

Annual Comprehensive Financial Report

FOR THE YEAR ENDED JUNE 30, 2021

Included as an Enterprise Fund of the State of Connecticut



UConn HEALTH



Annual Comprehensive
Financial Report
For the Year Ended June 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	3-6
Directors, Trustees and Financial Officers	7-8
Organization Chart	9

FINANCIAL SECTION

Independent Auditors' Report	11-13
Management's Discussion & Analysis	14-24
Statement of Net Position	26-27
Statement of Revenues, Expenses, and Changes in Net Position	28
Statement of Cash Flows	29-30
Notes to Financial Statements	32-60

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Collective Net Pension Liability	62-63
Schedule of Pension Contributions	62-63
Schedule of Other Post-Employment Benefits	64

Other Supplementary Information

Consolidating Statement of Net Position	66
Consolidating Statement of Revenues, Expenses, and Changes in Net Position	67

STATISTICAL SECTION

Schedule of Revenues by Source	69
Schedule of Expenses by Function	70
Schedule of Expenses by Natural Classification	71
Schedule of Net Position and Changes in Net Position	72
Schedule of Long-Term Debt	73
Faculty and Staff	73
Schedule of Capital Asset Information	74
RVU's and Discharges	75
Demographic and Economic Statistics	76
Top Ten Nongovernmental Employers	77

INTRODUCTORY SECTION

Letter of Transmittal

Founded in 1881, the University of Connecticut (the “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 (“UConn Health”). Although governed by a single Board of Trustees, the University and UConn Health maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations. UConn Health 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 UConn Health 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 appropriations, check-writing authority, human resource control, and purchasing authority, and with the advent of UCONN 2000 in 1995, management of capital activities, including projects for UConn Health 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 over 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 UConn Health. They are responsible for auditing its financial operations and their opinion appears in this report.

Established in 1961, with a mission of teaching, research and patient care. UConn Health is Connecticut’s only public academic medical center comprised of UConn School of Medicine, School of Dental Medicine and their associated Education Clinics, a Research Enterprise, John Dempsey Hospital (the Hospital), UConn Medical Group (UMG) and the University of Connecticut Finance Corporation (Finance Corporation) and its subsidiaries on the campus in Farmington. There are an additional nine clinical care community locations throughout the state. UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. UConn Health will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

With approximately 4,600 full time employees (FTE’s), UConn Health is one of Connecticut’s largest employers and an important contributor to the local and regional economy. UConn Health’s campus in Farmington is situated on 209 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.) UConn Health’s campus includes 26 buildings totaling close to 2.8 million total square feet.

Educational Programs

Dedicated to providing broad educational opportunities in the biomedical sciences, UConn Health 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. UConn Health is the only academic health center in the nation where a medical school was founded concurrently with a dental school, a circumstance which has 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). School of Dental Medicine students have a long history of outstanding performance on the National Boards.

Each year at UConn Health, approximately 450 students work toward the medical doctor's degree and 200 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.

In the fall of 2020, UConn School of Medicine and School of Dental Medicine welcomed their largest classes ever at 110 students and 49 students, respectively. These classes represent the fulfillment of the initial Bioscience 2000 initiative to grow class size in each school.

The School of Medicine has been named by U.S. & News Report as one of the top 10 medical schools in the nation for diversity of its student body. The School of Medicine's population of underrepresented individuals in medicine has steadily grown to nearly 23%. Of this, African American medical students represent approximately 12% of the student body.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 600 newly graduated D.M.D. and 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 UConn Health's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending UConn Health's positive impact on the region.

Research Programs

High-quality research programs are one of the cornerstones of UConn Health's mission. The strength of UConn Health's research programs allows it to attract distinguished researchers with expertise in neuroscience, molecular biology and biochemistry, molecular pharmacology, cell physiology, toxicology, and immunology, among other fields. The Alcohol Research Center is one of only twenty-two such federally supported centers in the nation and is the longest-funded center at the National Institute on Alcohol Abuse and Alcoholism (NIAAA). In FY2021, UConn Health was awarded the largest grant in the University's history, a \$40.0 million award from the National Science Foundation (NSF) to establish a new distributed Network for Advanced Nuclear Magnetic Resonance (NMR) in collaboration with the University of Georgia and the University of Wisconsin. This grant will enable UCH and its collaborators to make NMR technology and high performance computational resources available to researchers nationally and globally. In total, research awards (committed funds from sponsors) in fiscal 2021 reached a record high for UConn Health of \$112.6 million.

Health Care Services

Through John Dempsey Hospital (234 licensed beds, 186 staffed acute care beds), UConn Health 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. UConn Medical Group, one of the largest medical practices in Greater Hartford, offers primary care and services in more than 50 specialties.

While the hospital and faculty practice continue to have strong volume, the challenges of the health care marketplace (recruitment, increased competition, malpractice costs, and low reimbursement) are a continuing challenge. John Dempsey Hospital's financial health is also directly affected by its size, bed distribution, low reimbursement rate for services provided as part of its public mission, and cost factors resulting from its status as a state entity.

Connecticut Health

UConn Health 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, community-based organizations and the public to serve the poor and uninsured by providing better medical care and health education. UConn Health is committed to finding new and effective ways to reach out to the public as part of our ongoing effort to bring a better quality of life to all our citizens.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. UConn Health elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. As a result, UConn Health experienced significant operating losses in fiscal 2020 which were only partially offset via Federal and other aid programs. Although UConn Health remained open for elective procedures throughout fiscal 2021, it continued to be affected by the pandemic. Many patients were at least initially reluctant to return for routine procedures. At the same time, staffing and supply shortages, increased cleaning and safety protocols, and changing community needs (including testing and vaccination) have increased costs and challenged operations.

UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory, supply chains, patient trends, payments, and the industry in general, in addition to the impact on its employees. Due to the continued rapid development and fluidity of this situation, it is difficult to assess the impact that the pandemic will continue to have on UConn Health's financial condition or results of operations is uncertain as of the date of this report. See note 16 for additional details.

Economic Condition

Connecticut's revenues are projected to exceed expenses at the State level, resulting in a fiscal year 2022 projected surplus. Connecticut's economy continues to recover from the COVID-19 pandemic. In June 2021, the State's biennial budget for fiscal years 2022 and 2023 were approved by the Special Session Budget Implementer (SB 1202) and signed into law by the Governor. The approved appropriations for UConn Health were \$133.7 million for both fiscal years 2022 and 2023. In addition to the appropriation, the state allocated \$6.9 million for temporary operating support in FY22 and \$30.2 million in FY2023. It also distributes American Rescue Plan Spending (ARPA) funds for COVID-19 revenue losses in the amount of \$73.0 million for FY22.

No assurance can be made that the State will not change the fiscal year funding prior to the end of such fiscal year. Any State funding cuts are expected to be managed by UConn Health through reduced hiring, reduced operating costs, fewer projects, and other deficit mitigation efforts.

UConn Health's fiscal 2022 budget is projected to be break even. This is reliant upon current state aid in active budget legislation. Changes at the State level may impact State support and UConn Health's overall results. UConn Health remains in constant contact with the State to monitor trends and needs.

UConn Health remains focused on protecting academic excellence, delivering strong student support, providing excellent patient care, and supporting the research mission.

Awards and Acknowledgements

In fiscal year 2021, patient and employee safety was the top priority given the COVID-19 pandemic. UConn Health devoted considerable time and resources to enhancing both the State's and the University's response to the continually evolving public health emergency.

UConn Health helped drastically increase our state's COVID-19 testing in partnership with The Jackson Laboratory for Genomic Medicine (JAX). In fact, JAX and UConn Health came together in collaboration to conduct over 1.5 million SARS-COV-2 tests and implement over 40,000

vaccinations, to protect the health and lives of the residents of Connecticut. In addition to UConn Health's robust COVID-19 vaccine programs on its Farmington and Storrs's campuses, in spring 2021 UConn Health partnered with the Department of Public Health, FEMA and the Governor's office to deploy a FEMA Mobile Vaccination Unit in towns throughout Eastern Connecticut in the ongoing effort to bring the vaccine to under-served communities reducing barriers to care.

In addition to its COVID-19 response, there were many other noteworthy accomplishments. A few highlights include:

UConn School of Medical and School of Dental Medicine celebrated their 50th anniversary of producing doctors of medicine and dental medicine. Over the last five decades the School of Medicine has graduated 3,874 physicians and the School of Dental Medicine 1,845 dentists. Many of these practitioners stay in Connecticut to practice. This year the UConn School of Dental Medicine was honored with its highest ranking in the School's history. It now ranks 8th among all 67 dental schools in the United States for overall research funding from the National Institutes of Health (NIH).

The Hospital continued to be recognized for its outstanding care and dedication to quality, earning its second consecutive "A" grade in the Leapfrog Groups annual safety ratings. The Hospital was ranked as a high performing hospital for stroke and kidney failure care by U.S. News & World Report Best Hospitals. Once again The American Heart Association (AHA) has recognized the Hospital for its excellence in heart attack and stroke care with

gold-level honors. And, Newsweek named the Hospital a 2021 Best Maternity Care Hospital.

In the past year, we opened several new clinics focused on enhancing access to advanced care to the residents of Connecticut. UConn Health brought together its world-renowned experts from neurology, neurosurgery, spine surgery, non-operative spine care, and radiology to offer comprehensive, personalized care at The Brain and Spine Institute at UConn Health. In addition, we opened a new Psoriasis Center for coordinated care of psoriasis patients and the new Esophageal Diseases Center brings together specialists equipped to focus on problems with the gateway to our digestive system. Plus, UConn was first in Connecticut to offer severe emphysema patients an innovative, minimally invasive valve implant called the Zephyr Valve to help them breathe easier. It also was first in New England to use the 3D surgical navigation system by EnVisio for breast-conserving surgery.

The National Institute on Aging at NIH awarded UConn Health a prestigious \$7.0 million grant to establish a Claude D. Pepper Older Americans Independence Center (OAIC) at UConn. UConn is joining a network of only 14 other such centers of excellence across the country that promote research designed to maintain or restore independence in older adults. This multidisciplinary effort is led by the UConn Center on Aging and will advance the new field of "precision gerontology".

These are challenging, exciting times at UConn Health and we continue to be optimistic about our ability to bring world class care to the residents of Connecticut.

Respectfully Submitted,



Lloyd Blanchard
Interim Vice President for Finance and
Chief Financial Officer
University of Connecticut



Jeffrey P. Geoghegan
Chief Financial Officer

UConn Health

DIRECTORS AND FINANCIAL OFFICERS
As of June 30, 2021

BOARD OF DIRECTORS

**Members at
Large**

Dr. Kenneth Alleyne	<i>Bloomfield</i>
Francis X. Archambault, Jr.	<i>Hartford</i>
Richard M. Barry	<i>Avon</i>
Richard T. Carbray, Jr.	<i>Rocky Hill</i>
Cheryl A. Chase	<i>Hartford</i>
John F. Droney	<i>West Hartford</i>
Timothy A. Holt	<i>Glastonbury</i>
Dr. Wayne Rawlins	<i>Cromwell</i>

Appointed by the Governor

Kathleen D. Woods	<i>Avon</i>
Teresa M. Ressel	<i>New Canaan</i>
Joel Freedman	<i>South Glastonbury</i>

Members Ex Officio

Thomas Katsouleas	<i>Storrs</i>
Mike Walsh	<i>Hartford</i>
Dr. Deidre Gifford	<i>Hartford</i>

Appointed by Chairperson, Board of Trustees

Sanford Cloud Jr, Chairperson	<i>Farmington</i>
Andy F. Bessette	<i>West Hartford</i>

FINANCIAL OFFICERS

Lloyd Blanchard, UConn, Interim, Vice President for Finance and Chief Financial Officer
Jeffrey P. Geoghegan, UConn Health Chief Financial Officer
Chad A. Bianchi, UConn Health Controller

TRUSTEES As of June 30, 2021

BOARD OF TRUSTEES

MEMBERS EX OFFICIO

The Honorable Ned Lamont
Governor of the State of Connecticut
President ex officio *Hartford*

The Honorable Bryan Hurlburt
Commissioner of Agriculture
Member ex officio *Hartford*

The Honorable David Lehman
Commissioner of Economic
and Community Development
Member ex officio *Hartford*

The Honorable Charlene M. Russell-Tucker
Commissioner of Education
Member ex officio *Hartford*

Sanford Cloud, Jr.
Chair, UConn Health Board of Directors
Member ex officio *West
Hartford*

APPOINTED BY THE GOVERNOR

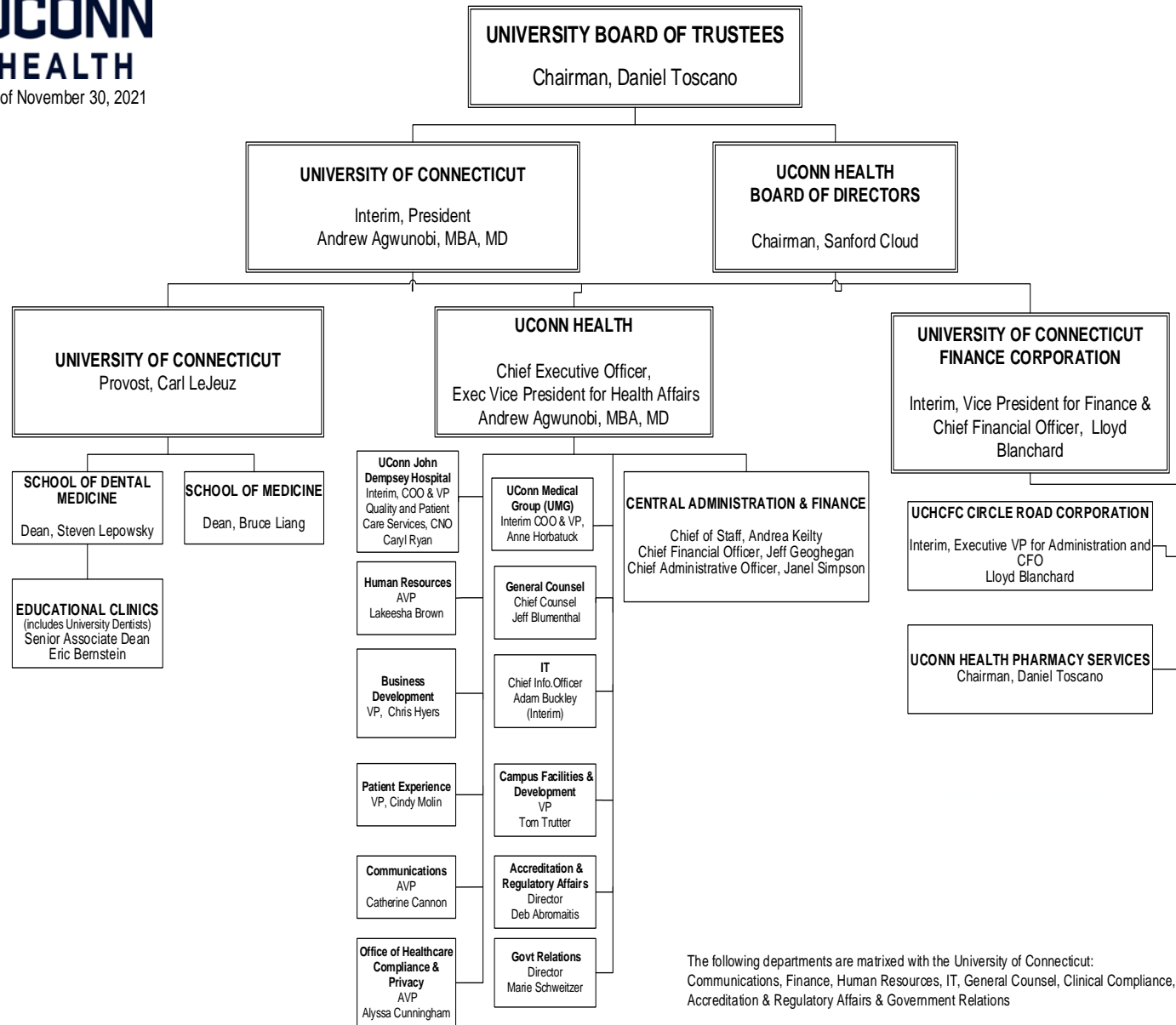
Andy F. Bessette *West Hartford*
Mark L. Boxer *Glastonbury*
Charles F. Bunnell *Waterford*
Shari G. Cantor *West Hartford*
Andrea Dennis-LaVigne, Vice-
Chair and Secretary *Simsbury*
Marilda L. Gandara *Hartford*
Rebecca Lobo *Granby*
Kevin J. O'Connor *Greenwich*
Thomas D. Ritter *Hartford*
Philip E. Rubin *Fairfield*
Daniel D. Toscano, Chairman *Darien*

ELECTED BY THE ALUMNI

Jeanine A. Gouin. *Durham*
Bryan K. Pollard *Middletown*

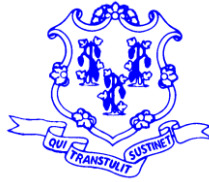
ELECTED BY THE STUDENTS

Justin M. Fang *Willington*
Ethan Werstler *Storrs*



FINANCIAL SECTION

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CLARK J. CHAPIN

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the University of Connecticut Health Center (UConn Health), a component unit of the University of Connecticut system, which includes the University of Connecticut, UConn Health and the University of Connecticut Foundation, Inc. The accompanying financial statements, which consist of the statement of net position as of June 30, 2021 and the related statements of revenues, expenses and changes in net position and cash flows and for the year then ended, and the related notes to the financial statements, which collectively comprise UConn Health's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit:

- The financial statements of John Dempsey Hospital, which represents 39.2% of the assets and 44.8% of the revenues of UConn Health;
- The financial statements of UConn Medical Group, which represents 2.7% of the assets and 11.1% of the revenues of UConn Health; and
- The financial statements of the Finance Corporation, which represents 18.4% of the assets and 4.2% of the revenues of UConn Health.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those amounts is based solely on the reports of the other auditors.

We conducted our audit 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. The financial statements of John Dempsey

Hospital, UConn Medical Group, and the Finance Corporation were audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of UConn Health, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of UConn Health's Proportionate Share of Collective Net Pension Liability and related ratios, the Schedule of UConn Health's Pension Contributions, the Schedule of UConn Health's Proportionate Share of the Net OPEB Liability and related ratios, and the Schedule of UConn Health's OPEB Contributions, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise UConn Health's basic financial statements. The consolidating financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

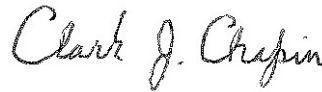
The consolidating financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the consolidating financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

December 15, 2021
State Capitol
Hartford, Connecticut

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 ("UConn Health") for the year ended June 30, 2021. 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 (the "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 UConn Health.

The financial statements presented here represent the transactions and balances of UConn Health only. UConn Health offers medical and dentistry degrees as well as operating a physician/dentist practice and a teaching and research hospital. UConn Health's component parts are the School of Medicine, the School of Dental Medicine (and its associated Educational Clinics), UConn Medical Group (UMG), the Finance Corporation (and its subsidiaries University of Connecticut Health Finance Corporation Circle Road Corporation (Circle Road Corporation) and UConn Health Pharmacy Services, Inc. (UHPSI) , and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2021 was 449 students in the School of Medicine, 197 in the School of Dental Medicine, and 287 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal year 2021 with 4,555 FTE's. Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. John Dempsey Hospital (JDH) has 186 staffed acute care beds. In fiscal year 2021, adjusted patient days (a measure of total hospital volume) were 122,228, a 10.3% increase from the prior year. During 2021, UMG had 764,495 unique patient visits, a 22.3% increase.

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 GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of UConn Health for the fiscal year ended June 30, 2021, based on currently known facts, decisions, and 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 position, statement of revenues, expenses and changes in net position and statement of cash flows) present the financial position of UConn Health at June 30, 2021, and the results of operations and financial activities for the year then ended. These statements report information about UConn Health using accounting methods similar to those used by private-sector companies. The statement of net position includes all of UConn Health's assets and liabilities. The statement of revenues, expenses and changes in net position 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 UConn Health's net assets and how they have changed. Net position (the difference between assets and liabilities) is 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

UConn Health's financial position at June 30, 2021, consisted of assets of \$1.2 billion and liabilities of \$3.4 billion. Net assets, which represent the residual interest in UConn Health's assets after liabilities are deducted, decreased \$239.9 million in fiscal year 2021 after non-operating and other changes in net position. The changes were primarily driven by the recording of UConn Health's proportionate share of State pension and OPEB liabilities and were not representative of normal operations. The change in net assets exclusive of these entries was \$32.2 million.

The financial statements contained herein show an operating loss of \$583.4 million for the year ending June 30, 2021 (fiscal year 2021). The measure more indicative of normal and recurring activities is Net Income (Loss) Before Other Changes in Net Position, 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 (included in the Other Changes in Net Position above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income (loss), so a loss under this measurement is expected. UConn Health experienced a loss before Other Changes in Net Position of \$242.6 million in fiscal year 2021.

Some sources of recurring operating and non-operating revenues increased in 2021, including federal grants and contracts. Net patient revenues increased from the prior year. Increases were attributed to resuming elective procedures. The focus remains on cautiously returning to full patient care, while assuring patients that it is safe to do so. State support, including state funded capital appropriations, increased 11.6% in fiscal year 2021. The increase is primarily attributed to the deficiency appropriation to pay COVID-19 related losses and a portion of the State's unfunded accrued liabilities assigned to UConn Health. In fiscal year 2022, UConn Health has been approved for \$73.0 million in American Rescue Plan Spending (ARPA) funding to cover prior year clinical revenue losses. UConn Health received an appropriation of \$140.6 million for fiscal year 2022.

STATEMENTS OF NET POSITION

The summary statements of net position below present the financial position of UConn Health at the end of the fiscal years 2021 and 2020. The statement includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of UConn Health. Net position represents assets plus deferred outflows, less liabilities and deferred inflows. Assets represent what is owned by or what is owed to UConn Health. 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 deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period. UConn Health's net position is the residual value in UConn Health's assets and deferred outflows, after liabilities and deferred inflows are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year.

The total assets of UConn Health increased by \$29.9 million, or 2.5%, over the prior year. The increase was primarily attributable to the advance funding from Medicare Advance Program increasing cash and cash equivalents.

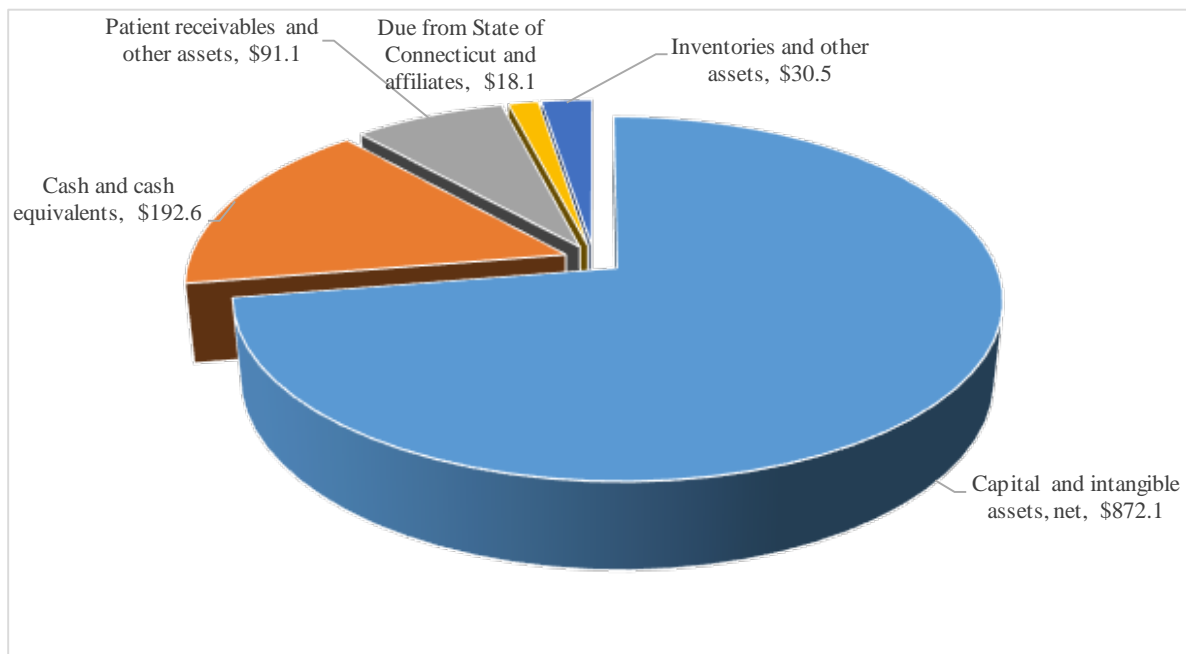
Total liabilities increased by \$512.6 million or 17.6% from 2020. The driver of the increase was the \$450.4 million increases related to pension and OPEB liabilities. Increases in pension and OPEB expenses reflect both UConn Health's increasing percentage of overall plan contribution and changes at the state plan level to underlying assumptions such as discount rates.

Deferred outflows of resources increased \$128.4 million and deferred inflows of resources decreased \$114.4 million based on changes to the respective plans as evaluated in the most recent actuary reports.

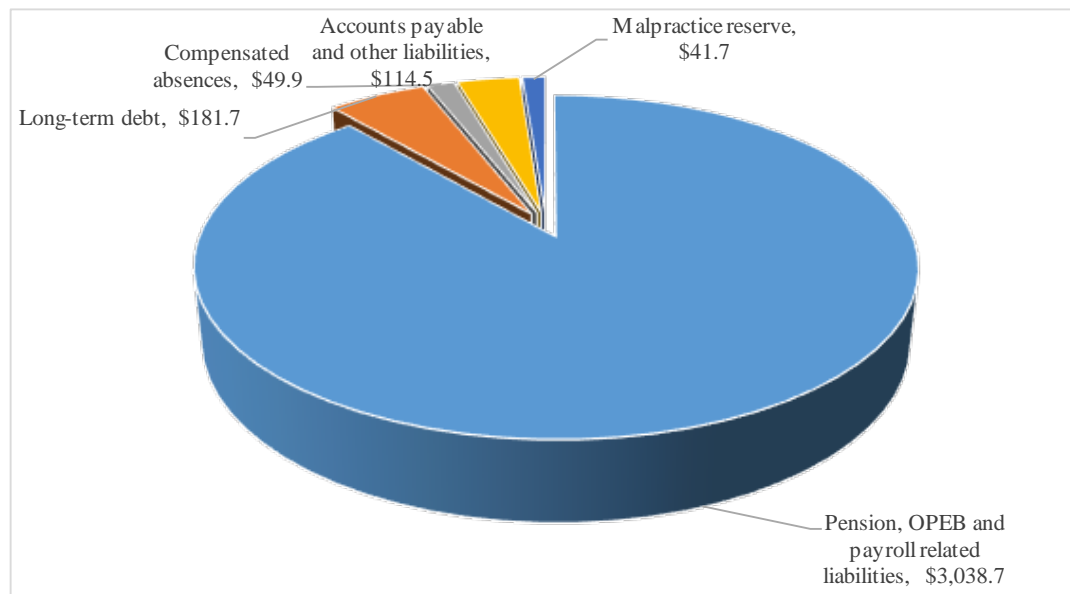
The following table shows a Condensed Schedule of Net Position at June 30:

	2021	2020	\$ Change	% Change
		(\$ in millions)		
Assets:				
Current assets	\$ 319.7	\$ 250.6	\$ 69.1	27.6%
Capital and intangible assets, net	872.1	921.7	(49.6)	-5.4%
Other noncurrent assets	12.6	2.2	10.4	472.7%
Total assets	1,204.4	1,174.5	29.9	2.5%
Deferred outflows of resources	1,010.0	881.6	128.4	14.6%
Liabilities:				
Current liabilities	202.4	170.6	31.8	18.6%
Noncurrent liabilities	3,224.1	2,743.3	480.8	17.5%
Total liabilities	3,426.5	2,913.9	512.6	17.6%
Deferred inflows of resources	327.1	441.5	(114.4)	-25.9%
Net position:				
Net investment in capital assets	690.4	731.7	(41.3)	-5.6%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	4.8	6.4	(1.6)	-25.0%
Unrestricted	(2,234.5)	(2,037.5)	(197.0)	9.7%
Total net position	\$ (1,539.2)	\$ (1,299.3)	\$ (239.9)	18.5%

The following graph shows total assets of \$1.2 billion by major category as of June 30, 2021 (\$ in millions):



The following graph shows total liabilities of \$3.4 billion by major category as of June 30, 2021 (\$ in millions):



Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, represents UConn Health's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes and is included with investments on UConn Health's Statement of Net Position. Expendable restricted net position is available for expenditure by the institution. However, it must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to UConn Health for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic, clinical and research programs, capital programs, and auxiliary enterprise activities. The Statement of Net Position presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of UConn Health as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement and is used as a measure of the financial condition of UConn Health. This statement presents a snapshot concerning assets, classified as current (expected to be available

for use within one year) and noncurrent (expected to be available after one year), liabilities, categorized as current (expected to mature and due within one year), and noncurrent (expected to mature and became due after one year), and net position.

Assets represent what is owned by or what is owed to UConn Health, including payments made to others before a service was received. Assets are recorded at their current value except for property and equipment, which is recorded at historical cost net of accumulated depreciation and amortization and inventory which is valued using a mix of valuation measures. Liabilities represent what is owed to others or what has been received from others prior to services being provided by UConn Health. A deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, whereas, a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period.

UConn Health's net position is the residual value in UConn Health's assets and deferred outflows after liabilities and deferred inflows are deducted. Changes in net position over time are a relative indicator of UConn Health's financial health.

The following table demonstrates the effects of GASB 68 and GASB 75 on UConn Health's net position for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Net Position				
Net investment in capital assets	\$ 690.4	\$ 731.7	\$ (41.3)	-5.6%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	4.8	6.4	(1.6)	-25.0%
Unrestricted	(2,234.5)	(2,037.5)	(197.0)	9.7%
Total net position	(1,539.2)	(1,299.3)	(239.9)	18.5%
Pension (GASB 68) impact	929.4	864.9	64.5	7.5%
OPEB (GASB 75) impact	1,368.6	1,225.4	143.2	11.7%
Net position, excluding pension and OPEB	<u>\$ 758.8</u>	<u>\$ 791.0</u>	<u>\$ (32.2)</u>	<u>-4.1%</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents either an increase or decrease in net position based on revenues received, the expenses paid, and any other gains and losses recognized by UConn Health. Revenues and expenses are classified as operating, non-operating, or other changes in net position according to definitions prescribed by GASB.

Generally, operating revenues are earned when providing goods and services to the various customers of UConn Health. Operating expenses are incurred in the normal operation of UConn Health and represent those expenses paid to acquire or produce the goods and services provided in return for operating revenues. Operating expenses also include the provision for allocated depreciation and amortization of property and equipment. The

difference between operating revenues and expenses is the operating income or loss.

By its very nature, a state funded institution does not receive tuition and fees revenue, research awards or clinical program revenue sufficient to support its operations. Non-operating revenues are revenues received for which goods and services are not exchanged. These revenues are essential to the continued provision of programs and services by UConn Health. Significant recurring sources of non-operating revenues utilized in balancing the operating loss each year include appropriations from the State of Connecticut (State) for general operations, gifts, donations, and investment income.

Other changes in net position are composed of capital appropriations and losses on disposal.

The statements of revenues, expenses and changes in net position present UConn Health's results of operating and non-operating activities. A summary of UConn Health's revenues, expenses and changes in net assets for the years ended June 30, 2021 and 2020 is presented below:

Operating revenues:	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Student tuition and fees (net of scholarship allowances)	\$ 23.5	\$ 21.6	\$ 1.9	8.8%
Patient services	628.9	513.6	115.3	22.4%
Federal grants and contracts	68.2	58.1	10.1	17.4%
Nonfederal grants and contracts	25.0	27.9	(2.9)	-10.4%
Contract and other operating revenues	155.4	162.7	(7.3)	-4.5%
Total operating revenues	<u>901.0</u>	<u>783.9</u>	<u>117.1</u>	<u>14.9%</u>
Operating expenses:				
Instruction	178.9	170.5	8.4	4.9%
Research	57.6	55.2	2.4	4.3%
Patient services	966.5	846.5	120.0	14.2%
Academic support	25.0	20.1	4.9	24.4%
Institutional support	159.1	89.6	69.5	77.6%
Operations and maintenance of plant	26.9	25.1	1.8	7.2%
Depreciation and amortization	70.4	72.9	(2.5)	-3.4%
Student aid	0.0	0.0	0.0	0.0%
Total operating expenses	<u>1,484.4</u>	<u>1,279.9</u>	<u>204.5</u>	<u>16.0%</u>
Operating Loss	<u>(583.4)</u>	<u>(496.0)</u>	<u>(87.4)</u>	<u>17.6%</u>
Nonoperating revenues (expenses):				
State appropriations	330.9	296.5	34.4	11.6%
Gifts	3.5	7.0	(3.5)	-50.0%
COVID-19 relief revenue	15.6	22.5	(6.9)	-30.7%
Loss on disposal	(0.2)	(0.3)	0.1	-33.3%
Investment income (net of investment expense)	0.0	0.6	(0.6)	100.0%
Interest on capital asset - related debt	(9.0)	(9.4)	0.4	-4.3%
Net nonoperating revenues	<u>340.8</u>	<u>316.9</u>	<u>23.9</u>	<u>7.5%</u>
Loss before other changes in net position	<u>(242.6)</u>	<u>(179.1)</u>	<u>(63.5)</u>	<u>35.3%</u>
Other changes in net position:				
Transfer from affiliate	2.0	-	2.0	100.0%
Capital appropriations	0.7	-	0.7	100.0%
Net other changes in net position	<u>2.7</u>	<u>-</u>	<u>2.7</u>	<u>100.0%</u>
Decrease in net position	<u>(239.9)</u>	<u>(179.1)</u>	<u>(60.8)</u>	<u>33.8%</u>
Net position-beginning of year	<u>(1,299.3)</u>	<u>(1,120.2)</u>	<u>(179.1)</u>	<u>16.0%</u>
Net position-end of year	<u>\$ (1,539.2)</u>	<u>\$ (1,299.3)</u>	<u>\$ (239.9)</u>	<u>18.5%</u>

Revenue

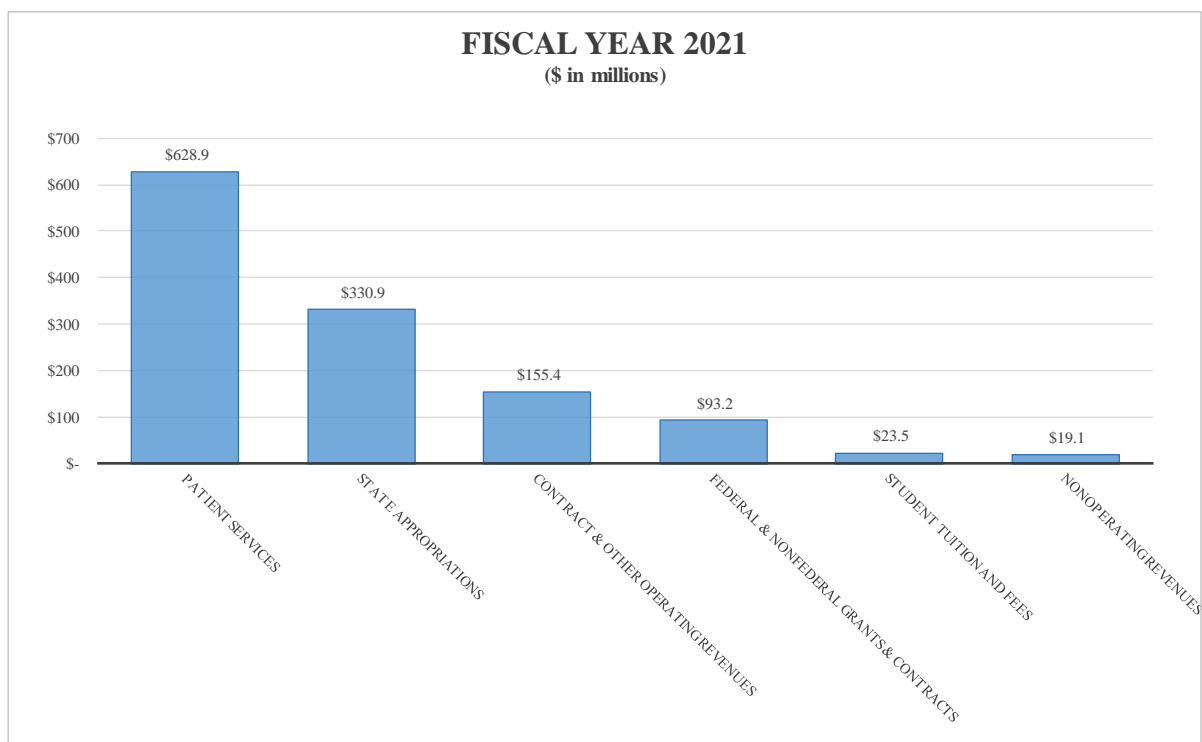
Revenue highlights for the year ending June 30, 2021, including operating and non-operating revenues, presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

The largest source of revenue was patient service revenue. UConn Health's overall net patient service revenue increased \$115.3 million or 22.4% from the prior year. Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. In fiscal year 2021, UHPSI began providing pharmaceuticals to primarily

patients from various clinics related to UConn Health. That service has accounted for approximately \$37.4 million of increased net patient service revenue.

The State Appropriation (including In Kind Fringe Benefits), which is included in non-operating revenues, totaled \$330.9 million. This represents an 11.6% increase from the prior year. The increase was attributed to the one-time funding from the Comptroller to pay a portion of the State's unfunded accrued liabilities assigned to UConn Health and increased In-Kind fringe benefits recognized as the result of higher overall fringe benefit costs.

The following graph shows UConn Health's total operating and nonoperating revenues by category, excluding other changes in net position (\$ in millions):



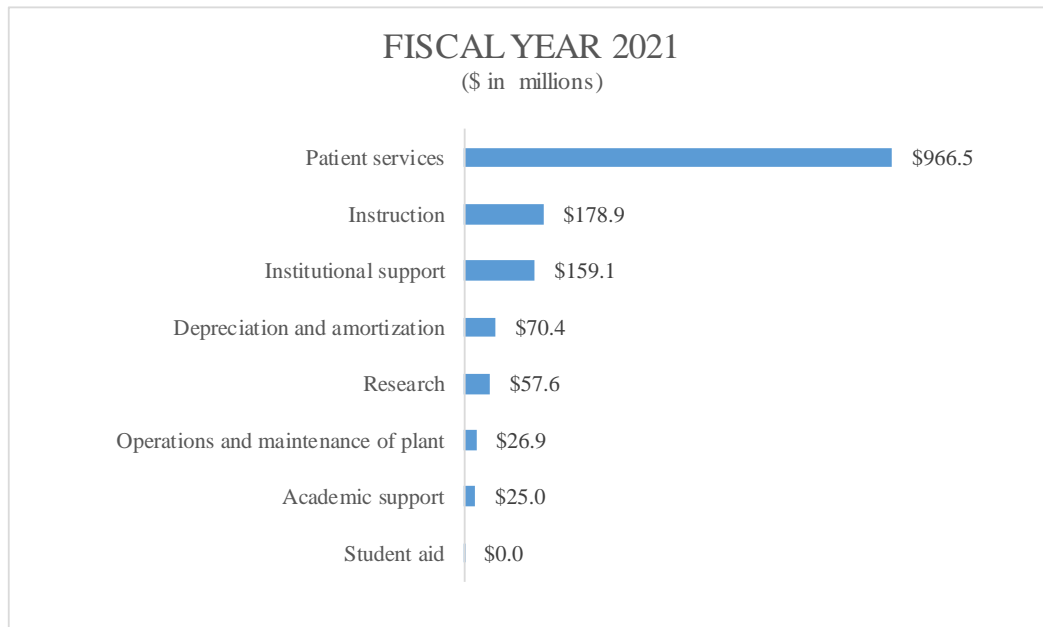
Expenses

Highlights of expenses including operating and non-operating expenses presented on the Statements of Revenues, Expenses and Changes in Net Position are as follows:

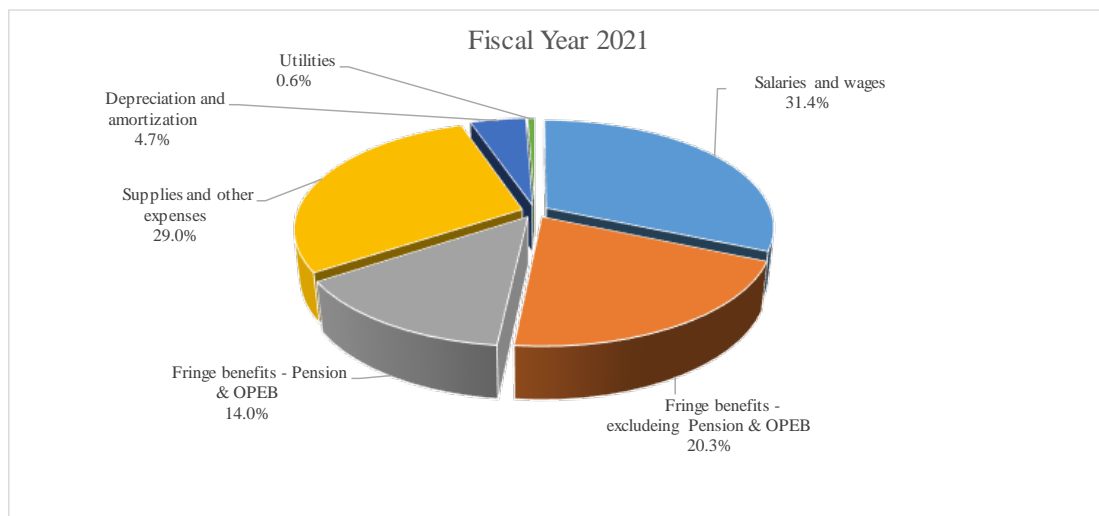
Patient service expense is the largest expense category for UConn Health; it accounts for 65.1% of total operating expenses. It increased by \$120.0

million or 14.2% from the prior year. The increase is attributed to recognition of increased pension and OPEB expense under GASB No. 68 and 75. Increases were driven by increasing percentage allocations under the plans as well as underlying assumption changes such as a lower discount rate in the current actuarial analysis.

The following graph shows the functional expenses of UConn Health:



UConn Health's operating expenses by natural classification are presented below:



STATEMENTS OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of UConn Health during the year. The first section of this Statement, Cash Flows from operating activities, will always be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from non-cash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Cash Flows, on the other hand, shows cash inflows and outflows without regard to accruals.

The Statement of Cash Flows has four additional sections. The second section consists of cash flows

from investing activities showing the purchases, proceeds, and interest provided from investing activities. The third section reflects cash flows from non-capital financing activities including State Appropriation, debt transactions, gifts, and other non-operating revenues and expenses. The fourth section shows cash flows from capital and related financing activities. The final section is a reconciliation of the operating loss shown on the Statement of Revenues, Expenses and Changes in Net Position to net cash used in operating activities.

The Statements of Cash Flows provides additional information about UConn Health'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, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Cash received from operations	\$ 931.2	\$ 796.1	\$ 135.1	17.0%
Cash expended for operations	<u>(1,055.6)</u>	<u>(940.3)</u>	<u>(115.3)</u>	<u>12.3%</u>
Net cash used in operating activities	(124.4)	(144.2)	19.8	-13.7%
Net cash provided by investing activities	0.1	0.6	(0.5)	-83.3%
Net cash provided by noncapital financing activities	220.7	203.7	17.0	8.3%
Net cash used in capital and related financing activities	<u>(32.9)</u>	<u>(26.6)</u>	<u>(6.3)</u>	<u>23.7%</u>
Net increase/(decrease) in cash and cash equivalents	63.5	33.5	30.0	89.6%
Cash and cash equivalents, beginning of the year	<u>129.1</u>	<u>95.6</u>	<u>33.5</u>	<u>35.0%</u>
Cash and cash equivalents, end of the year	<u>\$ 192.6</u>	<u>\$ 129.1</u>	<u>\$ 63.5</u>	<u>49.2%</u>

CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets, net of accumulated depreciation, consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Land	\$ 13.5	\$ 13.5	\$ -	0.0%
Construction in Progress	6.78	10.69	(3.9)	-36.4%
Fine art	1.24	1.27	(0.1)	-7.7%
Buildings and Building Improvements	1,260.98	1,247.38	13.6	1.1%
Equipment	262.00	268.82	(6.8)	-2.5%
Computer Software	77.56	77.43	0.2	0.3%
Capital Leases	18.30	18.31	(0.0)	0.0%
Less Accumulated Depreciation	<u>(768.33)</u>	<u>(715.65)</u>	<u>(52.6)</u>	<u>7.3%</u>
Capital assets, net	<u>\$ 872.1</u>	<u>\$ 921.7</u>	<u>\$ (49.6)</u>	<u>-5.4%</u>

Construction in progress decreased approximately \$3.9 million driven by continued progress on UCONN 2000 construction initiatives and the capitalization of the Clinic Building Renovations.

As mentioned above, the UCONN 2000 program has had a dramatic impact on our campus. This is the third phase of the program also known as 21st Century UCONN, which provides for improvements to facilities at the University and UConn Health. UConn Health has received \$825.9 million over the life of this program. UConn Health received approximately \$680,000 in capital appropriations during 2021 from the UCONN 2000.

UConn Health's fiscal year 2022 capital funding requests will be considered for funding by the senior executive committee of UConn Health on an individual basis.

DEBT ACTIVITIES

UConn Health did not enter into new capital lease agreements in 2021. Scheduled lease payments continued on existing leases in 2021. More detailed information about UConn Health's capital assets and debt activities are presented in notes 9 and 10 of the financial statements.

BIOSCIENCE CONNECTICUT

All construction work related to the Bioscience Connecticut and the Clinical Building Renovations has been substantially completed as of June 30, 2021.

FISCAL YEAR 2022 OUTLOOK

As we look forward to fiscal year 2022, UConn Health continues to adapt its business models to changing landscapes: operational, pandemic, and regulatory. UConn Health continues to work and plan for new operational realities, including labor and supply shortages, through continual re-prioritization, forward thinking, teamwork, and creativity. The COVID-19 pandemic continues to evolve creating new community needs and challenges. UConn Health will continue to respond to these new needs, such as for vaccine boosters and community resources, and to serve the people of Connecticut. Healthcare, already a high oversight

industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds will continue to be a focus for UConn Health moving forward to monitor the increasing levels of regulations from authoritative agencies, including those assisting with pandemic relief.

Research, education, and patient care remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. UConn Health is focused on maximizing our efforts in these areas, while navigating uncertainty surrounding both State and Federal funding. Federal and State aid remain vital in shepherding public institutions through the challenges of COVID-19, but also in allowing institutions such as UConn Health to protect and serve socially or economically disadvantaged groups. UConn Health has benefitted from federal CARES Act support and has secured commitments from the State for CRF during the current year. Some level of additional benefits is expected to be realized in the upcoming year though exact future funding levels remain uncertain.

A combination of institution-wide financial initiatives and additional state funding allowed UConn Health to balance its 2021 spending plan. UConn Health approaches fiscal year 2022 cautiously optimistic. While vaccines have helped stem some of the impact of COVID-19, the surging Delta variant, new Omicron variant and pandemic fatigue have contributed to an uncertain outlook. While clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic volumes, a continued spike in cases could impact UConn Health's ability to perform elective surgeries, which are essential for the continued fiscal health of the institution. At the same time, the Hospital's Medicare Advance program funding will begin repayment in fiscal year 2022. Repayment of these amounts will reduce operating liquidity over future months.

Clinically, the focus remains on cautiously returning to patient care, while assuring patients that it is safe to do so. Significant concerns nationally about patients putting off care due to COVID-19 have lent greater urgency to handling the current Delta spike effectively and safely. UConn Health has worked continually over the past 12 months to strengthen its supply lines and broaden its access to the required types and amounts of PPE. We continue to update our treatment protocols and have proactively taken

steps to ensure patient and staff safety across all our clinical units.

Among the initiatives that UConn Health has implemented are joining with the Connecticut Hospital Association in implementing mandatory vaccination at our facilities, universal masking, and screening of all staff and visitors in all facilities regardless of vaccination status.

UConn Health continues to work at leveraging its electronic medical record system (EPIC system). In the current year, our EPIC system allowed us to track and facilitate vaccine roll outs for staff and the public, and helped transmit COVID-19 testing results from Jackson Labs to other EPIC facilities in Connecticut. We also continued progress towards upgrading and optimizing the system. UConn Health is now on a quarterly upgrade schedule and is up-to-date with current EPIC functionality.

On June 30, 2021, all existing bargaining unit contracts concluded without new agreements being ratified and approved by the legislature. Affected unions are currently working under an extension agreement that runs through June 30, 2022, and keeps substantially all of the prior contract

provisions, but which does not allow for general wage increases during the hold-over period.

The State, lifted by strong tax receipts and federal aid, reported a surplus for fiscal year 2021, and is anticipating a robust fiscal year 2022. The State's financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State's economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care.

Management will continue to monitor these and other factors over the upcoming year as it seeks to strengthen UConn Health for the future.

CONTACTING UCONN HEALTH'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of UConn Health'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, UConn Health, Farmington, Connecticut 06030.

FINANCIAL STATEMENTS

UCONN HEALTH
STATEMENT OF NET POSITION
As of June 30, 2021

	<u>2021</u>
	(\$ in thousands)
ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	\$ 192,142
Patient receivables, net	61,257
Contract and other receivables	22,711
Due from Affiliates (Note 12)	2,979
Due from State of Connecticut	14,586
Due from Department of Correction	21
Inventories	18,886
Prepaid expenses	7,138
Total current assets	<u>319,720</u>
Noncurrent Assets	
Restricted cash and cash equivalents (Note 2)	494
Deposits with vendors	11,166
Other assets	483
Due from State of Connecticut	465
Capital and intangible assets, net (Note 9)	872,061
Total noncurrent assets	<u>884,669</u>
Total assets	<u><u>\$ 1,204,389</u></u>
Deferred outflows of resources pension (Note 11)	\$ 426,482
Deferred outflows of resources OPEB (Note 11)	<u>\$ 583,544</u>

UCONN HEALTH
STATEMENT OF NET POSITION (continued)
As of June 30, 2021

	2021
	(\$ in thousands)
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 53,124
Due to State of Connecticut	23,210
Accrued salaries	34,643
Compensated absences - current portion (Note 10)	20,390
Due to third party payors	56,392
Due to Affiliates (Note 14)	3,364
Unearned revenue	731
Malpractice reserve (Note 10)	2,218
Long-term debt - current portion (Note 10)	8,390
Total current liabilities	<u>202,462</u>
Noncurrent Liabilities	
Malpractice reserve (Note 10)	39,452
Compensated absences - net of current portion (Note 10)	29,501
Due to Affiliates - net of current portion (Note 14)	1,000
Pension liability (Note 11)	1,194,580
OPEB liability (Note 11)	1,786,265
Long-term debt - net of current portion (Note 10)	173,269
Total noncurrent liabilities	<u>3,224,067</u>
Total liabilities	<u>\$ 3,426,529</u>
Deferred Inflows of Resources Pension (Note 11)	\$ 161,297
Deferred Inflows of Resources OPEB (Note 11)	<u>\$ 165,835</u>
NET POSITION	
Net investment in capital assets	\$ 690,402
Restricted for	
Nonexpendable	
Scholarships	61
Expendable	
Research	1,107
Loans	244
Capital projects	3,444
Unrestricted	<u>(2,234,504)</u>
Total net position	<u>\$ (1,539,246)</u>

UConn Health
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	2021
	(\$ in thousands)
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$6,874)	\$ 23,475
Patient services (net of charity care of \$3,658) (Note 4 & 5)	628,899
Federal grants and contracts	68,185
Nonfederal grants and contracts	24,977
Contract and other operating revenues	155,419
Total operating revenues	<u>900,955</u>
OPERATING EXPENSES	
Educational and General	
Instruction	178,910
Research	57,554
Patient services	966,535
Academic support	24,986
Institutional support	159,055
Operations and maintenance of plant	26,886
Depreciation and amortization (Note 9)	70,375
Student aid	39
Total operating expenses	<u>1,484,340</u>
Operating loss	<u>(583,385)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations (Note 14)	330,872
Gifts	3,496
COVID-19 relief revenue (Note 16)	15,598
Loss on disposal	(196)
Investment income	31
Interest on capital asset - related debt	(9,028)
Net nonoperating revenues	<u>340,773</u>
Loss before other changes in net position	<u>(242,612)</u>
OTHER CHANGES IN NET POSITION	
Transfer from Affiliate (Note 14)	2,000
Capital appropriations (Note 12)	680
Net other changes in net position	<u>2,680</u>
Decrease in net position	<u>(239,932)</u>
NET POSITION	
Net position-beginning of year	<u>(1,299,314)</u>
Net position-end of year	<u>\$ (1,539,246)</u>

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	2021
	(\$ in thousands)
Cash flows from operating activities:	
Cash received from patients and third-party payors	\$ 655,755
Cash received from tuition and fees	23,475
Cash received from grants, contracts and other revenue	252,016
Cash paid to employees for personal services and fringe benefits	(622,186)
Cash paid for other than personal services	(433,366)
	<u>(124,306)</u>
Net cash used in operating activities	<u>(124,306)</u>
Cash flows from investing activities:	
Interest received	<u>31</u>
Net cash provided by investing activities	<u>31</u>
Cash flows from noncapital financing activities:	
State appropriations	199,273
Due from State of Connecticut	2,057
COVID-19 relief revenue (Note 16)	15,598
Gifts	<u>3,737</u>
Net cash provided by noncapital financing activities	<u>220,665</u>
Cash flows from capital and related financing activities:	
Additions to property and equipment	(20,191)
Capital appropriations	862
Interest paid	(9,045)
Loan issued from Affiliate	1,800
Transfer from Affiliate	2,000
Net repayment from long-term debt	<u>(8,294)</u>
Net cash used in capital and related financing activities	<u>(32,868)</u>
Net increase in cash and cash equivalents	63,522
Cash and cash equivalents at beginning of year	<u>129,114</u>
Cash and cash equivalents at end of year	\$ <u><u>192,636</u></u>

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2021

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

	2021
	(\$ in thousands)
Operating loss	\$ (583,385)
Adjustments to reconcile operating loss to net cash	
Used in operating activities:	
Depreciation and amortization	70,375
Personal services and fringe benefits In Kind from State	131,599
Changes in assets and liabilities:	
Patients receivables, net	(12,017)
Contract and other receivables	3,260
Due from DOC	767
Inventories	(4,511)
Third party payors	38,106
Prepaid expenses	(3,739)
Deposits with vendors	(3,245)
Other assets	234
Deferred outflow of resources	(128,403)
Accounts payable and accrued liabilities	(3,057)
Due to State of Connecticut	3,561
Due to Affiliates	(9,483)
Accrued salaries	2,148
Net pension and net OPEB liabilities	450,443
Compensated absences	5,224
Unearned revenue	(126)
Deferred inflow of resources	(114,372)
Malpractice reserve	32,315
Net cash used in operating activities	\$ (124,306)

Schedule of Non-Cash Financing Transactions

Mortgage proceeds held by Trustee in construction escrow account	\$ 27
Loss on disposal of capital and intangible assets	\$ (196)
In kind Coronavirus Relief donation	\$ 59
Change in endowment	\$ 300

NOTES TO FINANCIAL STATEMENTS

UCONN HEALTH
Notes to Financial Statements
For the Years Ended June 30, 2021

**1. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Reporting Entity

The University of Connecticut Health Center (“UConn Health”) is a part of a comprehensive institution of higher education, the University of Connecticut (the “University”). Although governed by a single Board of Trustees, UConn Health and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State Appropriations. UConn Health 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 UConn Health for the year ended June 30, 2021, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), Finance Corporation and Subsidiaries, Educational Clinics (the “Primary Institution”) and John Dempsey Hospital (the “Hospital”). UConn Health offers medical and dentistry degrees as well as Ph.D.’s in the biomedical sciences and operates physician/dentist practices in a teaching and research hospital. There is also an affiliated entity that supports the mission of UConn Health: The University of Connecticut Foundation Inc. (the “Foundation”). The Foundation raises funds to promote, encourage, and assist education, research and clinical care at the University, including UConn Health.

The financial operations of UConn Health are reported in the State of Connecticut annual comprehensive financial report using the fund structure prescribed by Governmental Accounting Standards Board (GASB). The State includes the transactions and balances of UConn Health within an enterprise fund under the major business-type activities of the government-wide financial statements, and has noted that State colleges and universities do not possess corporate powers that would distinguish them as being legally separate.

Basis of Presentation

UConn Health’s financial statements are prepared using the economic resources measurement focus and in accordance with all relevant GASB pronouncements.

Proprietary Fund Accounting

UConn Health utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenues are recognized when earned, expenses are recognized when incurred, and all significant intra agency transactions have been eliminated.

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, deferred inflows and outflows of resources 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. Financial statement areas where management applies the use of significant estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, malpractice reserves, third-party reimbursement reserves, compensated absences, pension, and OPEB liabilities.

Recently Adopted Accounting Pronouncements

In January 2017, GASB Issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments and to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This statement establishes criteria for identifying fiduciary activities with the focus on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a

fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. UConn Health has evaluated this statement and believes it does not materially impact its consolidated financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this Statement are effective for the reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 extended the effective dates to reporting periods beginning after December 15, 2020. UConn Health evaluated the impact of this Statement and determined there are no such transactions at the present time and therefore this Statement does not impact the consolidated financial statements.

In June 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. A majority equity interest in a legally separate organization that meets the definition of an investment as defined by GASB should be measured using the equity method. Majority equity interests that do not meet the definition of an investment are required to be reported as a component unit. GASB 90 also provides guidance for reporting a component unit if a government acquired a 100% equity interest in that component unit. The provisions of this Statement are effective for the reporting periods beginning after December 15, 2018. However, GASB Statement No. 95 extended the effective dates to reporting periods beginning after December 15, 2019. UConn Health has evaluated this statement

and believes it does not materially impact its consolidated financial statements.

In March, 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates either by changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The Statement also addresses lease modifications and hedging transactions effected by an IBOR amendment. The effective date of the provisions of this Statement are effective for reporting periods beginning after June 15, 2020. Except for paragraphs 13 and 14 regarding lease modifications which have been extended by GASB No. 95 until reporting periods beginning after June 15, 2021. Paragraph 11b of GASB 93 is effective for reporting periods ending after December 31, 2021. Paragraph 11b indicates that LIBOR is not an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt. Earlier application is encouraged. UConn Health has evaluated this statement and believes it does not have a material impact on the consolidated financial statements.

In October, 2021 GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to address references in authoritative literature to the term comprehensive annual financial report. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The introduction of the new term is founded on a commitment to promoting inclusiveness. This Statement replaces an existing term but does not

establish new accounting and financial reporting requirements. The requirements of this Statement apply to all state and local governments and is effective for fiscal years ending after December 15, 2021 with earlier application encouraged. UConn Health has adopted this Statement.

Upcoming Accounting Pronouncement

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. The original effective date of this statement was for reporting periods after December 15, 2019. However, GASB Statement No. 95 postponed the effective date to fiscal years beginning after June 15, 2021 and all reporting periods thereafter. UConn Health is currently evaluating the impact this Statement will have on its financial statements.

In May, 2019 GASB Issued Statement No. 91, *Conduit Debt Obligations*. The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice with commitments extended by issuers, arrangements characterized as leases that are associated with conduit debt obligations, and related note disclosures. The original effective date of GASB 91 was for reporting periods beginning after December 15, 2020. However, GASB 95 extended the effective dates to reporting periods beginning after December 15, 2021. UConn Health is currently evaluating the impact this Statement will have on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing, and insurance-related activities of public entity risk pools, fair value

measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments.

GASB Statement 92, paragraph 11 – reinsurance recoveries and paragraph 13 – terminology used to refer to derivative instruments was effective upon issuance. It is believed that the provisions for reinsurance recoveries and derivative instruments have no impact on UConn Health’s financial statements.

In March, 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Public-private and public-public partnerships collectively referred to hereinafter as PPPs comprise a wide variety of arrangements between a government and another party that are engaged in providing services to a government’s constituents. Availability payment arrangements (APAs) also have been used in practice to procure government services.

The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. UConn Health is currently evaluating the impact of this Statement on the consolidated financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of the Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Statement extended the effective dates of GASB 84 to reporting periods beginning after December 15, 2019. It also extended the effective date of GASB 87 to fiscal years beginning after June 15, 2021 and all reporting periods thereafter. The Statement also extended the effective dates of GASB Statement 92: paragraphs 6, 7. These areas specifically cover intra entity transfers regarding pensions and OPEB plans, as well as reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet certain criteria. Paragraphs 8, 9 and 12 cover

the applicability of GASB No. 84 to post employment benefit arrangements and nonrecurring fair value measurements to reporting periods beginning after June 15, 2021. Paragraph 10 relates to government acquisitions occurring in reporting periods beginning after June 15, 2021.

In May, 2020, GASB issued Statement No. 96, *Subscription –Based Information Technology Arrangements*. It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITAs) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The effective date of this Statement are for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. UConn Health is currently evaluating the impact of this Statement on the consolidated financial statements.

In June, 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objective of this Statement is to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution plans, defined contribution other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and enhance the relevance, consistency,

and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

In certain instances, a legally separate organization does not have a governing board. For purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan or another employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. The financial burden criterion from GASB Statement No. 84, paragraph 7 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet certain criteria.

Effective June, 2020 Section 457 plans that are legally separate entities should be reported as component units if a primary government is legally or otherwise obligated to make contributions to the pension or OPEB plan.

Effective for fiscal years beginning after June 15, 2021, Section 457 plans should be reported as pension or OPEB plans. UConn Health has evaluated this statement and believes it does not have a material impact on the consolidated financial statements.

Cash and Cash Equivalents:

UConn Health considers all funds that have not been board or otherwise designated and which are held on its behalf by the State of Connecticut to be cash.

Investments and Investment Income

The State of Connecticut has established various funds to account for the operations of UConn Health. 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 UConn Health Malpractice Fund (Fund 35015). Grants and contracts for research and

related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Fund accounts for assets set aside annually as part of the Health Center's self-insurance for malpractice claims. The Operating Fund acts as a "General Fund" for UConn Health, accounting for all operations not accounted for elsewhere.

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

Investment Income also includes amounts received from endowments.

Accounts Receivable and Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators.

Contract and Other Receivables

Contract and other receivables include services provided to area hospitals under various agreements and certain agreements with outside providers and pharmacies. Revenue is recorded on the accrual basis of accounting in the period the related services are rendered.

Due from/to Affiliate

Due from affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University of Connecticut. Due to affiliate includes payables to the University of Connecticut resulting from cost-reimbursement arrangements for shared operating activities. Additional information on these can be found in note 12 and 14.

Due from/to State

Due from State includes an appropriation receivable from the General fund of the State for payroll, as well as unspent State bond funds designated to UConn Health by the State Bond Commission for specific capital projects.

The State administers employee benefit and retirement plans. UConn Health is charged based on an annual fringe benefit rates that are applied to employee salaries. The amount due to State consists of fringe benefits accrued in relation to accrued salaries reported at the end of the fiscal year.

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. Pharmacy inventory is valued at market which approximates cost due to high turnover rates for institutional pharmaceuticals. Short-term or minor supplies are expensed as incurred.

Prepaid Expense

Prepaid expenses include payments to vendors before the goods and/or services are received typically for agreements ranging between three months and one year. We expect the benefit for these payments to be realized over the next twelve months.

Deposits with Vendors

Deposits with vendors are required payments based on certain contractual arrangements. Approximately 96% of the current balance is for deposits held with AmerisourceBergen. This is the primary pharmaceutical vendor used by UConn Health. As part of its contract UConn Health is required to maintain a deposit with the vendor based on a percentage of the prior quarter's purchases in order to access preferred pricing. These deposits are non-interest bearing and are considered subject to the credit risk of the vendor. We do not expect a return of these funds within the next twelve months.

Capital and Intangible Assets

Property and equipment acquisitions are recorded at cost or, in the case of gifts, at acquisition value. All land is capitalized regardless of cost. Betterments and major improvements are capitalized and maintenance and repairs are expensed as incurred. Equipment with a value of \$5,000 or more and a useful life of more than one year is capitalized.

UConn Health capitalizes fine, non-decorative art at cost. Fine art is not depreciated.

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they were incurred in the primary project stage, application

development state, or post-implementation state, and the nature of the costs.

Assets acquired under capital leases and leasehold improvements are depreciated no longer than the lease term.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets:

Buildings and Building Improvement	3 - 50 years
Equipment	2 - 15 years
Computer software	3 - 15 years

Impairment of Long-Lived Assets

UConn Health records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During 2021, UConn Health disposed of Medical Equipment including a Sequencing System, X-ray Units, Ultrasound Scanner and Cerebral Oximeter. The combined loss on disposal was approximately \$121,000. UConn Health also disposed of or traded in a number of smaller items leading to a total loss on disposal of \$75,000. None of these items were individually significant.

As of June 30, 2021, UConn Health disposed of information technology equipment and general equipment to fit out the EPIC project in the University Tower. The combined value of these assets was approximately \$5.0 million. These assets were reported in equipment in note 9 and there was no loss on disposal.

Medical Malpractice

Health care providers and support staff of UConn Health 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 UConn Health's malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital, UMG, and Dental

practices. For the year ended June 30, 2021, these costs are included in the statement of revenues, expenses and changes in net position.

Compensated Absences

UConn Health's employees earn vacation, personal, compensatory, and sick time at varying rates depending on their collective bargaining units. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience.

Following the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*, certain fringe benefit costs associated with compensated absences were included in the pension liability and excluded from the compensated absences accrual. All other compensated absences are accrued at 100% of their balance. Compensated absences have been allocated between current and noncurrent based on historical information.

Third-Party Payors

Laws governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Each year, as the Office of Inspector General's (OIG) work plan changes, new areas of scrutiny surface. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in any given period.

Pension Liabilities

In accordance with GASB 68, UConn Health records its proportionate share of the collective net pension liability and collective pension expense for each defined-benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefits payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each

pension plan's fiduciary net position have been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

OPEB Liabilities

In accordance with GASB 75, UConn Health records its proportionate share of the collective liability for Post-Employment Benefits Other than Pension (OPEB). The collective net OPEB liability is measured as the total liability less the amount of the plan's fiduciary net position. The total OPEB liability is the portion of the actuarial present value of projected benefits payments that are attributable to past periods of plan member service. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Deferred Outflows of Resources and Deferred Inflows of Resources

UConn Health reports its proportionate share of collective deferred outflows of resources or collective deferred inflows of resources related to its defined-benefit pension and OPEB plans. Differences between expected and actual experience in the measurement of the total pension liability and OPEB liability, changes of assumptions or other inputs, and differences between actual contributions and proportionate share of contributions are classified as either deferred outflows or deferred inflows, and are recognized over the average of the expected remaining service lives of employees eligible for pension benefits and OPEB benefits. The net differences between projected and actual earnings on pension and OPEB plan investments are reported as deferred outflows or deferred inflows and are recognized over the average remaining service lives of the plan participants. Contributions to the pension and OPEB plan from UConn Health subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as a deferred outflow of resources

related to pensions and OPEB and recognized in the subsequent year.

Net Position

GASB requires that resources be classified for accounting and reporting purposes into the following categories of net position:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and amortization, reduced by outstanding principal balances of notes that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted nonexpendable: Endowment and similar type assets for which donors or outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity. These assets are invested for the purpose of producing present and future income, which may be expended or reinvested in principal.
- Restricted expendable: Assets reduced by liabilities related to those assets that are expendable but where UConn Health is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.
- Unrestricted: The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not otherwise restricted that do not meet the definition of “restricted” or “net investment in capital and intangible assets”. These assets are not subject to externally imposed stipulations, but they may be subject to internal designations. In general, all unrestricted amounts in net position are assigned to support academic, clinical, and research programs, capital projects, retirement of indebtedness, and auxiliary enterprise activities.

UConn Health’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred is based on a variety of factors. These factors include consideration of prior or future revenue sources, the type of expense incurred, UConn Health’s budgetary policies surrounding the various revenue sources, and whether the expense is a recurring cost.

In order to ensure observance of limitations and restrictions placed on the use of the resources

available to UConn Health, the accounts of UConn Health are maintained internally following the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities and objectives.

Revenues and Expenses

UConn Health breaks out revenues between operating and non-operating based on the nature of the transaction as being either an exchange or non-exchange transaction. *GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions*, requires recipients of government-mandated and voluntary non-exchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. Restricted grant revenue that does not meet the non-exchange transaction definition is also recognized to the extent expended or, in the case of fixed price contracts, when the contract terms are met or completed.

UConn Health uses the criteria listed below:

- Operating revenues and expenses: Operating revenues consist of tuition and fees, patient services, grants, contracts, other operating revenues. Operating expenses include all expense transactions incurred other than those related to investing or financing. These expenses are reported using functional classification. See Note 15 for operating expenses presented by natural classification.
- Non-operating revenues and expenses: All other revenues and expenses for UConn Health are reported as non-operating revenues and expenses including State appropriations, including capital, noncapital gifts, investment income and Coronavirus Relief Funds. Interest expense and loss on disposal of property and equipment, net, are also reported as non-operating.

Scholarship Discounts and Allowances

GASB requires that revenues be reported net of scholarship discounts and allowances, representing the difference between the stated charge for goods and services provided by UConn Health and the amount that is ultimately paid by the students or on their behalf. Any aid applied directly to the student

accounts in payment of tuition and fees is reflected as a scholarship allowance deducted from UConn Health's operating revenues. Student aid expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position includes financial aid payments made directly to the students.

University of Connecticut MOUs

The University of Connecticut manages certain operations for UConn Health in exchange for payment. These payments cover operating expenses related to public safety, marketing, library services, technology commercialization and other miscellaneous services. The terms of these arrangements are set forth in formal MOUs that are reviewed and agreed upon by both parties on an annual basis. The expenses from these MOUs are recorded as part of operating expenses in the accompanying Statement of Revenues, Expenses and Changes in Net Position. See Note 14 for further details.

Regulatory Matters

The Hospital is required to file semi-annual and annual operating information with the State of Connecticut Office of Health Strategy (OHS), and is required to file annual cost reports with Medicare.

Home Office Allocation

The Home Office allocation allocates substantially all central administrative costs to its separate business units. The amount charged to the separate business units may not necessarily result in the net costs that are to be incurred by the business units on a standalone basis. The Home Office expenses are allocated based on several different methodologies depending on cost type. The Home Office allocation amounts are charged to business units each month based on operational results. Allocated expenses are grouped in their functional classification category for financial reporting purposes. The natural classification can be found in Note 15.

Other Significant Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused

business disruption through mandated and voluntary closings of businesses across the country. UConn Health's clinical operations elected to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. As a result, clinical volumes and results were lower in fiscal 2020 than in fiscal 2021. UConn Health continues to diligently navigate the pandemic and its many associated business challenges including PPE shortages, supply chain disruption, aid application and reporting requirements, variant waves, and staffing shortages. Management remains focused on providing exceptional, reliable, and safe patient care to our community. UConn Health implemented a mandatory masking policy for patients, staff, and visitors in 2021 and has adopted a mandatory vaccine policy in fiscal 2022. Both policies focus on ensuring the health of our patients, staff, and visitors. Due to the rapid development and fluidity of the pandemic, including variant spread, the magnitude and duration of the pandemic and its impact on UConn Health's financial condition or results remain uncertain as of the date of this report.

During fiscal year 2021, clinical operations received \$14.6 million via the Coronavirus Aid, Relief, and Economic Security (CARES) Act General Distribution Phase 3 based on lost revenue. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. UConn Health has met these requirements.

UConn Health's clinical operations are eligible for distributions for treating uninsured patients, though this population is not considered material.

UConn Health may also apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health is eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration, and UConn Health has obtained a commitment from the State of Connecticut as part of the CRF to assist with eligible pandemic related expenses not reimbursed by FEMA. The FEMA application process can be time intensive and UConn Health only recently received confirmation of FEMA funding for expenses from fiscal year 2020. See note 16 for additional details.

2. CASH DEPOSITS AND INVESTMENTS

Statement No. 40 of the GASB requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks, especially as it relates to 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 UConn Health's name.

UConn Health's cash and cash equivalents, current and noncurrent, balance was \$192,635,651 as of June 30, 2021 and included the following:

	2021
Cash maintained by State of Connecticut Treasurer	\$ 160,998,346
Invested in State of Connecticut Short-Term Investment Fund	31,446,911
Deposits with Financial Institutions and Other	182,669
Currency (Change Funds)	7,725
Total cash and cash equivalents	192,635,651
Less: current balance	192,141,679
Total noncurrent balance	\$ 493,972

Collateralized deposits are protected by Connecticut 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 to at least 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. Portions of the bank balance of the State of Connecticut were insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, UConn Health benefits from this protection, though the extent to which the deposits of an individual State agency such as UConn Health are protected cannot be readily determined.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, banker's acceptances, repurchase agreements, asset-backed securities, and student loans. For financial reporting

purposes, STIF is considered to be "cash equivalents" in the statements of net position.

UConn Health's cash management investment policy authorizes UConn Health to invest in the State Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements and savings accounts. The \$31,446,911 invested in the State of Connecticut Investment Pool is invested by the State Treasurer in its Short-term Investment Fund and had a Standard and Poor's rating of AAAM during fiscal year 2021.

Certain funds are held by outside fiscal agents and are not under the direct control of UConn Health. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds was \$2,558,200 as of June 30, 2021. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income earned from those sources was \$5,660 for the year ended June 30, 2021.

3. HYPOTHECATION

Individual components of UConn Health are allowed to borrow from the State on the basis of their net patient receivables and contract and other receivables to fund operations. These units include John Dempsey Hospital and the UConn Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. UConn Medical Group is allowed to borrow at up to 70% of its receivables. As of June 30, 2021, the Hospital and UMG had the following draws and availability under the State statute:

	2021	
	John Dempsey Hospital	UConn Medical Group
Amount Drawn under Hypothecation	\$ -	\$ 4,882,505
Remaining amounts available under Hypothecation	\$ 47,630,465	\$ 5,342,142

4. NET PATIENT SERVICE REVENUE

UConn Health provides health care services primarily to residents of the region.

Patient service revenues reported net of allowances and provisions for bad debt. UHPSI also deducts Direct and Indirect Remuneration (DIR) fees. DIR refers to the compensation received by Medicare Part D sponsors or their Pharmacy Benefits Manager (PBM) after point-of-sale. The year ended June 30 were:

	<u>2021</u>
John Dempsey Hospital	
Gross patient services revenue	\$ 1,342,597,608
Less contractual allowances and provision for bad debt	<u>886,037,519</u>
	\$ 456,560,089
UConn Medical Group	
Gross patient services revenue	284,464,823
Less contractual allowances and provision for bad debt	<u>159,531,116</u>
	124,933,707
UHPSI	
Gross patient services revenue	49,356,197
Less contractual allowances, Direct and Indirect Remuneration (DIR) fees and provision for bad debt	<u>11,979,063</u>
	37,377,134
All other	<u>10,028,428</u>
Total net patient revenue	\$ <u>628,899,358</u>

Significant Concentrations

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of net patient revenues and associated year-end receivables for these programs are shown in the table below as of June 30, 2021.

	<u>Medicare</u>	<u>Medicaid</u>
John Dempsey Hospital		
Net Revenue	33%	21%
Accounts Receivable	27%	12%
UConn Medical Group		
Net Revenue	29%	16%
Accounts Receivable	25%	9%
UHPSI		
Net Revenue	22%	61%
Accounts Receivable	24%	51%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. UConn Health 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 UConn Health.

5. CHARITY CARE

UConn Health's clinical operations provide charity care to eligible patients. UConn Health's individual clinical entities maintain records to identify and monitor the level of charity care provided. These records include the amount of charges forgone for services and supplies furnished under their respective charity care policies, the estimated cost of those services and supplies, and equivalent service statistics. No net patient revenue is recorded for these services, however, expenses associated with these services are included in the Statement of Revenues, Expenses, and Changes in Net Position.

Listed below are the charity care services provided along with the associated cost for the year ended June 30.

	<u>2021</u>	
	Charity Care Services	Cost of Services
John Dempsey Hospital	\$ 3,075,486	\$ 881,434
UConn Medical Group	470,698	140,890
Educational Clinics	106,499	96,914
UHPSI	4,959	176
Total	<u>\$ 3,657,642</u>	<u>\$ 1,119,414</u>

6. ENDOWMENTS

UConn Health has designated the Foundation as its manager of endowment funds. The Foundation makes spending allocation distributions to UConn Health for each participating endowment. Distributions are spent by UConn Health in accordance with the respective purposes of the endowments and in accordance with the policies and procedures of UConn Health. Additional information is presented in note 14.

7. RESIDENCY TRAINING PROGRAM

UConn Health's School of Medicine Residency Training Program provides area hospitals with the services of interns and residents. Participating hospitals remit payments to UConn Health, in accordance with an established rate schedule, for services provided. UConn Health, 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.

UConn Health's School of Dental Medicine also operates its Residency Training Program through the Consortium. Dental Residents work in local dental clinics honing their skills while providing services to traditionally underserved populations.

8. CONTINGENCIES

UConn Health 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, exclusive of the event outlined below, will not have a material effect on UConn Health's financial statements.

On June 29, 2021, a judge decided for the plaintiffs in the case *Monroe Lynch, et al v. State of Connecticut*. The original judgment awarded the plaintiffs \$37.6 million. Based on UConn Health's post-trial motions, the amount was reduced to \$34.6 million, subsequent to year end. UConn Health has accrued a liability based on the initial judgment as adjusted. UConn Health believes there are substantial grounds for appeal and intends to vigorously pursue an appeal. Appeal documents were filed in September 2021.

9. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2021, consisted of the following:

	<u>2021</u>
Land	\$ 13,537,051
Construction in progress	6,776,894
Fine art	1,240,302
Buildings	1,260,979,707
Equipment	261,999,129
Computer software	77,556,034
Capital leases	<u>18,304,966</u>
	1,640,394,083
Less accumulated depreciation	<u>768,333,022</u>
Capital and intangible assets, net	<u>\$ 872,061,061</u>

Construction in progress at June 30, 2021, represents accumulated costs for various UConn Health construction projects. UConn Health has entered into various contractual arrangements related to these projects. Upon completion, the cost of the project is transferred to the appropriate investment in property and equipment category and depreciation will commence.

Plant and equipment activity and related information on accumulated depreciation for UConn Health for the year ended June 30, 2021 was as follows:

	<u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>2021</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 13,537,051	\$ -	\$ -	\$ 13,537,051
Construction in progress	10,690,101	10,689,346	(14,602,553)	6,776,894
Fine art	1,271,363	1,580	(32,641)	1,240,302
Total capital assets not being depreciated	<u>25,498,515</u>	<u>10,690,926</u>	<u>(14,635,194)</u>	<u>21,554,247</u>
<u>Depreciable capital assets</u>				
Buildings and building improvements	1,247,382,940	13,596,767	-	1,260,979,707
Equipment	268,821,045	10,760,698	(17,582,614)	261,999,129
Computer software	77,425,705	503,593	(373,264)	77,556,034
Capital leases	18,308,464	-	(3,498)	18,304,966
Total depreciable capital assets	<u>1,611,938,154</u>	<u>24,861,058</u>	<u>(17,959,376)</u>	<u>1,618,839,836</u>
<u>Less accumulated depreciation:</u>				
Buildings and building improvements	467,389,490	41,796,590	-	509,186,080
Equipment	209,532,072	19,041,793	(17,419,254)	211,154,611
Computer software	24,938,687	8,223,721	(373,264)	32,789,144
Capital leases	13,893,719	1,312,966	(3,498)	15,203,187
Total accumulated depreciation	<u>715,753,968</u>	<u>70,375,070</u>	<u>(17,796,016)</u>	<u>768,333,022</u>
<u>Depreciable capital assets, net</u>				
Buildings and building improvements	779,993,450	(28,199,823)	-	751,793,627
Equipment	59,288,973	(8,281,095)	(163,360)	50,844,518
Computer software	52,487,018	(7,720,128)	-	44,766,890
Capital leases	4,414,745	(1,312,966)	-	3,101,779
Total depreciable capital assets, net	<u>896,184,186</u>	<u>(45,514,012)</u>	<u>(163,360)</u>	<u>850,506,814</u>
Capital and intangible assets, net	<u>\$ 921,682,701</u>	<u>\$ (34,823,086)</u>	<u>\$ (14,798,554)</u>	<u>\$ 872,061,061</u>

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 was as follows:

	June 30, 2020 Balance	Additions	Reductions	June 30, 2021 Balance	Amounts due within 1 year
Long-Term debt:					
Capital Leases					
Capital lease obligation (GE Capital) - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed MRI equipment	\$ 576,189	\$ -	\$ (430,757)	\$ 145,432	\$ 145,432
Capital lease obligation (Sysmex America)- Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed Hematology equipment	125,669	-	(83,385)	42,284	42,284
Capital lease obligation (GE Capital) - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed Davinci surgical robot	1,728,846	-	(350,393)	1,378,453	361,050
Capital lease obligation (GE Capital) - Payments including interest at 1.76% began July 2019 and continue until August 2024*, collateralized by financed Voluson P8 ultrasound	34,567	-	(5,598)	28,969	6,456
Capital lease obligation (GE Capital)- Payments including interest at 2.82% began October 2019 and continue until September 2024*, collateralized by financed 6 C-arms x-ray machines	799,674	-	(158,908)	640,766	182,941
Capital lease obligation (GE Capital) - Payments including interest at 1.85% began November 2019 and continue until October 2024*, collateralized by financed 1 C-arm x-ray machine	147,568	-	(28,354)	119,214	32,769
Capital lease obligation (Avaya) - Payments including interest at 5.65% began April 2020 and continue until March 2026, collateralized by financed phone system	877,011	-	(132,833)	744,178	140,556
Total Capital Leases	4,289,524	-	(1,190,228)	3,099,296	911,488
Business -type activities:					
Notes from Direct Borrowings -					
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 2004 and continue until November 2024, with interest at 6.34%	7,741,328	-	(1,568,443)	6,172,885	1,670,824
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040	177,922,242	-	(5,535,524)	172,386,718	5,807,674
Total Notes From Direct Borrowing	185,663,570	-	(7,103,967)	178,559,603	7,478,498
Other long-term liabilities:					
Malpractice reserve	9,355,000	37,289,005	(4,974,205)	41,669,800	2,218,000
Compensated absences	44,666,600	30,805,684	(25,581,461)	49,890,823	20,390,379
Pension liability	1,018,772,595	320,279,548	(144,471,911)	1,194,580,232	-
OPEB liability	1,511,625,530	353,430,393	(78,790,734)	1,786,265,189	-
Total other long-term liabilities	2,584,419,725	741,804,630	(253,818,311)	3,072,406,044	22,608,379
Total Long - Term Liabilities	\$ 2,774,372,819	\$ 741,804,630	\$ (262,112,506)	\$ 3,254,064,943	\$ 30,998,365

*In fiscal year 2021, 3 of the GE leases were amended due to a COVID-19 restructure deferral payment agreement. This agreement allowed for a one-month lease payment deferral due to the COVID-19 pandemic, which extended the lease termination dates by one month each.

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statement of Net Position; depreciation on these assets is included in depreciation in the accompanying Statement of Revenues, Expenses, and Changes in Net Position (see note 9). Loans related to these capital lease agreements are included in long-term debt on the accompanying Statement of Net Position.

30, 2021 are secured by the UConn Musculoskeletal Institute building, the Outpatient Pavilion, the Leasehold (as to Land) and Fee (as to improvements) Mortgage, Security Agreement, Assignment of Lease and Rents and Fixture Filing. The outstanding notes from direct borrowings related to business-type activities contain a provision that in an event of default, outstanding amounts become immediately due if payment has not been made when due.

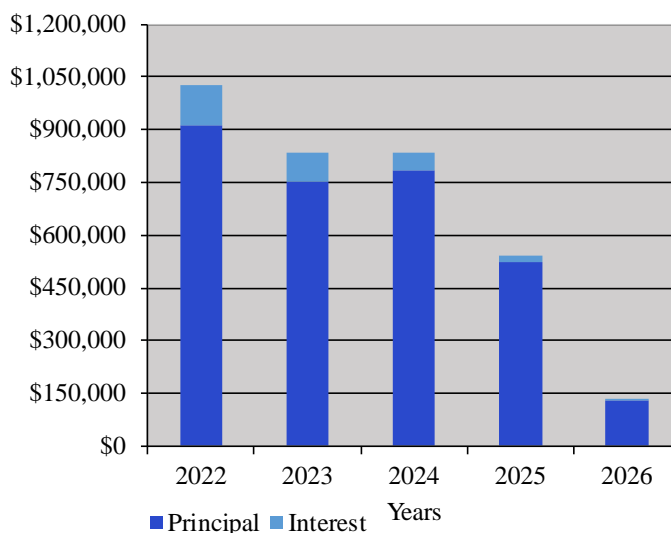
Outstanding notes from direct borrowings related to business-type activities of \$178,559,603 as of June

Estimated cash basis interest and principal requirements for capital lease payments for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Future Minimum Capital Lease Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 911,488.00	\$ 113,555
2023	752,370	84,125
2024	782,181	54,306
2025	522,160	18,622
2026	131,097	3,016
Total minimum payments	<u>\$ 3,099,296</u>	<u>\$ 273,624</u>

In fiscal year 2021, UConn Health recorded interest expense of \$163,626 related to capital leases.

Capital Leases

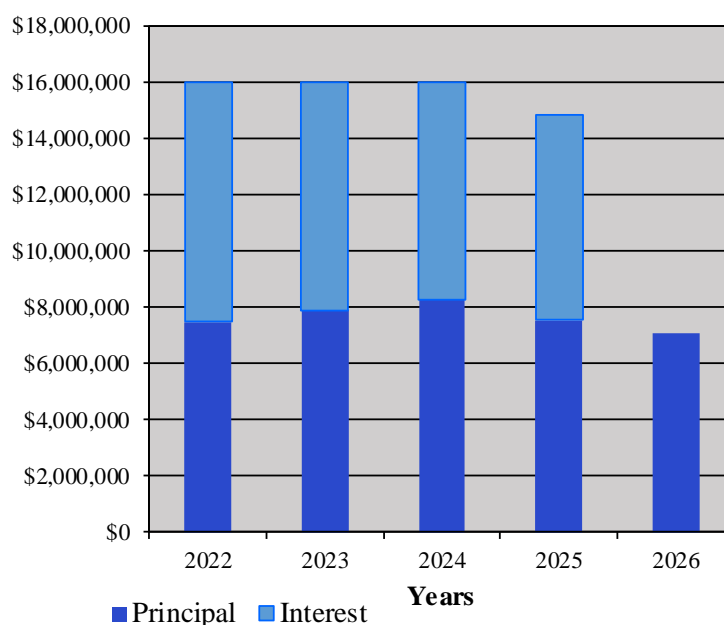


Estimated cash basis interest and principal requirements for notes from direct borrowings for the remaining years of the notes are as follows:

<u>Year Ending June 30,</u>	<u>Notes from Direct</u>	<u>Interest</u>
	<u>Principal</u>	
2022	\$ 7,478,497	\$ 8,506,542
2023	7,873,090	8,111,949
2024	8,288,841	7,696,199
2025	7,533,172	7,276,924
2026	7,036,815	6,934,037
2027-2031	40,726,442	29,127,818
2032-2036	51,771,874	18,082,385
2037-2040	<u>47,850,872</u>	<u>4,539,822</u>
	<u>\$ 178,559,603</u>	<u>\$ 90,275,676</u>

In fiscal year 2021, UConn Health recorded interest expense of \$8,864,456 related to note borrowings.

Notes from Direct Borrowing Requirement



Medical Malpractice Insurance

UConn Health is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under UConn Health's incident reporting system and an estimate of incurred but not reported claims are accrued based on

actuarially determined estimates that incorporate UConn Health's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. The scope of UConn Health's assessment for establishing budgets for malpractice costs encompasses physicians,

dentists, and all other UConn Health health care providers, and support staff.

UConn Health is involved in litigation claiming a substantial amount of damages arising in the ordinary course of business. Specifically, claims alleging malpractice have been asserted against UConn Health and are currently in various stages of litigation. Costs associated with these known claims, including settlements, as well as any new claims arising during the course of business will be paid from the malpractice fund.

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by UConn Health, UConn Health may petition the State to make up any difference. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program. At June 30, 2021, UConn Health Malpractice Fund had actuarial reserves of approximately \$41.7 million and assets of approximately \$3.8 million.

11. RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS

State Retirement Systems

UConn Health sponsors two defined benefit plans administered through the State: the State Employees' Retirement System (SERS) and the Connecticut Teachers' Retirement System (TRS); and the Alternate Retirement Plan (ARP) which is a defined contribution plan. Through employee participation in one of the above plans, employees are also enrolled in the State of Connecticut State Employee OPEB Plan (SEOPEBP). SERS, TRS and SEOPEBP do not issue stand-alone financial reports but are reported as fiduciary funds within the State's Annual Comprehensive Financial Report (ACFR). Financial reports are available on the website of the Office of the State Comptroller at www.osc.ct.gov. Information for the SERS and OPEB plans, in which UConn Health holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

Effective July 1, 2017, the State legislature approved the State Employees' Bargaining Agent Coalition (SEBAC) 2017 agreement, which amended certain provisions under collective bargaining agreements for existing SERS plans by revising certain factors

including employee contribution rates, annual cost-of-living adjustments (COLAs) for plan members retiring after July 1, 2022, and disability retirement requirements.

State Employees' Retirement System (SERS)

Pension plan - SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. SERS is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. As of June 30, 2021, SERS consisted of plans in five tiers: Tier I, Tier II, Tier IIA, Tier III, and Tier IV including the (Hybrid Plan). In accordance with GASB 68, UConn Health must report for its participation in SERS as if it were a cost-sharing employer plan.

The percentage of UConn Health's eligible employees participating in SERS was approximately 65.3% in fiscal year 2021. Individuals actively employed and participating in the State Alternate Retirement Program (ARP) on September 22, 2010, were eligible to participate in the SEBAC ARP Grievance (SAG) Award. The SAG Award provided participants in ARP a one-time irrevocable opportunity to elect to transfer to SERS Tier II or Tier IIA (based on hire date) or to remain an ARP member. Accordingly, 439 UConn Health employees transferred to SERS from ARP during fiscal year 2019. The closing date for this one-time election was December 14, 2018.

Benefits provided - SERS was established by the Connecticut General Assembly for the purpose of providing retirement, disability, and death benefits along with annual cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula, which takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192 of the State General Statutes.

Deferred Vesting – SERS

Tier I -	10 years of service
	Effective July 1, 1997, 5 years
Tier II and IIA -	of actual state service, 10 years
	of vesting service, or age 70
	with 5 years of service
Tier III and IV -	10 years of benefit service

Contributions - The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2021 were:

Tier I Hazardous – 6.0% of earnings up to Social Security Taxable Wage Base plus 7.0% of earnings above that level

Tier I Plan B – 4.0% of earnings up to Social Security Taxable Base plus 7.0% of earnings above that level

Tier I Plan C – 7.0% of earnings

Tier II Hazardous – 6.0% of earnings

Tier II (all others) – 2.0% of earnings

Tier IIA and III Hazardous – 7.0 % of earnings

Tier IIA and III (all others) – 4.0% of earnings

Tier IV Hazardous – 8% of earnings

Tier IV (all others) – 5% of earnings

In accordance with the SEBAC 2017 agreement, an increase to all non-Tier IV members contribution rates of 1.5% of earnings became effective July 1, 2017 and an additional 0.5% of earnings was effective July 1, 2019. In years where asset losses require further increases in contributions, Tier IV employees' contributions may increase by half the necessary increase in rates (up to 2%). Finally, all Tier IV employees must contribute 1% to the defined benefit component and may elect additional contributions of up to 3% of salary. The State is required to contribute at an actuarially determined rate to the defined benefit component and 1% of

eligible compensation to the defined contribution component.

Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for the ARP, were also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III, but requires employee contributions 3% higher than the contribution required from the applicable Tier II, IIA, or III Plan.

A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement eligibility applicable to members eligible to retire before July 1, 2011. Employees who elected by July 1, 2013 to maintain their eligibility are required to make additional employee contributions for the length of their remaining service with SERS. The additional contribution is up to 0.72% of pensionable earnings.

UConn Health makes contributions on behalf of the employees, through a fringe benefit charge assessed by the State. These amounts are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. UConn Health's contributions were \$99.9 million for fiscal year 2021.

In 2018, provisions under collective bargaining agreements were amended for existing SERS plans by revising certain factors including employee contribution rates and COLAs. A Tier IV plan was also placed into effect for employees hired on or after the effective date. These changes were effective July 1, 2017.

Proportionate share of collective Net Pension Liability (NPL) - The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2020. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of SERS was 5.01% which was an increase of .56% from its proportion measured as of June 30, 2019.

At June 30, 2021, UConn Health reported liabilities of \$1,188.7 million for its proportionate share of the SERS collective NPL.

SERS Expense - For the year ended June 30, 2021, UConn Health recognized a SERS pension expense of \$163.5 million.

Actuarial assumptions - For SERS, the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females is used for the period after disability.

The TPL was based on actuarial study for the period July 1, 2011–June 30, 2015 for SERS using the following key assumptions:

Inflation	2.50 %
Salary increases	3.50% - 19.50%, including inflation
Investment rate of return	6.9%, net of pension plan investment expense, including inflation

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

The target assets allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2020 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Market Intl. Stock Fund	9.00%	7.90%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternative Investments	7.00%	2.90%
Core Fixed Income Fund	16.00%	2.10%
High Yield Bond Fund	6.00%	4.00%
Emerging Market Debt Fund	5.00%	2.70%
Inflation Linked Bond Fund	5.00%	1.10%
Liquidity Fund	1.00%	0.40%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL at June 30, 2020 was the long-term rate of return of 6.9%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2140.

Based on those assumptions, SERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL and a municipal bond rate was not used in determining the discount rate.

Sensitivity analysis - The following table presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 6.9%, as well as what UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate (amounts in thousands):

1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
\$ 1,412,269	\$ 1,188,704	\$1,001,862

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the

SERS pension plan is available in the State's ACFR for the fiscal year ended June 30, 2020.

Connecticut Teachers' Retirement System (TRS)

Pension plan - TRS is a cost-sharing multiple-employer defined-benefit plan covering any teacher, principal, Superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with UConn Health, and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State Legislature, and is administered by the Teachers' Retirement Board.

Benefits provided - TRS provides retirement, disability, and death benefits, and annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member's age, service, and the average of the highest three years of paid salaries. Members are 100% vested after 10 or more years of credited service. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ww of the State General Statutes.

Contributions - The contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 7.0% of their annual salary. According to Section 10-183z of the State General Statutes, a special funding situation requires the State to contribute 100.0% of employer's contributions on behalf of its municipalities at an actuarially determined rate. However, a special funding situation does not apply to UConn Health because it is an agency of the State and is not a separate non-employer contributing entity. Therefore, like SERS, UConn Health makes contributions on behalf of these employees, through a fringe benefit charge assessed by the State. UConn Health's TRS contributions for the year ended June 30, 2021, was \$491,023.

Proportionate share of collective Net Pension Liability (NPL) - The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2020. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension

plans. Based on this calculation, UConn Health's proportion of the TRS was .031% at the measurement date of June 30, 2020.

TRS Expense - For the year ended June 30, 2020, UConn Health recognized a TRS pension expense of \$1,344,380.

Actuarial assumptions - TRS mortality rates were based on the PubT-2010 Healthy Retiree table (adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 employee Table generationally with MP-2019 was used for active members.

The TPL was based on an actuarial study for the period July 1, 2015 – June 30, 2019 for TRS, using the following key actuarial assumptions:

Inflation	2.50%
Salary increases	3.00% – 6.50%, including inflation
Investment rate of return	6.9%, net of pension plan investment expense, including inflation

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2020 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Markets Intl. Stock Fund	9.00%	7.90%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternate Investment	7.00%	2.90%
Core Fixed Income	16.00%	2.10%
High Yield Bond Fund	6.00%	4.00%
Emerging Market Debt Fund	5.00%	2.70%
Inflation Linked Bond fund	5.00%	1.10%
Liquidity Fund	1.00%	0.40%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL was 6.9%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected

benefit payments to determine the total pension liability.

Sensitivity analysis - The following presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 6.9%, as well as what the UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate (amounts in thousands):

1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
\$ 7,350	\$ 5,877	\$ 4,653

Pension plan fiduciary net position - Detailed information about the fiduciary net position of the TRS pension plan is available in the State's ACFR for the fiscal year ended June 30, 2020.

Deferred outflows and deferred inflows of resources related to pensions - At June 30, 2021, UConn Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	SERS	TRS	Total
<u>Deferred Outflows of Resources</u>			
Changes in assumptions	\$ 31,663	\$ 1,284	\$ 32,947
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	207,082	1,641	208,723
Net differences between projected and actual earnings on pension plan investments	20,036	241	20,277
UConn Health contributions subsequent to the measurement date	99,867	491	100,358
Difference between expected and actual experience	64,157	-	64,157
Difference between expected and actual contributions	-	20	20
Total Deferred Outflows	\$ 422,805	\$ 3,677	\$ 426,482
<u>Deferred Inflows of Resources</u>			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	\$ 160,878	\$ 243	\$ 161,121
Difference between expected and actual experience	-	176	176
Total Deferred Inflows	\$ 160,878	\$ 419	\$ 161,297

The \$100.4 million in deferred outflows relating to contributions made subsequent to the measurement

date will be recognized as a reduction of the collective NPL in the reporting year ending June 30,

2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal

Year	SERS	TRS	Total
2022	\$ 47,064	\$ 753	\$ 47,817
2023	12,726	712	13,438
2024	33,440	552	33,992
2025	54,066	448	54,514
2026	12,628	239	12,867
Thereafter	2,136	63	2,199
Total	\$ 162,060	\$ 2,767	\$ 164,827

Alternate Retirement Plan

Defined Contribution Plan - UConn Health also sponsors the Alternate Retirement Plan (ARP), a defined contribution plan administered through a third-party administrator, Prudential Financial, Inc. The Connecticut State Employees Retirement Commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

All unclassified employees not already in a pension plan of a constituent unit of the State system of higher education or the central office staff of the Department of Higher Education are eligible to participate in ARP.

ARP contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. Participants hired prior to July 1, 2017, must contribute 6% of their eligible compensation, except for participants who elected the one-time option to remain at the previous employee contribution rate of 5%, and their employer must contribute 7% of eligible compensation. Participants hired on or after July 1, 2017, have the option to contribute 6.5% or 5% of their eligible compensation and their employer must contribute 6.5% of eligible compensation. There is no minimum vesting period for ARP. Other ARP provisions are described in Chapter 66 of the State General Statutes, State Employees Retirement Act.

UConn Health contributes its employer share through a fringe benefit charge assessed by the State; which includes OPEB. UConn Health contributed 14.82% during the year ended June 30, 2021, an increase from the contribution rate of 14.61% in the prior year. For fiscal year 2020, UConn Health's employer contributions to ARP were \$27.3 million. Participant and employer contributions are both 100% vested immediately. The commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

Upon separation from service, retirement, death or divorce (including alternate payee under a Qualified Domestic Relations Order), if you are age 55 or over and have more than 5 years of plan participation, a participant or designated beneficiary can withdraw a partial or lump cash payment, rollover to another eligible retirement plan or IRA, or receive installment payments or annuity payments. Other ARP provisions are described in Title 5 – State Employees, Chapter 66 – State Employees Retirement Act of the Connecticut General Statutes.

Post-Employment Benefits other than Pension

In addition to the pension benefits, the State provides post-retirement health care and life insurance benefits to UConn Health employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) based on the plan chosen by the employee. In addition, the State 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 by a formula based on the number of years of State service that the retiree had at the time of retirement.

General Information about the SEOPEBP

Plan description - The State's defined benefit OPEB plan, State of Connecticut State Employee OPEB Plan (SEOPEBP), provides OPEB benefits for employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is administered by the State Comptroller's Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

Benefits provided - SEOPEBP provides healthcare and life insurance benefits to eligible retired State employees and their spouses as well as life insurance benefits to employees when they retire. The State may pay up to 100% of the healthcare insurance premium cost for eligible retirees. In addition, the State pays 100% of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement. Employees hired prior to July 1, 2011 are vested for retiree health benefits upon completion of 10 years of actual state service. Employees hired on or after July 1, 2011 are vested for retiree health benefits upon completion of 15 years of actual state service. If employees should resign from service prior to reaching the age for early or normal retirement eligibility, the employee would be able to receive the retiree health benefits according to the Rule of 75 (age + service = 75). Plan benefits, and other plan provisions are described in sections 5-257 and 5-259 of the State General Statutes. Further information regarding plan changes affecting employees retiring on or after October 2, 2017, are described in the SEBAC 2017 agreement.

Employees covered by benefit terms - Demographic data for individual State entities in the OPEB plan are not readily available. At June 30, 2019, SEOPEBP in total covered the following:

Inactive employees or beneficiaries currently receiving benefit payments	77,141
Inactive employees entitled to but not yet receiving benefit payments	649
Active employees	48,015
Total covered employees	<u>125,805</u>

Contributions – SEOPEBP is primarily funded on a pay-as-you-go basis. The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with

the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3% of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing 10 years of service.

Similar to pension, UConn Health contributes to SEOPEBP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. UConn Health's rate of actual contributions as a percentage of covered payroll was 15.7% and the total amount contributed to the plan was \$66.8 million for the fiscal year ended June 30, 2021.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2019 were due to a decrease in the discount rate. In addition, demographic assumptions, per capita health costs, administrative costs, contributions and adjustments to future trends were also updated.

At June 30, 2021, UConn Health reported a liability of \$1,786.3 million for its proportionate share of the collective net OPEB liability. UConn Health's proportion of the collective NOL was based on UConn Health's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, UConn Health's proportion was 7.6%, which was an increase of 0.3% from its proportion measured as of June 30, 2019.

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate - The discount rate changed to 2.38% as of June 30, 2021, from 3.58% as of June 30, 2020. The projection of cash flows used in calculating the

discount rate included employer contributions actuarially determined in accordance with GASB 75 and employee contributions made in accordance with the current SEBAC agreements. The discount rate used is a blend of the long-term expected rate of return on OPEB trust assets and the municipal bond rate. The municipal bond rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.21% as of June 30, 2020). The blending is based on sufficiency of projected assets to make projected benefits.

Mortality rates for healthy personnel were based on the RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females. For disabled employees, the RP-2014 Disabled Mortality Table at 65% for males and 85% for females was used.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011—June 30, 2015.

Payroll growth rate:	3.5%
Salary increase:	3.25% to 4.5% varying by years of service
Discount rate:	2.38 % as of June 30, 2020

Healthcare cost trends rates

Medical *	6.0% graded to 4.5% over 6 years
Prescription drug*	6.0% graded to 4.5% over 6 years
Dental and Part B	3.0% and 4.5%, respectively
Administrative expense	3.0%

*Short-term rates were altered to reflect changes from the SEBAC 2017 agreement

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of UConn Health, as well as what the UConn Health's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.38%) or 1- percentage-point higher (3.38%) than the current discount rate:

	Discount		
	1% Decrease	Rate	1% Increase
	1.38%	2.38%	3.38%
	(\$ in thousands)		
Net OPEB Liability	\$ 2,101,166	\$ 1,786,265	\$ 1,533,122

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of UConn Health, as well as what UConn Health's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates			
	Current			
	1% Decrease	Valuation	1% Increase	
	(\$ in thousands)			
Net OPEB Liability	\$ 1,497,474	\$ 1,786,265	\$ 2,157,646	

OPEB plan fiduciary net position – Detailed information about SEOPEBP's fiduciary net position is available in the State's ACFR for the fiscal year ending June 30, 2020.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2021, UConn Health recognized an OPEB expense of \$209.9 million. At June 30, 2021, UConn Health reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(\$ in thousands)	
Changes in proportion UConn Health contributions subsequent to measurement date	\$ 216,736	\$ -
Changes in assumptions or other inputs	66,784	-
Net difference between projected and actual earnings	296,502	34,688
Changes in expected and actual experience on Total OPEB Liability	3,522	-
Changes in proportion between employee and proportionate share of contributions		41,231
Total	\$ 583,544	\$ 89,916
	\$ 165,835	

UConn Health contributions subsequent to the measurement date totaling \$66.8 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred

outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
	(\$ in thousands)
2022	\$ 87,770
2023	86,521
2024	107,698
2025	59,928
2026	9,008
Total	<u>\$ 350,925</u>

Expected rate of return on investments – The target asset allocation and best estimate of arithmetic real rates of return for each major asset class in the SEOPEBP are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected
		Real Rate of Return
Domestic Equity fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Markets Intl. Stock Fund	9.00%	7.90%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternate Investment	7.00%	2.90%
Core Fixed Income	16.00%	2.10%
High Yield Bond Fund	6.00%	4.00%
Emerging Market Debt Fund	5.00%	2.70%
Inflation Linked Bond fund	5.00%	1.10%
Liquidity Fund	1.00%	0.40%
Total	100.00%	

12. BOND FINANCED ALLOTMENTS

UConn Health recognizes an asset when an allotment is processed for State general obligation bonds or when bonds are funded from UConn Health 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). The Act authorized additional projects for the University and for the first time UConn Health for what is called

Phase III of UCONN 2000. This Act amended PA No. 95-230 and extended the UCONN 2000 financing program.

The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a \$25.0 million reallocation from existing UCONN 2000 UConn Health allocations, and a \$207.0 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018.

During the October 2011 special session, the Connecticut General Assembly adopted Public Act 11-2 which established the Connecticut Bioscience Collaboration Program (the “Collaboration”) and authorized \$290,685,000 of State general obligation bonds to be issued over a ten-year period and to be deposited in the Connecticut Bioscience Collaboration Fund. The Collaboration will support the establishment of a bioscience cluster anchored by the Jackson Laboratory for Genomic Medicine, a research laboratory located on UConn Health’s Farmington campus.

In the June 2015 Special Session, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act 15-01 (June Spec. Sess.), *An Act Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation, and Other Purposes*. The bill introduced language effective July 1, 2015, that allows the University to revise, delete or add particular projects to finance implementation of UConn Health’s EMR, thus giving the University the flexibility to reallocate existing UCONN 2000 authorizations to the project in future years. Any additional remaining UCONN 2000 authorizations are included in the unspent portion of bond proceeds held as Due from Affiliates in the Statement of Net Position.

In December 2020, the University issued general obligation bonds at face value of \$279.3 million, comprising \$160.2 million of 2020 Series A Bonds and \$119.1 million of 2020 Refunding Series A Bonds. The total bonds were issued at a premium of \$63.7 million. Total net proceeds realized from the 2020 Series A Bonds were \$200.0 million after the payment of issuance costs and underwriter fees. Of

this amount, \$680,000 was allocated to finance projects at UConn Health.

As of June 30, 2021, approved projects receiving bond funding from UConn General Obligation Bonds secured by the State's Debt Service Commitment had an allocated total of \$825.9 million. The Act also requires UConn Health to contribute not less than \$69.0 million through operations, eligible gifts, or other sources towards new UConn Health construction.

UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, the current Phase III commitment to fund projects totals \$825.9 million for UConn Health. 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 UConn Health. A corresponding receivable, Due from Affiliates, is recorded for the unspent portion of the bonds, \$3.0 million, at June 30, 2021, in the Statement of Net Position.

13. COMMITMENTS

On June 30, 2021, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$6,861,302. Portions of this amount were included in the June 30, 2021 Accounts Payable and Due to Related Parties. Commitments above do not include any commitments arising from the administration of UCONN 2000 funds by the University on UConn Health's behalf. Such obligations are paid directly from proceeds of bond issuances and are included in the University's financial statements.

UConn Health agreed to pay \$63,426,788 during the 2021-2022 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for

interns and residents participating in the School of Medicine and Dental Medicine Residency Training Programs. These costs are to be funded by participating hospitals, which will remit payments to UConn Health, in accordance with an established rate schedule, for services provided. Dental Residency costs will be funded by the School of Dental Medicine.

UConn Health leases various building space under operating lease commitments, which expire at various dates through fiscal year 2027. Expenses related to these leases were \$5,506,807 for the year ended June 30, 2021. Future minimum rental payments at June 30, 2021 under non-cancelable operating leases are approximately as follows:

Year	Payments
2022	\$ 4,172,828
2023	3,522,865
2024	2,918,892
2025	2,456,513
2026	2,402,195
2027-2031	<u>8,638,826</u>
Total	<u>\$ 24,112,119</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 UConn Health. UConn Health has an agreement through the University to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse UConn Health for certain services performed and for operating expenses of the Foundation. The following material transactions occurred between UConn Health and the Foundation during the year ended June 30, 2021:

	2021
Amount paid to University for Foundation services	\$ <u>945,000</u>
Amount received from Foundation for personnel services and operating expenses	\$ <u>1,482,141</u>
Amount received from Foundation from endowments and gifts	\$ <u>2,999,514</u>

In addition, UConn Health directly engages in transactions with the University. The terms of material arrangements are set forth in formal Memorandum of Understanding's (MOU) that are reviewed and agreed upon by both parties on an annual basis. In fiscal year 2021, UConn Health recorded expenses of approximately \$15.1 million to the University related to those MOU's. UConn Health also paid the University for other expenses related to grants and contracts, services of educational departments, and for miscellaneous goods and services.

The University and UConn Health executed a MOU with UConn Health to provide up to \$2.6 million in funding to support the Dermatology Clinic Renovation project. In fiscal year 2021, UConn Health received \$1.8 million related to this MOU. UConn Health will repay the University \$800,000 in fiscal year 2022 and \$1.0 million in fiscal year 2023.

Listed in the table below are the material transactions with the University excluding payments for Foundation services. Not included in this list are certain cost share arrangements for shared services and transactions related to UCONN 2000 as noted in note 12.

	2021
<u>Agreements under an MOU</u>	(\$ in thousands)
Public safety	\$ 8,620
Library	1,549
Communications	1,043
Technology commercialization Services	948
Information Technology	856
Audit, Compliance and Privacy	683
Document production	554
Ombudsman and institutional equity	359
Government relations	256
Miscellaneous	191
Total MOUs with University of Connecticut ^	<u>\$ 15,059</u>

^ A portion of this was included in Due to Affiliate in the accompanying Statement of Net Position

UConn Health recorded a payable to the University for \$4.4 million related to these agreements. Additionally, the University transferred \$2.0 million from unrestricted funds to UConn Health for partial support of our Nuclear Magnetic Resonance Facility Upgrade project in fiscal year 2021.

UConn Health provides pharmaceutical, medical, dental, and psychiatric care to inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Corrections (DOC). UConn Health billed DOC \$6.5 million in fiscal year 2021 for services.

Through UConn Health, the State seeks to meet certain met needs in the community including the training and development of new doctors and dentists. The State supports UConn Health's mission via two mechanisms: State Appropriations and the provision of In Kind Fringe Benefits. State Appropriations represent amounts the State allows UConn Health to charge back directly to the State's General Fund. In Kind Fringe Benefits take the form of forgone fringe benefit expense reimbursements related to salaries expensed on the General Fund.

For the year ended June 30, 2021, the amounts of the benefits recognized were as follows:

State of Connecticut Appropriations	\$ 116,932,522
Deficiency Appropriation Special Act 21-15	50,000,000
Bioscience CT Appropriation	15,923,000
Fringe Benefit Differential Sec 3-123i	13,500,000
Worker Compensation Appropriation	<u>2,917,484</u>
Amount of General Fund Appropriations from State of Connecticut	\$ <u>199,273,006</u>
Amount of In Kind Fringe Benefits from State of Connecticut:	\$ <u>131,598,918</u>
Total Appropriations and In Kind Fringe Benefits received from State of Connecticut	<u>\$ 330,871,924</u>

15. OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

The table below details UConn Health's operating expenses by natural and functional classification for the year ended June 30, 2021 (amounts in thousands).

Functional Classification	Natural Classification					Total
	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	
Instruction	\$ 81,373	\$ 47,074	\$ 48,621	\$ 1,842	\$ -	\$ 178,910
Research	26,291	13,105	16,473	1,685	-	57,554
Patient services	307,129	392,396	263,777	3,233	-	966,535
Academic support	10,265	8,159	6,562	-	-	24,986
Institutional support	29,588	36,525	92,942	-	-	159,055
Operations and maintenance of plant	11,113	11,901	2,438	1,434	-	26,886
Depreciation and amortization	-	-	-	-	70,375	70,375
Student aid	-	-	39	-	-	39
Total	<u>\$ 465,759</u>	<u>\$ 509,160</u>	<u>\$ 430,852</u>	<u>\$ 8,194</u>	<u>\$ 70,375</u>	<u>\$ 1,484,340</u>

16. COVID-19 RELIEF REVENUE

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated \$175 billion to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). GASB issued the Technical Bulletin 2020-1, Accounting and Financial Reporting Issues Related to the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases*. UConn Health qualified for funding from various programs and received a total of \$32.8 million.

UConn Health received funding from three different rounds, or tranches, of Provider Relief Funding. The first tranche was based on previous Medicare payments and totaled approximately \$7.8 million. The second tranche was based on total revenue from Medicare Cost Report or net revenue and totaled \$3.3 million. The final payment received in fiscal year 2020 was received under the Safety Net distribution and totaled approximately \$7.2 million.

In fiscal year 2021, the Hospital received additional CARES Act funding of approximately \$12.5 million from a “Hot Spot” allocation. The allocation was based on reported COVID-19 cases treated during the period of January 1, 2020 to June 10, 2020.

UConn Health also received approximately \$2.1 million for Phase 3 which was based on lost revenue. Criteria and reporting requirements for the Provider Relief Funding have been established and continue to be updated by HHS. Regardless of the changes to the criteria, management believes that eligibility requirements have been met for the complete amount received based on increased operating expenses and lost revenue. As such, UConn Health recognized the funds received as non-operating revenue in 2021 statement of revenues, expenses and changes in net position.

Certain COVID-19 relief programs require that funds be utilized for lost revenue and COVID-19 related costs. Limitations are placed on the amount that can be collected from COVID-19 patients. Management’s estimates of the amount of revenue recognized in fiscal year 2020 are completed, the regulations associated with that time were finalized in July 2021. Management estimates for fiscal year 2021 are pending reconciliation for submitted

documentation. Any future adjustments to these estimates will be reported in the earnings of future fiscal years.

In fiscal year 2021, UConn Health received \$1.0 million as proceeds for business interruption insurance for COVID-19. This amount was recognized as non-operating revenue in the 2021 statement of revenues, expenses and changes in net position.

UConn Health also received in-kind support in the form of personal protection equipment and other equipment to facilitate its efforts to provide clinical care to COVID-19 patients. These items; which UConn Health valued at \$58,828 are recorded as gifts in the statement of revenues, expenses and changes in net position.

17. SUBSEQUENT EVENTS

In September of 2021, the Hospital began repayment on funds received under the Medicare Advance program. These funds were obtained from CMS (Medicare) on September 17, 2020. Under the program, the previous advance of roughly \$45.3 million will be recouped beginning one year from the issuance date. The recoupment is scheduled to be achieved via Medicare withholding 25% of payments for the first eleven months and 50% of payments for the remaining six months. The advance was interest free, however, if amounts are not fully recouped using this methodology there will be a 4% interest rate charged on any outstanding advances not repaid at the end of the recoupment period.

No other subsequent events requiring recognition or disclosure in the financial statements other than the above were identified

REQUIRED SUPPLEMENTARY INFORMATION

UCONN HEALTH

Required Supplementary Information

State Employees' Retirement System (SERS)

Schedule of UConn Health's Proportionate Share of Collective Net Pension Liability (NPL)

Based on a valuation date lagging one year behind the fiscal year

	SERS (\$ in thousands)						
	2021	2020	2019	2018	2017	2016	2015
Fiscal Year Ended June 30							
Proportion of collective NPL	5.01%	4.45%	3.62% *	5.50%	5.36%	5.29%	4.99%
Proportionate share of the collective NPL	\$ 1,188,704	\$ 1,014,303	\$ 784,023	\$ 1,159,362	\$ 1,230,753	\$ 873,351	\$ 799,061
UConn Health's covered payroll	\$ 222,553	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762	\$ 167,523
Proportionate share of the collective NPL as a percentage of covered payroll	534.12%	576.93%	521.17%	565.02%	615.22%	472.69%	476.99%
Plan fiduciary net position as a percentage of the total pension liability	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%

* SERS % decline due to discontinuation of CMHC and the transfer of staff to DOC.

Schedule of UConn Health's Pension Contributions

Based on contributions for the Fiscal Year Ended June 30,

	SERS (\$ in thousands)						
	2021	2020	2019	2018	2017	2016	2015
For the year ended June 30							
Contractually required employer contribution	\$ 99,867	\$ 80,994	\$ 70,177	\$ 52,170	\$ 84,860	\$ 80,493	\$ 72,496
Actual UConn Health contribution	99,867	80,994	70,177	52,170	84,860	80,493	72,496
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UConn Health's covered payroll	\$ 237,938	\$ 222,553	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762
Actual UConn Health contributions as a percentage of covered payroll	41.97%	36.39%	39.92%	34.68%	41.36%	40.24%	39.24%

NOTES TO REQUIRED SCHEDULES

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

Changes in Benefit Terms

2020 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Plan.

Other Factors

2021, 2020, 2019, and 2018 – The discontinuation of CMHC and the transfer of staff to DOC contributed to the decline in the 2018 %. The SERS contractually required employer contribution and covered payroll did not include CMHC as a result of this.

UCONN HEALTH

Required Supplementary Information

Connecticut Teachers' Retirement System (TRS)

Schedule of UConn Health's Proportionate Share of Collective Net Pension Liability (NPL)

Based on a valuation date lagging one year behind the fiscal year

	TRS (\$ in thousands)						
Fiscal Year Ended June 30	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	0.031%	0.026%	0.026%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	\$ 5,877	\$ 4,469	\$ 3,447	\$ 2,508	\$ 2,646	\$ 1,042	\$ 963
UConn Health's covered payroll	\$ 1,263	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573	\$ 384
Proportionate share of the collective NPL as a percentage of covered payroll	465.32%	392.71%	312.51%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.56%

Schedule of UConn Health's Pension Contributions

Based on contributions for the Fiscal Year Ended June 30,

	TRS (\$ in thousands)						
For the year ended June 30	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 491	\$ 397	\$ 448	\$ 280	\$ 239	\$ 181	\$ 93
Actual UConn Health contribution	491	397	448	280	239	237	201
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ (108)
UConn Health's covered payroll	\$ 1,429	\$ 1,263	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573
Actual UConn Health contributions as a percentage of covered payroll	34.36%	31.43%	39.37%	25.39%	28.66%	31.10%	35.08%

NOTES TO REQUIRED SCHEDULES

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

Changes in Benefit Terms

2020 – Beginning July 1, 2019, annual interest credited on mandatory contributions is set at 4 percent. For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the member's mandatory contributions plus interest frozen at the date of the benefit commencement, the difference is paid to the member's beneficiary.

2019 – Beginning January 1, 2018, TRS member contributions increased from 6.0% to 7.0% of salary.

2017 – Amounts reported reflect adjustments to rates of withdrawal, disability, retirement, mortality and assumed rates of salary to more closely reflect actual and anticipated experience.

Changes in Assumptions

2021 - Decrease in the annual reate of real wage increase assumption from .75% to .50%; decrease in the payroll growth assumption from 3.25% to 3.0%.

2020 – Reduction in the inflation assumption from 2.75% to 2.50%. Reduction to the real reate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.00% to 6.90%. Increase the annual rate of wage increase assumption from .50% to .75%. Phase in to a level amortization method for the June 30, 2024 valuation.

UCONN HEALTH

Required Supplementary Information

State Employee Other Post-Employment Benefits (OPEB) Plan

SCHEDULE OF UCONN HEALTH'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Based on a valuation date lagging one year behind the fiscal year

	2021	2020	2019	2018
	(\$ in Thousands)			
UConn Health's proportion of the net OPEB liability	7.59%	7.31%	6.00%	6.96%
UConn Health's proportion of the net OPEB liability	\$ 1,786,265	\$ 1,511,626	\$ 1,036,300	\$ 1,208,427
UConn Health's covered payroll	\$ 405,433	\$ 375,680	\$ 366,593	\$ 424,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered payroll	440.58%	402.37%	282.68%	284.51%
Plan fiduciary net position as a percentage of the total OPEB liability	6.13%	5.47%	4.69%	3.03%

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

	2021	2020	2019	2018
	(\$ in Thousands)			
Contractually required contribution	\$ 66,784	\$ 65,804	\$ 55,031	\$ 48,134
Contributions in relation to the contractually required contribution	\$ 66,784	\$ 65,804	\$ 55,031	\$ 48,134
Contribution deficiency (excess)	--	--	--	--
UConn Health's covered payroll	\$ 425,047	\$ 405,433	\$ 375,680	\$ 366,593
Contributions as a percentage of covered payroll	15.71%	16.23%	14.65%	13.13%

NOTES TO REQUIRED SCHEDULES

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

2021, 2020, 2019 and 2018 – The OPEB contractually required employer contribution and covered payroll did not include CMHC.

Changes of Assumptions

The discount rate was updated in accordance with GASB 75 to 2.38%, 3.58%, 3.95%, and 3.68% for the fiscal reporting years 2021, 2020, 2019, and 2018, respectively.

2021 - The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.

2018 and 2020 - The salary scale and mortality rates were updated to be consistent with the corresponding retirement system assumptions. In addition, demographic assumptions, per capita health costs, administrative costs, and contributions were updated to better reflect actual experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

OTHER SUPPLEMENTARY INFORMATION

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2021

	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 143,568,960	\$ 48,572,719	\$ -	\$ 192,141,679
Patient receivables, net	12,136,442	49,120,166	-	61,256,608
Contract and other receivables	18,908,094	3,802,573	-	22,710,667
Due from Affiliates (Note 12)	2,979,136	-	-	2,979,136
Due from State of Connecticut	7,743,786	6,842,171	-	14,585,957
Due from Primary Institution	-	9,515,844	(9,515,844)	-
Due from Department of Correction	21,298	-	-	21,298
Inventories	3,819,467	15,066,359	-	18,885,826
Prepaid expenses	5,914,141	1,223,674	-	7,137,815
Total current assets	<u>195,091,324</u>	<u>134,143,506</u>	<u>(9,515,844)</u>	<u>319,718,986</u>
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	493,972	-	-	493,972
Deposits with vendors	2,054,135	9,112,315	-	11,166,450
Other assets	365,843	117,543	-	483,386
Due from State of Connecticut	464,693	-	-	464,693
Capital and intangible assets, net (Note 9)	<u>543,757,234</u>	<u>328,303,827</u>	<u>-</u>	<u>872,061,061</u>
Total noncurrent assets	<u>547,135,877</u>	<u>337,533,685</u>	<u>-</u>	<u>884,669,562</u>
Total assets	<u>\$ 742,227,201</u>	<u>\$ 471,677,191</u>	<u>\$ (9,515,844)</u>	<u>\$ 1,204,388,548</u>
Deferred Outflows of Resources Pension	278,298,773	148,183,467	-	426,482,240
Deferred Outflows of Resources OPEB	388,518,962	195,025,424	-	583,544,386
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 32,930,687	\$ 20,194,042	\$ -	\$ 53,124,729
Due to State of Connecticut	14,225,896	8,983,684	-	23,209,580
Accrued salaries	22,907,372	11,735,345	-	34,642,717
Compensated absences - current portion (Note 10)	12,894,275	7,496,104	-	20,390,379
Due to John Dempsey Hospital	9,515,844	-	(9,515,844)	-
Due to third party payors	(5,230,443)	61,622,763	-	56,392,320
Due to Affiliates - current portion (Note 14)	3,364,187	-	-	3,364,187
Unearned revenue	726,529	4,419	-	730,948
Malpractice reserve (Note 10)	2,218,000	-	-	2,218,000
Long-term debt - current portion (Note 10)	<u>7,625,510</u>	<u>764,476</u>	<u>-</u>	<u>8,389,986</u>
Total current liabilities	<u>101,177,857</u>	<u>110,800,833</u>	<u>(9,515,844)</u>	<u>202,462,846</u>
Noncurrent Liabilities				
Malpractice reserve (Note 10)	39,451,800	-	-	39,451,800
Compensated absences - net of current portion (Note 10)	18,655,211	10,845,233	-	29,500,444
Due to Affiliates - net of current portion (Note 14)	1,000,000	-	-	1,000,000
Pension liability (Note 11)	760,350,153	434,230,079	-	1,194,580,232
OPEB liability (Note 11)	1,157,590,710	628,674,479	-	1,786,265,189
Long-term debt - net of current portion (Note 10)	<u>171,707,241</u>	<u>1,561,672</u>	<u>-</u>	<u>173,268,913</u>
Total noncurrent liabilities	<u>2,148,755,115</u>	<u>1,075,311,463</u>	<u>-</u>	<u>3,224,066,578</u>
Total liabilities	<u>\$ 2,249,932,972</u>	<u>\$ 1,186,112,296</u>	<u>\$ (9,515,844)</u>	<u>\$ 3,426,529,424</u>
Deferred Inflows of Resources Pension	\$ 161,213,513	\$ 83,298	\$ -	\$ 161,296,811
Deferred Inflows of Resources OPEB	\$ 139,115,456	\$ 26,719,717	\$ -	\$ 165,835,173
NET POSITION				
Net investment in capital assets	\$ 364,424,483	\$ 325,977,679	\$ -	\$ 690,402,162
Restricted for				
Nonexpendable				
Scholarships	61,451	-	-	61,451
Expendable				
Research	1,106,638	-	-	1,106,638
Loans	243,649	-	-	243,649
Capital projects	3,443,829	-	-	3,443,829
Unrestricted	<u>(1,510,497,055)</u>	<u>(724,006,908)</u>	<u>-</u>	<u>(2,234,503,963)</u>
Total net position	<u>\$ (1,141,217,005)</u>	<u>\$ (398,029,229)</u>	<u>\$ -</u>	<u>\$ (1,539,246,234)</u>

UConn HEALTH
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2021

	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 23,474,837	\$ -	\$ 23,474,837	\$ -	\$ 23,474,837
Patient services, net	172,339,269	456,560,089	628,899,358	-	628,899,358
Federal grants and contracts	68,185,125	-	68,185,125	-	68,185,125
Nonfederal grants and contracts	24,977,125	-	24,977,125	-	24,977,125
Contract and other operating revenues	133,579,805	71,877,122	205,456,927	(50,038,312)	155,418,615
Total operating revenues	<u>422,556,161</u>	<u>528,437,211</u>	<u>950,993,372</u>	<u>(50,038,312)</u>	<u>900,955,060</u>
OPERATING EXPENSES					
Educational and General					
Instruction	205,454,445	-	205,454,445	(26,544,684)	178,909,761
Research	57,554,262	-	57,554,262	-	57,554,262
Patient services	298,153,720	688,202,101	986,355,821	(19,820,440)	966,535,381
Academic support	24,986,382	-	24,986,382	-	24,986,382
Institutional support	162,510,327	-	162,510,327	(3,455,279)	159,055,048
Operations and maintenance of plant	27,103,603	-	27,103,603	(217,909)	26,885,694
Depreciation and amortization (Note 9)	46,405,997	23,969,073	70,375,070	-	70,375,070
Student aid	38,735	-	38,735	-	38,735
Total operating expenses	<u>822,207,471</u>	<u>712,171,174</u>	<u>1,534,378,645</u>	<u>(50,038,312)</u>	<u>1,484,340,333</u>
Operating loss	<u>(399,651,310)</u>	<u>(183,733,963)</u>	<u>(583,385,273)</u>	<u>-</u>	<u>(583,385,273)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations (Note 14)	330,871,924	-	330,871,924	-	330,871,924
Gifts	3,795,155	(299,587)	3,495,568	-	3,495,568
COVID-19 relief revenue (Note 16)	3,148,519	12,450,000	15,598,519	-	15,598,519
Hospital transfer	(20,137,056)	20,137,056	-	-	-
Loss on Disposal	(129,958)	(66,043)	(196,001)	-	(196,001)
Investment income, net	31,048	-	31,048	-	31,048
Interest on capital asset - related debt	(8,912,855)	(115,227)	(9,028,082)	-	(9,028,082)
Net nonoperating revenues	<u>308,666,777</u>	<u>32,106,199</u>	<u>340,772,976</u>	<u>-</u>	<u>340,772,976</u>
Loss before other revenues, expenses, gains or losses	<u>(90,984,533)</u>	<u>(151,627,764)</u>	<u>(242,612,297)</u>	<u>-</u>	<u>(242,612,297)</u>
OTHER CHANGES IN NET POSITION					
Transfer from Affiliate (Note 14)	2,000,000	-	2,000,000	-	2,000,000
Capital appropriations (Note 12)	679,684	-	679,684	-	679,684
Net other changes in net position	<u>2,679,684</u>	<u>-</u>	<u>2,679,684</u>	<u>-</u>	<u>2,679,684</u>
Decrease in net position	<u>(88,304,849)</u>	<u>(151,627,764)</u>	<u>(239,932,613)</u>	<u>-</u>	<u>(239,932,613)</u>
NET POSITION					
Net position-beginning of year	<u>(1,052,912,156)</u>	<u>(246,401,465)</u>	<u>(1,299,313,621)</u>	<u>-</u>	<u>(1,299,313,621)</u>
Net position-end of year	<u>\$ (1,141,217,005)</u>	<u>\$ (398,029,229)</u>	<u>\$ (1,539,246,234)</u>	<u>\$ -</u>	<u>\$ (1,539,246,234)</u>

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

For the Year Ended June 30,

(amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 23,475	\$ 21,636	\$ 20,655	\$ 18,613	\$ 17,499	\$ 15,728	\$ 16,557	\$ 15,794	\$ 13,812	\$ 13,746
Patient services	628,899	513,608	534,494	580,697	539,777	532,876	512,960	450,315	432,032	429,546
Federal grants and contracts	68,185	58,055	58,196	50,748	58,148	59,529	57,920	62,527	60,651	56,904
Nonfederal grants and contracts	24,977	27,872	30,016	29,337	29,009	27,116	24,407	23,803	27,593	27,690
Contract and other operating revenues	155,419	162,725	159,745	127,188	114,284	108,017	109,324	106,771	102,574	93,730
Total operating revenues	<u>900,955</u>	<u>783,896</u>	<u>803,106</u>	<u>806,583</u>	<u>758,717</u>	<u>743,266</u>	<u>721,168</u>	<u>659,210</u>	<u>636,662</u>	<u>621,616</u>
State appropriations	330,872	296,520	250,846	279,513	278,211	289,287	280,645	266,139	213,371	202,997
Transfer from/(to) State and outside programs	-	-	-	-	-	-	-	-	-	1,312
Gifts	3,496	6,950	6,146	5,706	4,079	6,865	7,175	7,300	7,658	7,435
Coronavirus Relief Funding	15,598	22,518	-	-	-	-	-	-	-	-
Investment income (net of investment expense)	31	600	1,385	654	104	141	176	93	124	101
Net nonoperating revenues	<u>349,997</u>	<u>326,588</u>	<u>258,377</u>	<u>285,873</u>	<u>282,394</u>	<u>296,293</u>	<u>287,996</u>	<u>273,532</u>	<u>221,153</u>	<u>211,845</u>
Total Revenues	<u>\$ 1,250,952</u>	<u>\$ 1,110,484</u>	<u>\$ 1,061,483</u>	<u>\$ 1,092,456</u>	<u>\$ 1,041,111</u>	<u>\$ 1,039,559</u>	<u>\$ 1,009,164</u>	<u>\$ 932,742</u>	<u>\$ 857,815</u>	<u>\$ 833,461</u>

For the Year Ended June 30,

(percent of total revenues)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Student tuition and fees (net of scholarship allowances)	2.0%	2.0%	2.0%	1.7%	1.7%	1.5%	1.6%	1.7%	1.6%	1.7%
Patient services	50.3%	46.3%	50.4%	53.2%	51.8%	51.3%	50.8%	48.3%	50.3%	51.6%
Federal grants and contracts	5.5%	5.2%	5.5%	4.6%	5.6%	5.7%	5.8%	6.7%	7.1%	6.8%
Nonfederal grants and contracts	2.0%	2.5%	2.8%	2.7%	2.8%	2.6%	2.4%	2.6%	3.2%	3.3%
Contract and other operating revenues	12.4%	14.7%	15.0%	11.6%	11.0%	10.4%	10.9%	11.4%	12.0%	11.2%
Total operating revenues	<u>72.2%</u>	<u>70.7%</u>	<u>75.7%</u>	<u>73.8%</u>	<u>72.9%</u>	<u>71.5%</u>	<u>71.5%</u>	<u>70.7%</u>	<u>74.2%</u>	<u>74.6%</u>
State appropriations	26.3%	26.6%	23.6%	25.6%	26.7%	27.8%	27.8%	28.5%	24.9%	24.3%
Transfer from/(to) State and outside programs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Gifts	0.3%	0.6%	0.6%	0.5%	0.4%	0.7%	0.7%	0.8%	0.9%	0.9%
Coronavirus Relief Funding	1.2%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income (net of investment expense)	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net nonoperating revenues	<u>27.8%</u>	<u>29.3%</u>	<u>24.3%</u>	<u>26.2%</u>	<u>27.1%</u>	<u>28.5%</u>	<u>28.5%</u>	<u>29.3%</u>	<u>25.8%</u>	<u>25.4%</u>
Total Revenues	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

SCHEDULE OF EXPENSES BY FUNCTION

	For the Year Ended June 30, (amounts in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Instruction	\$ 178,910	\$ 170,526	\$ 157,396	\$ 179,948	\$ 169,130	\$ 168,299	\$ 163,703	\$ 152,618	\$ 141,182	\$ 129,217
Research	57,554	55,173	52,832	56,102	59,400	58,233	56,961	59,518	60,918	63,080
Patient services	966,535	846,526	663,701	747,637	713,342	648,071	607,435	581,558	522,825	506,720
Academic support	24,986	20,087	15,173	19,322	19,186	18,070	22,458	20,824	20,011	20,200
Institutional support	159,055	89,592	126,922	112,126	82,233	80,638	83,260	66,416	53,114	53,059
Operations and maintenance of plant	26,886	25,112	37,659	38,223	37,295	38,714	35,363	31,548	33,606	28,031
Depreciation and amortization	70,375	72,893	72,575	52,637	52,046	41,469	37,830	32,780	32,365	30,875
Student aid	39	25	71	364	194	84	32	50	136	165
Total operating expenses	<u>1,484,340</u>	<u>1,279,934</u>	<u>1,126,329</u>	<u>1,206,359</u>	<u>1,132,826</u>	<u>1,053,578</u>	<u>1,007,042</u>	<u>945,312</u>	<u>864,157</u>	<u>831,347</u>
Transfer to State and outside programs	-	-	1,991	-	-	-	-	-	-	-
Interest on capital asset - related debt	9,028	9,354	9,619	9,909	10,214	10,487	3,820	1,007	1,072	1,095
Total nonoperating expenses	<u>9,028</u>	<u>9,354</u>	<u>11,610</u>	<u>9,909</u>	<u>10,214</u>	<u>10,487</u>	<u>3,820</u>	<u>1,007</u>	<u>1,072</u>	<u>1,095</u>
Total Expenses	<u>\$ 1,493,368</u>	<u>\$ 1,289,288</u>	<u>\$ 1,137,939</u>	<u>\$ 1,216,268</u>	<u>\$ 1,143,040</u>	<u>\$ 1,064,065</u>	<u>\$ 1,010,862</u>	<u>\$ 946,319</u>	<u>\$ 865,229</u>	<u>\$ 832,442</u>

Notes to required schedules

In Fiscal Year 2020, Uconn Health began a home office allocation. This change impacted how expenditures were classified between programs. Please refer to Note 1 in the financial statements for additional details.

	For the Year Ended June 30, (percent of total expenses)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Instruction	12.0%	13.2%	13.8%	14.8%	14.8%	15.8%	16.2%	16.1%	16.4%	15.5%
Research	3.9%	4.3%	4.6%	4.6%	5.2%	5.5%	5.7%	6.3%	7.0%	7.6%
Patient services	64.7%	65.7%	58.3%	61.5%	62.4%	60.9%	60.1%	61.5%	60.5%	60.9%
Academic support	1.7%	1.6%	1.3%	1.6%	1.7%	1.7%	2.2%	2.2%	2.3%	2.4%
Institutional support	10.7%	6.9%	11.2%	9.2%	7.2%	7.6%	8.2%	7.0%	6.1%	6.4%
Operations and maintenance of plant	1.7%	1.9%	3.4%	3.2%	3.3%	3.6%	3.5%	3.3%	3.9%	3.4%
Depreciation and amortization	4.7%	5.7%	6.4%	4.3%	4.5%	3.9%	3.7%	3.5%	3.7%	3.7%
Student aid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total operating expenses	<u>99.4%</u>	<u>99.3%</u>	<u>99.0%</u>	<u>99.2%</u>	<u>99.1%</u>	<u>99.0%</u>	<u>99.6%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>
Transfer to State and outside programs	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%
Total nonoperating expenses	<u>0.6%</u>	<u>0.7%</u>	<u>1.0%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>1.0%</u>	<u>0.4%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>
Total Expenses	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

For the Year Ended June 30,
(amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Salaries and wages	\$ 465,759	\$ 443,132	\$ 418,558	\$ 438,122	\$ 444,948	\$ 452,363	\$ 430,988	\$ 418,305	\$ 403,159	\$ 391,890
Fringe benefits	509,160	396,019	254,030	369,185	331,533	264,911	239,288	223,850	180,323	128,613
Supplies and other expenses	430,852	353,870	368,279	333,986	291,166	282,218	286,170	258,778	237,013	266,778
Utilities	8,194	14,020	12,887	12,429	13,133	12,617	12,766	11,599	11,297	13,191
Depreciation and amortization	70,375	72,893	72,575	52,637	52,046	41,469	37,830	32,780	32,365	30,875
Total operating expenses	<u>1,484,340</u>	<u>1,279,934</u>	<u>1,126,329</u>	<u>1,206,359</u>	<u>1,132,826</u>	<u>1,053,578</u>	<u>1,007,042</u>	<u>945,312</u>	<u>864,157</u>	<u>831,347</u>
Transfer to State and outside programs	-	-	1,991	-	-	-	-	-	-	-
Interest on capital asset - related debt	9,028	9,354	9,619	9,909	10,214	10,487	3,820	1,007	1,072	1,095
Total nonoperating expenses	<u>9,028</u>	<u>9,354</u>	<u>11,610</u>	<u>9,909</u>	<u>10,214</u>	<u>10,487</u>	<u>3,820</u>	<u>1,007</u>	<u>1,072</u>	<u>1,095</u>
Total Expenses	<u>\$ 1,493,368</u>	<u>\$ 1,289,288</u>	<u>\$ 1,137,939</u>	<u>\$ 1,216,268</u>	<u>\$ 1,143,040</u>	<u>\$ 1,064,065</u>	<u>\$ 1,010,862</u>	<u>\$ 946,319</u>	<u>\$ 865,229</u>	<u>\$ 832,442</u>

For the Year Ended June 30,
(percent of total expenses)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Salaries and wages	31.2%	34.4%	36.8%	36.0%	38.9%	42.5%	42.6%	44.2%	46.6%	47.1%
Fringe benefits	34.1%	30.7%	22.3%	30.4%	29.0%	24.9%	23.7%	23.7%	20.8%	15.5%
Supplies and other expenses	28.9%	27.4%	32.4%	27.5%	25.5%	26.5%	28.3%	27.3%	27.4%	32.0%
Utilities	0.5%	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%	1.2%	1.3%	1.6%
Depreciation and amortization	4.7%	5.7%	6.4%	4.3%	4.6%	3.9%	3.7%	3.5%	3.8%	3.7%
Total operating expenses	<u>99.4%</u>	<u>99.3%</u>	<u>99.0%</u>	<u>99.2%</u>	<u>99.1%</u>	<u>99.0%</u>	<u>99.6%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>
Transfer to State and outside programs	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on capital asset - related debt	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%
Total nonoperating expenses	<u>0.6%</u>	<u>0.7%</u>	<u>1.0%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>1.0%</u>	<u>0.4%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>
Total Expenses	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

For the Year Ended June 30,
(amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total revenues (from Schedule of revenues by source)	\$ 1,250,952	\$ 1,110,484	\$ 1,061,483	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164	\$ 932,742	\$ 857,815	\$ 833,461
Total expenses (from schedule of expenses by natural classification and function)	1,493,368	1,289,288	1,137,939	1,216,268	1,143,040	1,064,065	1,010,862	946,319	865,229	832,442
Loss before other changes in net position	(242,416)	(178,804)	(76,456)	(123,812)	(101,929)	(24,506)	(1,698)	(13,577)	(7,414)	1,019
Transfer from affiliate	2,000	-	-	-	-	-	-	-	-	-
Capital appropriations	680	-	13,000	88,806	43,479	175,000	159,810	193,214	5,000	62,500
Loss on disposal	(196)	(332)	(1,898)	(3,092)	(989)	(695)	(3,902)	(573)	(2,978)	(7)
Net other changes in net position	2,484	(332)	11,102	85,714	42,490	174,305	155,908	192,641	2,022	62,493
Total changes in net position	(239,932)	(179,136)	(65,354)	(38,098)	(59,439)	149,799	154,210	179,064	(5,392)	63,512
Net position-beginning of year (as previously stated)	(1,299,314)	(1,120,178)	(1,014,953)	126,332	185,771	35,972	576,794	397,730	403,122	339,610
Cumulative effect of implementing GASB 68 and 71	-	-	-	-	-	-	(695,032)	-	-	-
Cumulative effect of implementing GASB 75	-	-	-	(1,103,187)	-	-	-	-	-	-
Cumulative effect of accounting changes and error corrections	-	-	(39,871)	-	-	-	-	-	-	-
Net position-beginning of year as restated	-	(1,120,178)	(1,054,824)	(976,855)	185,771	35,972	(118,238)	397,730	403,122	339,610
Net position, ending	\$ (1,539,246)	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794	\$ 397,730	\$ 403,122
Net investment in capital assets	\$ 690,402	\$ 731,730	\$ 784,280	\$ 867,913	\$ 823,325	\$ 734,480	\$ 579,241	\$ 405,672	\$ 335,015	\$ 301,969
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	1,107	1,792	1,588	(127)	(8)	(876)	(139)	547	1,982	3,436
Loans	244	283	589	523	31	953	1,348	104	794	1,081
Capital projects	3,444	4,363	7,881	37,660	37,061	117,466	104,082	152,707	30,829	51,287
Unrestricted	(2,234,504)	(2,037,543)	(1,914,577)	(1,920,983)	(734,138)	(666,313)	(648,621)	17,703	29,049	45,288
Total net position	\$ (1,539,246)	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794	\$ 397,730	\$ 403,122

SCHEDULE OF LONG-TERM DEBT

	For the Year Ended June 30, (amounts in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Payable	-	-	-	-	-	-	-	-	-	415
Capital Leases	3,099	4,289	3,275	1,701	2,187	-	-	-	-	472
Mortgage Agreement	178,560	185,664	192,412	198,823	204,914	210,700	216,198	168,024	62,889	17,281
Total long-term debt	\$ 181,659	\$ 189,953	\$ 195,687	\$ 200,524	\$ 207,101	\$ 210,700	\$ 216,198	\$ 168,024	\$ 62,889	\$ 18,168

FACULTY AND STAFF

	For the Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
BARGAINING UNIT										
Faculty	579.2	566.7	565.6	539.6	529.4	517.6	507.8	512.8	508.0	505.7
University Health Professionals	2,681.0	2,630.0	2,558.9	2,526.6	2,477.0	2,462.8	2,420.4	2,457.9	2,440.1	2,375.1
All Other	728.2	747.1	730.7	1,299.0	1,356.0	1,404.6	1,422.1	1,437.9	1,436.9	1,430.8
Total FTE's	3,988.5	3,943.9	3,855.2	4,365.2	4,362.4	4,385.0	4,350.3	4,408.6	4,385.0	4,311.6
EXEMPT										
Faculty	60.0	54.9	54.3	55.2	56.2	56.8	60.6	61.5	60.5	60.1
Managerial	139.0	133.0	131.8	139.1	153.9	160.6	159.3	158.3	156.2	151.9
All Other	367.8	350.2	334.9	340.7	335.1	329.3	353.2	392.7	404.1	408.9
Total FTE's	566.8	538.1	521.0	535.0	545.2	546.7	573.1	612.5	620.8	620.9
TOTAL FTE's	4,555.2	4,481.9	4,376.2	4,900.2	4,907.6	4,931.7	4,923.4	5,021.1	5,005.8	4,932.5

Notes to required schedules

The FTE information prior to 2019 includes CMHC

**SCHEDULE OF CAPITAL ASSET INFORMATION
DETAIL FOR BUILDINGS ONLY - BY FUNCTION**

		For the Fiscal Year Ended June 30,									
		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Academic											
Net assignable square feet (in thousands)		84	84	84	82	82	74	74	74	74	74
Number of buildings/major areas of Main Building*		2	2	2	2	2	1	1	1	1	1
Research buildings											
Net assignable square feet (in thousands)		478	478	478	456	456	456	435	435	435	442
Number of buildings/major areas of Main Building*		7	7	7	6	6	6	6	6	6	17
Patient care buildings											
Net assignable square feet (in thousands)		873	868	868	885	885	885	662	529	529	529
Number of buildings/major areas of Main Building*		6	6	6	6	6	6	6	8	8	8
Administrative and support buildings											
Net assignable square feet (in thousands)		985	985	985	865	865	873	769	769	698	179
Number of buildings/major areas of Main Building*		11	11	11	11	11	12	11	11	10	9
Total net assignable square feet (in thousands)		2420	2415	2415	2288	2288	2288	1940	1807	1736	1224
Number of buildings/major areas of Main Building*		26	26	26	25	25	25	24	26	25	35

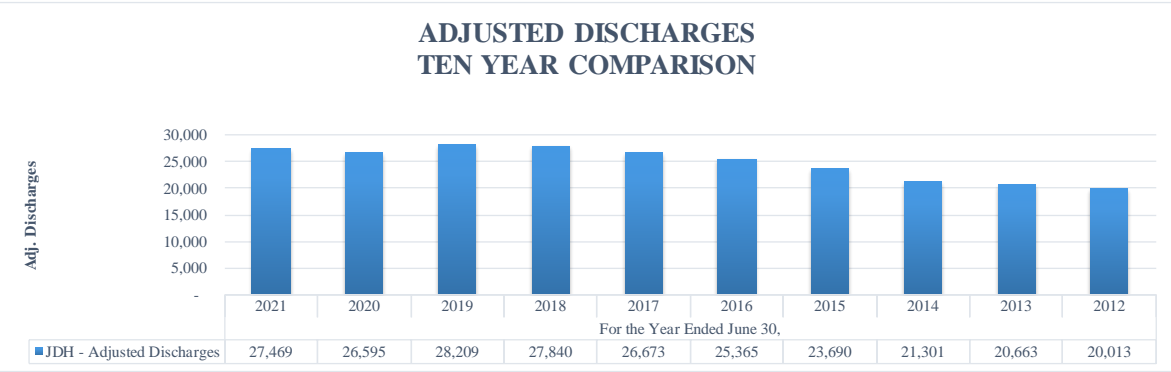
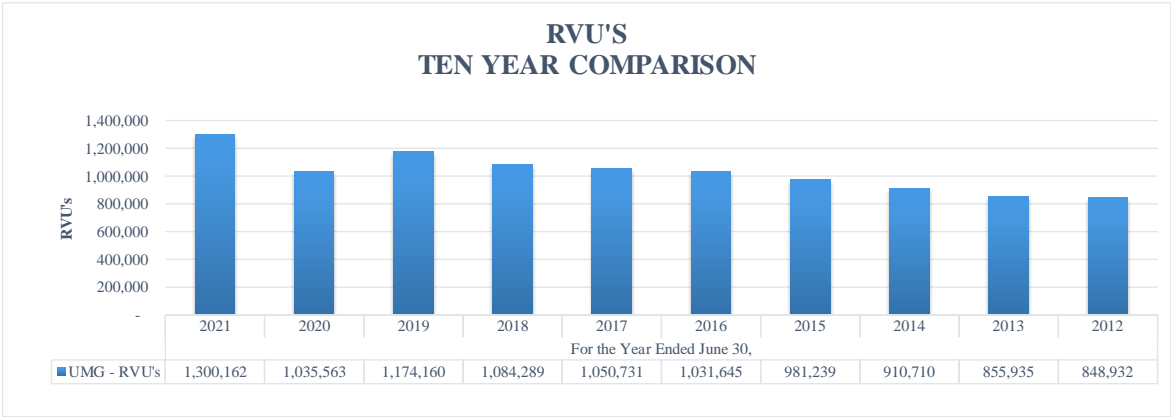
*** Notes to required schedules**

The Main Building at UConn Health has commonly been understood and tracked by major areas assigned separate names and alphanumeric identifiers. These areas are counted as buildings here. Many buildings have more than one usage. For the purposes of this schedule, the buildings (or areas of the Main Building) are categorized according to their primary use. Parking garages are included under administrative and support buildings, and the parking is included in the NASF. Total NASF for G1, G2, and G3 = 818 (in thousands) Buildings 9 and 28 were incorporated into Building 8 in 2009. For the purposes of this schedule, they are considered to have always been part of Building 8.

RVU'S AND DISCHARGES

	For the Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
UMG - RVU's	1,300,162	1,035,563	1,174,160	1,084,289	1,050,731	1,031,645	981,239	910,710	855,935	848,932

	For the Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
JDH - Adjusted Discharges	27,469	26,595	28,209	27,840	26,673	25,365	23,690	21,301	20,663	20,013



DEMOGRAPHIC AND ECONOMIC STATISTICS

State of Connecticut

Last Ten Fiscal Years

Year	Personal Income as of June 30 (a)	Population at July 1 (a)	Per Capita Personal Income	Average Annual Unemployment Rate (b)
2021	\$ 290,146,700,000	3,544,930	\$ 81,848	8.5%
2020	290,641,600,000	3,561,513	81,606	5.1%
2019	284,136,600,000	3,570,160	79,587	3.8%
2018	265,636,709,000	3,588,236	74,030	4.5%
2017	251,389,254,000	3,568,714	70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%

(a) Source: U.S. Department of Commerce

(b) Source: Connecticut Department of Labor

TOP TEN NONGOVERNMENTAL EMPLOYERS

State of Connecticut

Current Year and Ten Years Ago

77

<u>Name</u>	2021		
	Employees in CT	Percentage of Total CT Employment	Rank
Hartford HealthCare	33,000	1.9%	1
Yale New Haven Health Sys	20,474	1.2%	2
United Technologies Corp. UTC	19,000	1.1%	3
Yale University	15,404	0.9%	4
General Dynamics/Electric Boat	12,000	0.7%	5
Sikorsky Air/Lockheed Martin Co.	8,200	0.5%	6
Wal-Mart Stores, Inc.	8,345	0.5%	7
Mohegan Sun Casino	7,400	0.4%	8
The Travelers Cos., Inc.	7,000	0.4%	9
The Hartford	6,600	0.4%	10
Total	137,423	8.0%	

<u>Name</u>	2012		
	Employees in CT	Percentage of Total CT Employment	Rank
United Technologies Corp. UTC	27,000	1.6%	1
Hartford HealthCare	16,621	1.0%	2
Yale University	14,980	0.9%	3
Stop & Shop Cos., Inc.	13,574	0.8%	4 (1)
Hartford Financial Services	10,300	0.6%	5
Wal-Mart Stores, Inc.	9,204	0.5%	6 (1)
Yale New Haven Hospital	8,953	0.5%	7
Foxwoods Resort Casino	8,700	0.5%	8
General Dynamics/Electric Boat	8,346	0.5%	9
Mohegan Sun Casino	8,200	0.5%	10
Total	125,878	7.4%	

Source: Businesses websites

(1) Omitted from the 2012 HBJ survey. The number equals the employees reported by HBJ in 2008

