.9	91.3	91.4
Other	59.7	57.7	56.5
Total operating revenue	<u>526.5</u>	<u>512.1</u>	<u>496.7</u>
Operating expenses			
Patient services	398.3	379.8	363.9
Instruction	104.1	100.1	100.2
Other	190.5	174.7	158.7
Total operating expenses	<u>692.9</u>	<u>654.6</u>	<u>622.8</u>
Operating (loss)	(166.4)	(142.5)	(126.1)
Net nonoperating revenues	161.3	134.1	126.8
Total other revenues	<u>23.0</u>	<u>14.9</u>	<u>16.9</u>
Increase in net assets	<u>\$ 17.9</u>	<u>\$ 6.5</u>	<u>\$ 17.6</u>

Revenue highlights for the year ending June 30, 2007, including operating and nonoperating revenues and capital additions, presented on the Statements of Revenues Expenses, and Changes in Net Assets are as follows:

- The largest source of revenue was patient service revenue. Patient service revenue increased \$12.8 million or 3.5% over the prior year. Prior to eliminations the increase for the Uconn Medical Group of \$6.1 million or 9.6% was mainly due to increased volume. In addition the Correctional Managed Health Care program increased \$8 million or 9.2% due to increased costs related to the agreement with the State of Connecticut Department of Correction. 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 \$157.3 million. This represents a 20.5% increase over the prior year mainly due to the deficiency appropriation of \$22.1 million and increased in-kind fringe benefits associated with salary expense of general funded employees.

Highlights of expenses including operating and nonoperating expenses presented on the Statements 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 57.5% of total operating expenses. It increased of \$18.5 million or 4.9% over the prior year. The increase is mainly attributable to the increase in patient volume for the John Dempsey Hospital and UConn Medical Group.
- Instruction, the Health Center's second largest operating expense, increased \$4.0 million or 4%. 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.

## STATEMENTS OF CASH FLOWS

The statements 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 statements of cash flows for the years ended June 30, 2007, 2006 and 2005 is as follows:

	(in millions)		
	2007	2006	2005
Cash received from operations	\$ 507.0	\$ 500.2	\$ 498.1
Cash expended for operations	(601.2)	(573.1)	(542.2)
Net cash (used in) operating activities	(94.2)	(72.9)	(44.1)
Net cash (used in) investing activities	(30.6)	(25.4)	(37.7)
Net cash provided by noncapital financing activities	98.1	77.1	74.7
Net cash provided by capital and related financing activities	11.9	10.3	13.4
Net (decrease) increase in cash and cash equivalents	(14.8)	(10.9)	6.3
Cash and cash equivalents, beginning of the year	59.9	70.8	64.5
Cash and cash equivalents, end of the year	\$ 45.1	\$ 59.9	\$ 70.8

## **CAPITAL AND DEBT ACTIVITIES**

During fiscal year 2007 the Health Center participated in the UCONN 2000 program. This is the third phase of the program also known as 21<sup>st</sup> 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 10 year life of this program. During fiscal 2007 the Health Center received \$23.5 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, 2007, the Health Center had plant and equipment, net of accumulated depreciation, of \$235.4 million. The Health Center's fiscal 2008 capital budget projects spending of approximately \$49.3 million, which includes \$20.5 million from issuance of UCONN 2000 Bond Funds, \$2 million from allocated State bond funds, and \$26.8 million from other Health Center sources.

Debt activity during fiscal year 2007 was the annual payments for the bonds and loans outstanding and lease payments on capital leases 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 2008 OUTLOOK**

Results of operations for the early months of Fiscal Year 2008 indicate that the clinical operations of the Health Center are expected to have operating losses in FY 2008. Management reported to the Board of Directors that the Health Center experienced a \$5 million deficit for the first quarter (July through September) of Fiscal Year 2008. The deficit is \$4 million below budget for the quarter and is due primarily to revenue shortfalls in the John Dempsey Hospital. At publication time the Health Center reserves are being exhausted and clinical receivables are approaching the hypothecation limit. A request for a FY 2008 deficiency appropriation is likely.

Deficit reduction efforts are already underway. Facilities Management and Purchasing departments developed an open market competitive bid process for electric power purchases that will produce an estimated annual savings of \$1.0 million. A similar energy purchasing effort undertaken by the state is estimated to yield savings for the Health Center of \$.5 million this fiscal year. The recently adopted federal budget reinstates a Medicare Wage Index, yielding higher-than-budgeted reimbursement that will also offset some of the projected deficit.

Management has retained the services of an outside consultant to review and identify areas of fiscal improvement for the Hospital and the Health Center as a whole. This review is led by senior management in close coordination with the Health Center's Board of Directors. Improvement recommendations will be thoroughly reviewed, with an action plan developed and implemented during Fiscal Year 2008. In addition, the General Assembly has recognized the challenges facing the state's only public academic medical center, and has commissioned an independent study to be submitted to the legislature in its upcoming 2008 session.

## **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.

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# **FINANCIAL STATEMENTS**

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**STATEMENTS OF NET ASSETS**  
**As of June 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 25,652,441	\$ 42,038,494
Assets limited as to use	129,362	136,998
Patient receivables, net	51,711,050	37,170,955
Contract and other receivables	39,248,229	37,151,940
Due from Affiliates	27,671,053	22,270,879
Due from State of Connecticut	4,774,697	5,063,151
Due from Department of Correction	15,412,738	11,208,612
Inventories	6,877,027	6,355,073
Due from third party payors	3,426,454	1,518,871
Prepaid expenses	5,124,597	6,974,216
Total current assets	180,027,648	169,889,189
Noncurrent Assets		
Restricted cash and cash equivalents	19,432,692	17,895,446
Other assets	554,056	509,655
Assets limited as to use	117,971	232,327
Due from State of Connecticut	2,111,643	3,463,991
Capital assets, net	235,411,255	226,288,121
Total noncurrent assets	257,627,617	248,389,540
Total assets	\$ 437,655,265	\$ 418,278,729
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 27,813,288	\$ 23,713,348
Due to State of Connecticut	4,459,110	5,826,487
Accrued salaries	21,954,663	21,793,659
Compensated absences	15,644,351	12,810,022
Deferred revenue	12,424,257	9,013,575
Malpractice reserve	3,461,000	3,853,000
Long-term debt - current portion	4,352,942	4,627,734
Total current liabilities	90,109,611	81,637,825
Noncurrent Liabilities		
Malpractice reserve	16,539,000	17,783,000
Compensated absences	19,120,873	20,036,189
Minority financing interests - Farmington Surgery Center	-	1,019,904
Long-term debt	39,371,428	43,173,213
Total noncurrent liabilities	75,031,301	82,012,306
Total liabilities	165,140,912	163,650,131
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	191,686,885	179,022,474
Restricted for		
Nonexpendable		
Scholarships	60,451	60,451
Expendable		
Research	3,671,928	3,497,523
Loans	2,467,815	2,967,866
Capital projects	28,666,563	24,425,576
Unrestricted	45,960,711	44,654,708
Total net assets	\$ 272,514,353	\$ 254,628,598

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, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$4,004,087 and \$3,322,672 respectively)	\$ 10,038,089	\$ 9,209,712
Patient services (net of charity care of \$625,855 and \$393,055 respectively)	375,948,065	363,141,419
Federal grants and contracts	67,728,461	66,921,657
Nongovernmental grants and contracts	23,204,664	24,343,306
Contract and other operating revenues	49,572,571	48,450,061
Total operating revenues	526,491,850	512,066,155
<b>OPERATING EXPENSES</b>		
<b>Educational and General</b>		
Instruction	104,108,143	100,072,838
Research	60,855,860	58,519,762
Patient services	398,266,901	379,792,590
Academic support	15,117,594	15,316,392
Institutional support	63,643,242	54,677,512
Operations and maintenance of plant	22,881,307	20,241,322
Depreciation	27,359,818	25,172,041
Loss on disposal	240,695	189,089
Student aid	414,697	543,726
Total operating expenses	692,888,257	654,525,272
Operating loss	(166,396,407)	(142,459,117)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	157,279,599	130,527,835
Gifts	1,181,589	974,337
Investment income (net of investment expense of \$64,496 and \$65,196, respectively)	5,831,577	5,385,122
Interest on capital asset - related debt	(2,972,544)	(2,863,424)
Net nonoperating revenues	161,320,221	134,023,870
Loss before other revenues, expenses, gains or losses	(5,076,186)	(8,435,247)
Capital appropriations	22,961,941	14,920,425
Total other revenues	22,961,941	14,920,425
Increase in net assets	17,885,755	6,485,178
<b>NET ASSETS</b>		
Net assets-beginning of year	254,628,598	248,143,420
Net assets-end of year	\$ 272,514,353	\$ 254,628,598

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, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 355,296,261	\$ 353,621,838
Cash received from tuition and fees	10,038,089	9,209,712
Cash received from grants, contracts and other revenue	141,699,443	137,393,694
Cash paid to employees for personal services and fringe benefits	(401,097,848)	(376,628,474)
Cash paid for other than personal services	(200,121,738)	(196,515,052)
Net cash (used in) operating activities	(94,185,793)	(72,918,282)
Cash flows from investing activities:		
Net change in malpractice, advances and bond trust funds	121,992	1,747,708
Interest received	5,977,567	5,306,515
Additions to property and equipment	(36,723,647)	(32,476,705)
Net cash (used in) investing activities	(30,624,088)	(25,422,482)
Cash flows from noncapital financing activities:		
State appropriations	96,914,491	76,154,940
Gifts	1,181,589	974,337
Net cash provided by noncapital financing activities	98,096,080	77,129,277
Cash flows from capital and related financing activities:		
Capital appropriations	18,914,115	10,482,006
Interest paid	(2,972,544)	(2,863,424)
Net repayment, proceeds of long-term debt	(4,076,577)	2,666,383
Net cash provided by capital and related financing activities	11,864,994	10,284,965
Net decrease in cash and cash equivalents	(14,848,807)	(10,926,522)
Cash and cash equivalents at beginning of year	59,933,940	70,860,462
Cash and cash equivalents at end of year	\$ 45,085,133	\$ 59,933,940
Accompanying schedule of non-cash transactions		
Proceeds from capital leases	\$ —	\$ 6,624,054

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, 2007 and 2006**

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

	<b>2007</b>	<b>2006</b>
Operating loss	\$ (166,396,407)	\$ (142,459,117)
Adjustments to reconcile operating income to net cash		
(Used in) operating activities:		
Depreciation and loss on disposal	27,600,513	25,361,130
Personal services and fringe benefits in-kind from State	60,321,827	54,069,952
Changes in assets and liabilities:		
Patients receivables, net	(14,540,095)	(7,027,610)
Contract and other receivables	(1,910,544)	(519,460)
Due from DOC	(4,204,126)	2,163,657
Inventories	(521,954)	(1,217,658)
Third party payors	(1,907,583)	(10,077,871)
Prepaid expenses	1,849,619	(2,753,289)
Other assets	(44,401)	76,345
Accounts payable and accrued liabilities	4,099,940	825,121
Due to State of Connecticut	(1,367,377)	(194,715)
Accrued salaries	161,004	2,784,926
Compensated absences	1,919,013	(2,175,219)
Deferred revenue	3,410,682	(1,068,378)
Minority financing interests - Farmington Surgery Center	(1,019,904)	1,019,904
Malpractice reserve	(1,636,000)	8,274,000
Net cash (used in) operating activities	\$ (94,185,793)	\$ (72,918,282)

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

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# **NOTES TO FINANCIAL STATEMENTS**

## **Notes to Financial Statements For the Years Ended June 30, 2007 and 2006**

### **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, 2007 and 2006, 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") which includes the operations of the Farmington Surgery Center LLC., (the "FSC"). The FSC, located on the second floor of the Medical Arts Research Building (MARB), is a public-private partnership with Health Resources International. The FSC was open for business throughout the year. As per the operating agreement, the Hospital receives the majority share of the entity's gains and losses. The Hospital also serves as the default guarantor for liabilities generated by the business. As such, based on industry practice as influenced by FIN 46, the Hospital has consolidated the Surgery Center operations into these consolidated financial statements. 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.

For reporting periods beginning after June 15, 2005, GASB Statement No. 47, *Accounting for Termination Benefits*, was required for universities. This statement requires employers to recognize a liability and expense for voluntary termination benefits when the termination offer is accepted and the amount of the benefits can be estimated. Any pension liability related to early retirement is the State's responsibility and therefore none is recorded by the Health Center (see Note 11). Related to an early retirement plan in fiscal year 2003, an accrual for Compensated Absences is recorded as of June 30, 2006 and 2005 (see Note 8).

#### **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, 2007, and 2006, these costs are included in the statements of revenues, expenses and changes in net assets.

**Reclassification**

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation. In particular bad debt expense related to patient accounts receivable have been reclassified from an expense as presented in the prior year financial statements to a reduction of revenue as presented in these statements. See footnote Number 4 for more details.

**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, 2007, the Health Center's cash and cash equivalents balance was \$45,085,133 which included \$13,543,047 of negative cash balances maintained by the State of Connecticut Treasurer mainly due to the Hospital which went into a negative position as allowed by state statute, \$58,080,913 of investments with the State of Connecticut Investment Pool (Short Term Investment Fund), \$545,767 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 \$13,543,047 of negative 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 \$58,080,913 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 \$545,767 were considered uninsured and uncollateralized (Category 3).

The Health Center's investments of \$245,170 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, 2007 was \$2,614,537. 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, 2007 was \$103,238.

**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 2007 and 2006, the Hospital provided charity care services of \$625,855 and \$393,055, respectively. The cost basis of these services was \$334,447 and \$201,996 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>2007</u>	<u>2006</u>
John Dempsey Hospital		
Gross patient services revenue	\$ 388,962,741	\$ 373,182,759
Less allowances	161,624,912	148,942,812
Less bad debts	<u>6,099,715</u>	<u>3,610,639</u>
Net patient service revenue	221,238,114	220,629,308
UConn Medical Group		
Gross patient services revenue	152,517,298	143,058,471
Less allowances	81,417,968	77,800,263
Less bad debts	<u>1,166,852</u>	<u>1,441,444</u>
Net patient service revenue	69,932,478	63,816,764
Correctional Managed Health Care	94,881,163	86,852,076
All other	<u>3,129,514</u>	<u>2,502,839</u>
Total net patient service revenue per business unit	389,181,269	373,800,987
Eliminations	<u>(13,233,204)</u>	<u>(10,659,568)</u>
Total net patient service revenue	\$ <u><u>375,948,065</u></u>	\$ <u><u>363,141,419</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, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 8,423,594	8,423,594
Construction in Progress	32,031,865	26,125,745
Buildings	328,130,080	316,774,893
Equipment	187,550,388	170,020,373
Capital leases	<u>10,797,169</u>	<u>10,795,834</u>
	566,933,096	532,140,439
Less accumulated depreciation	<u>331,521,841</u>	<u>305,852,318</u>
Capital assets, net	\$ <u><u>235,411,255</u></u>	<u><u>226,288,121</u></u>

The Health Center's fine art collection is capitalized on the statements of net assets. This collection is included in equipment in the Primary Institution and totaled \$645,736 at June 30, 2007 and 2006. Plant and equipment activity and related information on accumulated depreciation for the Health Center for the years ended June 30, 2007 and 2006 was as follows:

	<u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>2007</u>
<u>Property and equipment:</u>				
Land	\$ 8,423,594	\$ -	\$ -	\$ 8,423,594
Construction in Progress	26,125,745	23,154,778	(17,248,658)	32,031,865
Buildings	308,351,948	10,968,020	-	319,319,968
Improvements other than buildings	8,422,945	387,167	-	8,810,112
Equipment	170,020,373	19,461,005	(1,930,990)	187,550,388
Capital leases	10,795,834	1,335	-	10,797,169
Total property and equipment	<u>532,140,439</u>	<u>53,972,305</u>	<u>(19,179,648)</u>	<u>566,933,096</u>
<u>Less accumulated depreciation:</u>				
Buildings	170,286,256	9,846,538	-	180,132,794
Improvements other than buildings	6,388,026	159,828	-	6,547,854
Equipment	126,414,423	15,218,521	(1,690,295)	139,942,649
Capital Leases	2,763,613	2,134,931	-	4,898,544
Total accumulated depreciation	<u>305,852,318</u>	<u>27,359,818</u>	<u>(1,690,295)</u>	<u>331,521,841</u>
<u>Net property and equipment:</u>				
Land	8,423,594	-	-	8,423,594
Construction in Progress	26,125,745	23,154,778	(17,248,658)	32,031,865
Buildings	138,065,692	1,121,482	-	139,187,174
Improvements other than buildings	2,034,919	227,339	-	2,262,258
Equipment	43,605,950	4,242,484	(240,695)	47,607,739
Capital leases	8,032,221	(2,133,596)	-	5,898,625
Total capital assets, net	<u>\$ 226,288,121</u>	<u>\$ 26,612,487</u>	<u>\$ (17,489,353)</u>	<u>\$ 235,411,255</u>
	<u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>2006</u>
<u>Property and equipment:</u>				
Land	\$ 8,423,594	\$ -	\$ -	\$ 8,423,594
Construction in Progress	26,052,366	15,118,639	(15,045,260)	26,125,745
Buildings	292,050,457	16,301,491	-	308,351,948
Improvements other than buildings	8,341,119	81,826	-	8,422,945
Equipment	157,856,145	16,020,009	(3,855,781)	170,020,373
Capital leases	4,171,780	6,624,054	-	10,795,834
Total property and equipment	<u>496,895,461</u>	<u>54,146,019</u>	<u>(18,901,041)</u>	<u>532,140,439</u>
<u>Less accumulated depreciation:</u>				
Buildings	160,704,632	9,581,624	-	170,286,256
Improvements other than buildings	6,257,185	130,841	-	6,388,026
Equipment	116,133,618	13,947,497	(3,666,692)	126,414,423
Capital leases	1,251,534	1,512,079	-	2,763,613
Total accumulated depreciation	<u>284,346,969</u>	<u>25,172,041</u>	<u>(3,666,692)</u>	<u>305,852,318</u>
<u>Net property and equipment:</u>				
Land	8,423,594	-	-	8,423,594
Construction in Progress	26,052,366	15,118,639	(15,045,260)	26,125,745
Buildings	131,345,825	6,719,867	-	138,065,692
Improvements other than buildings	2,083,934	(49,015)	-	2,034,919
Equipment	41,722,527	2,072,512	(189,089)	43,605,950
Capital leases	2,920,246	5,111,975	-	8,032,221
Total capital assets, net	<u>\$ 212,548,492</u>	<u>\$ 28,973,978</u>	<u>\$ (15,234,349)</u>	<u>\$ 226,288,121</u>

Construction in progress at June 30, 2007 and 2006, 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.

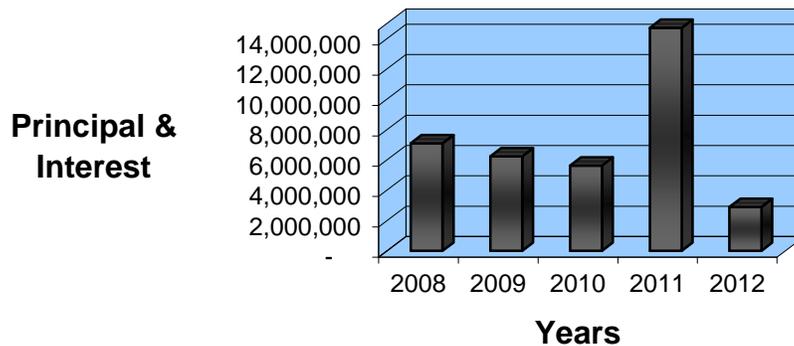
## 8. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2007 and 2006 was as follows:

	June 30, 2006			June 30, 2007	
	Balance	Additions	Reductions	Balance	Amounts due within 1 year
<b>Long-Term debt:</b>					
Bonds Payable John Dempsey Hospital	\$ 276,741	-	113,774	162,967	142,159
Bonds Payable Primary Institution	490,457	-	195,984	294,473	250,116
Loans payable John Dempsey Hospital	5,355,300	-	788,121	4,567,179	830,396
Lease Agreements John Dempsey Hospital	8,117,261	-	2,090,088	6,027,173	2,183,617
Mortgage Agreements Primary Institution	33,561,188	-	888,610	32,672,578	946,654
Total Long-Term Debt	47,800,947	-	4,076,577	43,724,370	4,352,942
<b>Malpractice reserve</b>	21,636,000	3,011,664	4,647,664	20,000,000	3,461,000
<b>Compensated absences</b>	32,846,211	21,710,338	19,791,325	34,765,224	15,644,351
<b>Total Long - Term Liabilities</b>	\$ 102,283,158	24,722,002	28,515,566	98,489,594	23,458,293
	June 30, 2005			June 30, 2006	Amounts due within 1 year
	Balance	Additions	Reductions	Balance	
<b>Long-Term debt:</b>					
Bonds Payable John Dempsey Hospital	\$ 404,882	-	128,141	276,741	112,491
Bonds Payable Primary Institution	711,189	-	220,732	490,457	197,913
Loans payable John Dempsey Hospital	-	5,355,300	-	5,355,300	1,338,633
Lease Agreements John Dempsey Hospital	3,001,232	6,624,055	1,508,026	8,117,261	2,090,088
Mortgage Agreements Primary Institution	34,393,207	-	832,019	33,561,188	888,609
Total Long-Term Debt	38,510,510	11,979,355	2,688,918	47,800,947	4,627,734
<b>Malpractice reserve</b>	13,362,000	11,777,394	3,503,394	21,636,000	3,853,000
<b>Compensated absences</b>	\$ 35,021,430	11,498,002	13,673,221	32,846,211	12,810,022
<b>Total Long - Term Liabilities</b>	86,893,940	35,254,751	19,865,533	102,283,158	21,290,756

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>
2008	\$ 7,096,964
2009	6,241,511
2010	5,637,766
2011	14,717,145
2012	2,899,511
Thereafter	<u>25,432,382</u>
Totals	\$ <u><u>62,025,279</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.

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, 2007 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 University recorded total revenue of \$89,355,000 as State debt service commitment for principal for the 2007 Series A bonds which includes \$23,510,425 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 2007 totaled \$23,510,425. 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 (\$27,671,053 at June 30, 2007) 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. This plan's third party administrator is ING. 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, 2007, the Health Center had individual outstanding commitments exceeding \$300,000 in amount, totaling \$6,522,687. A portion of this amount was included in the June 30, 2006 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 \$35,457,592 during the 2007-2008 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 2017. Expenses related to these leases were approximately \$2,347,000 and \$3,420,000 for the years ended June 30, 2007 and 2006, respectively. Future minimum rental payments at June 30, 2007 under non-cancelable operating leases are approximately as follows:

<b>Year</b>	<b>Payments</b>
2008 \$	1,930,756
2009	1,682,051
2010	1,700,051
2011	1,243,775
2012	<u>892,350</u>
Total \$	<u><u>7,448,983</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, 2007:

Amount paid to the Foundation	\$ <u><u>1,053,000</u></u>
Amount received from the Foundation	
for personal services and operating expenses	\$ <u><u>136,026</u></u>
Amount received from the Foundation	
from endowments	\$ <u><u>4,134,423</u></u>

**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's financial statements.

**16. ACQUISITION OF MINORITY FINANCING INTEREST IN FARMINGTON SURGERY CENTER**

As of July 1, 2006, the Health Center and Health Resources International ("HRI") entered into an agreement whereby the Hospital, with the Finance Corporation acting on its behalf, would purchase the remaining interests of the Farmington Surgery Center LLC. (FSC) for \$1.65 million in cash. The agreement was contingent upon approval by the State of Connecticut's Office of Health Care Access which waived its right to a Certificate of Need (CON) Determination process. The lump sum payment was made in October of 2006.

The FSC ceased operations in October of 2006. The facility, which is located on the Health Center campus, remained open with no interruption under the operation of Hospital management.

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# **SUPPLEMENTAL INFORMATION**

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**CONSOLIDATING STATEMENT OF NET ASSETS**  
**As of June 30, 2007**

	2007			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 39,023,920	\$ -	\$ (13,371,479)	\$ 25,652,441
Assets limited as to use	-	129,362	-	129,362
Patient receivables, net	12,150,423	39,560,627	-	51,711,050
Contract and other receivables	38,817,991	430,238	-	39,248,229
Due from Affiliates	27,671,053	-	-	27,671,053
Due from State of Connecticut	4,774,697	-	-	4,774,697
Due from Primary Institution	-	3,340,606	(3,340,606)	-
Due from Department of Correction	15,412,738	-	-	15,412,738
Inventories	1,632,546	5,244,481	-	6,877,027
Due from third party payors	-	3,426,454	-	3,426,454
Prepaid expenses	2,422,520	2,702,077	-	5,124,597
Total current assets	<u>141,905,888</u>	<u>54,833,845</u>	<u>(16,712,085)</u>	<u>180,027,648</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	80,754	19,351,938	-	19,432,692
Other assets	-	554,056	-	554,056
Assets limited as to use	-	117,971	-	117,971
Due from State of Connecticut	2,111,643	-	-	2,111,643
Capital assets, net	170,543,488	64,867,767	-	235,411,255
Total noncurrent assets	<u>172,735,885</u>	<u>84,891,732</u>	<u>-</u>	<u>257,627,617</u>
Total assets	<u>\$ 314,641,773</u>	<u>\$ 139,725,577</u>	<u>\$ (16,712,085)</u>	<u>\$ 437,655,265</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Cash overdraft	\$ -	\$ 13,371,479	\$ (13,371,479)	\$ -
Accounts payable and accrued liabilities	19,023,755	8,789,533	-	27,813,288
Due to State of Connecticut	2,230,299	2,228,811	-	4,459,110
Accrued salaries	16,498,197	5,456,466	-	21,954,663
Compensated absences	10,433,671	5,210,680	-	15,644,351
Due to John Dempsey Hospital	3,340,606	-	(3,340,606)	-
Deferred revenue	12,424,257	-	-	12,424,257
Malpractice reserve	-	3,461,000	-	3,461,000
Long-term debt - current portion	1,196,770	3,156,172	-	4,352,942
Total current liabilities	<u>65,147,555</u>	<u>41,674,141</u>	<u>(16,712,085)</u>	<u>90,109,611</u>
<b>Noncurrent Liabilities</b>				
Malpractice reserve	-	16,539,000	-	16,539,000
Compensated absences	12,752,264	6,368,609	-	19,120,873
Long-term debt	31,770,281	7,601,147	-	39,371,428
Total noncurrent liabilities	<u>44,522,545</u>	<u>30,508,756</u>	<u>-</u>	<u>75,031,301</u>
Total liabilities	<u>109,670,100</u>	<u>72,182,897</u>	<u>(16,712,085)</u>	<u>165,140,912</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	137,576,437	54,110,448	-	191,686,885
Restricted for				
Nonexpendable				
Scholarships	60,451	-	-	60,451
Expendable				
Research	3,543,480	128,448	-	3,671,928
Loans	2,467,815	-	-	2,467,815
Capital projects	28,666,563	-	-	28,666,563
Unrestricted	32,656,927	13,303,784	-	45,960,711
Total net assets	<u>\$ 204,971,673</u>	<u>\$ 67,542,680</u>	<u>\$ -</u>	<u>\$ 272,514,353</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**CONSOLIDATING STATEMENT OF NET ASSETS**  
**As of June 30, 2006**

	<b>2006</b>			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 32,105,788	\$ 9,932,706	\$ -	\$ 42,038,494
Assets limited as to use	-	136,998	-	136,998
Patient receivables, net	7,711,184	29,459,771	-	37,170,955
Contract and other receivables	36,260,181	891,759	-	37,151,940
Due from Affiliates	22,270,879	-	-	22,270,879
Due from State of Connecticut	5,063,151	-	-	5,063,151
Due from Primary Institution	-	975,362	(975,362)	-
Due from Department of Correction	11,208,612	-	-	11,208,612
Inventories	1,651,989	4,703,084	-	6,355,073
Third party payors	-	1,518,871	-	1,518,871
Prepaid expenses	4,260,859	2,713,357	-	6,974,216
Total current assets	<u>120,532,643</u>	<u>50,331,908</u>	<u>(975,362)</u>	<u>169,889,189</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	80,755	17,814,691	-	17,895,446
Other assets	-	509,655	-	509,655
Assets limited as to use	-	1,785,773	(1,553,446)	232,327
Due from State of Connecticut	3,463,991	-	-	3,463,991
Capital assets, net	<u>160,316,190</u>	<u>65,971,931</u>	<u>-</u>	<u>226,288,121</u>
Total noncurrent assets	<u>163,860,936</u>	<u>86,082,050</u>	<u>(1,553,446)</u>	<u>248,389,540</u>
Total assets	<u>\$ 284,393,579</u>	<u>\$ 136,413,958</u>	<u>\$ (2,528,808)</u>	<u>\$ 418,278,729</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 13,954,347	\$ 9,759,001	\$ -	\$ 23,713,348
Due to State of Connecticut	2,913,336	2,913,151	-	5,826,487
Accrued salaries	16,716,851	5,076,808	-	21,793,659
Compensated absences	8,619,612	4,190,410	-	12,810,022
Due to John Dempsey Hospital	2,528,808	-	(2,528,808)	-
Deferred revenue	8,997,969	15,606	-	9,013,575
Malpractice reserve	-	3,853,000	-	3,853,000
Long-term debt - current portion	<u>1,086,522</u>	<u>3,541,212</u>	<u>-</u>	<u>4,627,734</u>
Total current liabilities	<u>54,817,445</u>	<u>29,349,188</u>	<u>(2,528,808)</u>	<u>81,637,825</u>
<b>Noncurrent Liabilities</b>				
Malpractice reserve	-	17,783,000	-	17,783,000
Compensated absences	13,481,958	6,554,231	-	20,036,189
Minority financing interests - Farmington Surgery Center	-	1,019,904	-	1,019,904
Long-term debt	<u>32,965,123</u>	<u>10,208,090</u>	<u>-</u>	<u>43,173,213</u>
Total noncurrent liabilities	<u>46,447,081</u>	<u>35,565,225</u>	<u>-</u>	<u>82,012,306</u>
Total liabilities	<u>101,264,526</u>	<u>64,914,413</u>	<u>(2,528,808)</u>	<u>163,650,131</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	126,264,545	52,757,929	-	179,022,474
Restricted for				
Nonexpendable				
Scholarships	60,451	-	-	60,451
Expendable				
Research	3,385,851	111,672	-	3,497,523
Loans	2,967,866	-	-	2,967,866
Capital projects	24,425,576	-	-	24,425,576
Unrestricted	<u>\$ 26,024,764</u>	<u>18,629,944</u>	<u>-</u>	<u>44,654,708</u>
Total net assets	<u>183,129,053</u>	<u>\$ 71,499,545</u>	<u>\$ -</u>	<u>\$ 254,628,598</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**ASSETS**  
**For the Year Ended June 30, 2007**

	2007				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
<b>OPERATING REVENUES</b>					
Student tuition and fees, net	\$ 10,038,089	\$ -	\$ 10,038,089	\$ -	\$ 10,038,089
Patient services, net	167,943,155	221,238,114	389,181,269	(13,233,204)	375,948,065
Federal grants and contracts	67,728,461	-	67,728,461	-	67,728,461
Nongovernmental grants and contracts	23,204,664	-	23,204,664	-	23,204,664
Contract and other operating revenues	57,926,271	1,590,150	59,516,421	(9,943,850)	49,572,571
Total operating revenues	<u>326,840,640</u>	<u>222,828,264</u>	<u>549,668,904</u>	<u>(23,177,054)</u>	<u>526,491,850</u>
<b>OPERATING EXPENSES</b>					
<b>Educational and General</b>					
Instruction	113,220,387	-	113,220,387	(9,112,244)	104,108,143
Research	60,855,860	-	60,855,860	-	60,855,860
Patient services	195,667,248	216,664,463	412,331,711	(14,064,810)	398,266,901
Academic support	15,117,594	-	15,117,594	-	15,117,594
Institutional support	63,643,242	-	63,643,242	-	63,643,242
Operations and maintenance of plant	22,881,307	-	22,881,307	-	22,881,307
Depreciation	16,926,939	10,432,879	27,359,818	-	27,359,818
Loss on disposal	127,581	113,114	240,695	-	240,695
Student aid	414,697	-	414,697	-	414,697
Total operating expenses	<u>488,854,855</u>	<u>227,210,456</u>	<u>716,065,311</u>	<u>(23,177,054)</u>	<u>692,888,257</u>
Operating loss	<u>(162,014,215)</u>	<u>(4,382,192)</u>	<u>(166,396,407)</u>	<u>-</u>	<u>(166,396,407)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	157,279,599	-	157,279,599	-	157,279,599
Gifts	1,181,589	-	1,181,589	-	1,181,589
Investment income, net	4,880,002	951,575	5,831,577	-	5,831,577
Interest on capital asset - related debt	(2,446,296)	(526,248)	(2,972,544)	-	(2,972,544)
Net nonoperating revenues	<u>160,894,894</u>	<u>425,327</u>	<u>161,320,221</u>	<u>-</u>	<u>161,320,221</u>
Loss before other revenues, expenses, gains or losses	<u>(1,119,321)</u>	<u>(3,956,865)</u>	<u>(5,076,186)</u>	<u>-</u>	<u>(5,076,186)</u>
Capital appropriations	22,961,941	-	22,961,941	-	22,961,941
Total other revenues	<u>22,961,941</u>	<u>-</u>	<u>22,961,941</u>	<u>-</u>	<u>22,961,941</u>
Increase in net assets	<u>21,842,620</u>	<u>(3,956,865)</u>	<u>17,885,755</u>	<u>-</u>	<u>17,885,755</u>
<b>NET ASSETS</b>					
Net assets-beginning of year	183,129,053	71,499,545	254,628,598	-	254,628,598
Net assets-end of year	<u>\$ 204,971,673</u>	<u>\$ 67,542,680</u>	<u>\$ 272,514,353</u>	<u>\$ -</u>	<u>\$ 272,514,353</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**ASSETS**  
**For the Year Ended June 30, 2006**

	<b>2006</b>				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
<b>OPERATING REVENUES</b>					
Student tuition and fees, net	\$ 9,209,712	\$ -	\$ 9,209,712	\$ -	\$ 9,209,712
Patient services, net	153,171,679	220,629,308	373,800,987	(10,659,568)	363,141,419
Federal grants and contracts	66,921,657	-	66,921,657	-	66,921,657
Nongovernmental grants and contracts	24,343,306	-	24,343,306	-	24,343,306
Contract and other operating revenues	56,306,542	2,587,840	58,894,382	(10,444,321)	48,450,061
Total operating revenues	<u>309,952,896</u>	<u>223,217,148</u>	<u>533,170,044</u>	<u>(21,103,889)</u>	<u>512,066,155</u>
<b>OPERATING EXPENSES</b>					
<b>Educational and General</b>					
Instruction	108,921,217	-	108,921,217	(8,848,379)	100,072,838
Research	58,519,762	-	58,519,762	-	58,519,762
Patient services	182,402,298	209,479,887	391,882,185	(12,089,595)	379,792,590
Academic support	15,316,392	-	15,316,392	-	15,316,392
Institutional support	54,838,582	-	54,838,582	(161,070)	54,677,512
Operations and maintenance of plant	20,246,167	-	20,246,167	(4,845)	20,241,322
Depreciation	16,045,061	9,126,980	25,172,041	-	25,172,041
Loss on disposal	122,153	66,936	189,089	-	189,089
Student aid	543,726	-	543,726	-	543,726
Total operating expenses	<u>456,955,358</u>	<u>218,673,803</u>	<u>675,629,161</u>	<u>(21,103,889)</u>	<u>654,525,272</u>
Operating (loss) income	<u>(147,002,462)</u>	<u>4,543,345</u>	<u>(142,459,117)</u>	<u>-</u>	<u>(142,459,117)</u>
State appropriations	130,527,835	-	130,527,835	-	130,527,835
Gifts	974,337	-	974,337	-	974,337
Investment income, net	4,794,687	590,435	5,385,122	-	5,385,122
Interest on capital asset - related debt	(2,371,953)	(491,471)	(2,863,424)	-	(2,863,424)
Net nonoperating revenues	<u>133,924,906</u>	<u>98,964</u>	<u>134,023,870</u>	<u>-</u>	<u>134,023,870</u>
(Loss)/Income before other revenues, expenses, gains or losses	<u>(13,077,556)</u>	<u>4,642,309</u>	<u>(8,435,247)</u>	<u>-</u>	<u>(8,435,247)</u>
Capital appropriations	14,920,425	-	14,920,425	-	14,920,425
Total other revenues	<u>14,920,425</u>	<u>-</u>	<u>14,920,425</u>	<u>-</u>	<u>14,920,425</u>
Increase in net assets	<u>1,842,869</u>	<u>4,642,309</u>	<u>6,485,178</u>	<u>-</u>	<u>6,485,178</u>
<b>NET ASSETS</b>					
Net assets-beginning of year	181,286,184	66,857,236	248,143,420	-	248,143,420
Net assets-end of year	<u>\$ 183,129,053</u>	<u>\$ 71,499,545</u>	<u>\$ 254,628,598</u>	<u>\$ -</u>	<u>\$ 254,628,598</u>

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**DIRECTORS AND FINANCIAL OFFICERS**  
**June 30, 2007**

**BOARD OF DIRECTORS**

**Members at Large**

Cheryl Chase	<i>Hartford</i>
Sanford Cloud Jr.	<i>Farmington</i>
A. Jon Goldberg	<i>W. Hartford</i>
Brian Hehir	<i>Port Washington, NY</i>
Robert J. Hennessey	<i>Cheshire</i>
*Nancy J. Hutson	<i>Stonington</i>
Claire R. Leonardi	<i>Long Lake, NY</i>
David P. Marks	<i>W. Hartford</i>
Robert T. Samuels	<i>W. Hartford</i>
Ann Slaughter	<i>Philadelphia, PA</i>

**Appointed by the Governor**

David B. Friend, MD	<i>Weston, MA</i>
Jay L. Haberland	<i>Simsbury</i>
*John Bigos	<i>Hartford</i>

**Members Ex Officio**

Philip E. Austin	<i>Storrs</i>
J. Robert Galvin	<i>Hartford</i>
*Anne Gnazzo	<i>Hartford</i>
Michael J. Cicchetti	<i>West Hartford</i>

**Appointed by Chairperson, Board of Trustees**

*The Honorable James F. Abromaitis	<i>Unionville</i>
Lenworth M. Jacobs, MD	<i>W. Hartford</i>
Gerald N. Burrow, Chairperson	<i>Hamden</i>

\* Term ended or resigned during the fiscal year.

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**FINANCIAL OFFICERS**

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

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## TRUSTEES As of June 30, 2007

### BOARD OF TRUSTEES

#### *MEMBERS EX OFFICIO*

The Honorable M. Jodi Rell  
Governor of the State of Connecticut  
*President ex officio*                      *Hartford*

The Honorable F. Philip Prelli  
Commissioner of Agriculture  
*Member ex officio*                      *Hartford*

The Honorable Joan McDonald  
Commissioner of Economic  
and Community Development  
*Member ex officio*                      *Hartford*

The Honorable Mark K. McQuillan  
Commissioner of Education  
*Member ex officio*                      *Hartford*

Gerard N. Burrow, M.D.  
Chair, Health Center Board of Directors  
*Member ex officio*                      *Hamden*

#### *APPOINTED BY THE GOVERNOR*

John W. Rowe, M.D., *Chairman*                      *New York*  
Louise M. Bailey, *Secretary*                      *West Hartford*  
Michael A. Bozzuto                      *Avon*  
Peter S. Drotch                      *Framingham, MA*  
Linda P. Gatling                      *Southington*  
Lenworth M. Jacobs, Jr., M.D.                      *West Hartford*  
Michael J. Martinez                      *East Lyme*  
Denis J. Nayden                      *Wilton*  
Rebecca Lobo                      *Granby*  
Thomas D. Ritter                      *Hartford*  
Wayne J. Shepperd                      *Danbury*  
Richard Treibick                      *Greenwich*

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Salmun Kazerounian                      *Storrs*  
Michael J. Nichols                      *Hartford*

#### *ELECTED BY THE ALUMNI*

Philip P. Barry                      *Storrs*  
Andrea Dennis-LaVigne, D.V.M.                      *Simsbury*

