THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

(With Management's Discussion and Analysis)

JUNE 30, 2023 AND 2022

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONTENTS

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the consolidated financial position and activities of The University of Connecticut Health Center Finance Corporation and Subsidiaries (the Finance Corporation) as of and for the fiscal years ended June 30, 2023, 2022, and 2021. This discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and the notes thereto, which follow this section.

The Finance Corporation functions as a service organization for the University of Connecticut Health Center (UConn Health) and its constituent units including John Dempsey Hospital (the Hospital) and UConn Medical Group (UMG). The Finance Corporation provides contracting, real estate facilities, and pharmaceutical sales to UConn Health. As authorized by State statute, the Finance Corporation is also UConn Health's vehicle for establishing joint ventures and subsidiary corporations, the records of which are incorporated in these statements.

This annual report consists of management's discussion and analysis and the consolidated financial statements. The basic financial statements (consolidated statements of net position, consolidated statements of revenues, expenses, and changes in net position, consolidated statements of cash flows, and related notes to the financial statements) present the financial position of the Finance Corporation at June 30, 2023 and 2022, and the results of its operations and financial activities for the fiscal years then ended. These statements report information about the Finance Corporation using accounting methods similar to those used by private-sector companies. The consolidated statements of net position include all of the Finance Corporation's assets, liabilities, and deferred inflows. The consolidated statements of revenues, expenses, and changes in net position reflect the fiscal years' activities on the accrual basis of accounting, (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid). These consolidated statements report the Finance Corporation's net position and how it has changed. Net position (the difference between assets and liabilities and deferred inflows) is one way to measure financial health or position. The consolidated statements of cash flows provide relevant information about each fiscal year's cash receipts and cash payments and classify them as to operating, investing, and capital financing activities. The consolidated financial statements include notes that explain information in the consolidated financial statements, as well as provide additional detail and context for certain transactions.

SUBSIDIARIES

The Finance Corporation is currently the sole member and parent to the University of Connecticut Health Center Finance Corporation Circle Road Corporation (Circle Road Corporation). Circle Road Corporation's primary purpose is to serve as the financing vehicle for the Outpatient Pavilion (OP). Circle Road Corporation is a 501(c) 3 entity.

SUBSIDIARIES (CONTINUED)

The Finance Corporation is also the sole member and parent to the UConn Health Pharmacy Services, Inc. (UHPSI), which is a Connecticut non-stock corporation that operates within the meaning of Section 115 of the Internal Revenue Code. UHPSI provides pharmacy services to UConn Health's constituent units including the Hospital's 340B pharmacy and UMG. In fiscal year 2021, UHPSI began providing pharmaceuticals to outpatients primarily from the various clinics related to UConn Health.

On June 8, 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC to form UConn Health Imaging, LLC. UConn Health Imaging will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinical setting. The Finance Corporation will retain a 75% ownership interest in the joint venture. As of June 30, 2023, services have not begun. UConn Health Imaging, LLC is still in the initial setup phase with operations expected to start in the 4th quarter of fiscal year 2024.

FINANCIAL HIGHLIGHTS

The Finance Corporation's financial position at June 30, 2023, 2022, and 2021, included assets of $238.3 million, $228.5 million, and $227.5 million, respectively, and liabilities of $191.6 million, $191.5 million, and $190.9 million, respectively. The value of both the assets and liabilities is attributable mainly to the Finance Corporation maintaining the real estate and related financing on the UConn Musculoskeletal Institute (formerly known as the Medical Arts and Research Building), 16 Munson Road (Munson Road), and the OP.

The Finance Corporation finished the current fiscal year with operating income of $1.0 million compared to operating income of $2.7 million in the prior fiscal year. Current fiscal year income decreased with the decline being attributed to the impact of expanded operations at UHPSI. The Finance Corporation received working capital transfers in the amount of $10.4 million from UConn Health. Total Finance Corporation net position increased $11.4 million in fiscal 2023, compared to an increase of $2.3 million in fiscal 2022.

FINANCIAL HIGHLIGHTS (CONTINUED)

Summarized components of the Finance Corporation's Statements of Net Position as of June 30, 2023, 2022, and 2021, are presented below.

	2023	2022 (Restated)	2021
		(In thousands)	
Summary of assets and liabilities at June 30:			
Current assets	$ 29,713	$ 19,411	$ 17,111
Deposits with vendors	12,008	7,584	2,054
Lease receivable - net of current portion	1,096	2,853	4,936
Investment in subsidiaries	1,375	-	-
Net investment in direct financing lease, net of current portion	171,067	174,791	178,943
Property - right-to-use assets, net	532	653	441
Capital assets, net	22,478	23,236	23,967
Total assets	$ 238,269	$ 228,528	$ 227,452
Current liabilities	$ 24,133	$ 27,584	$ 19,461
Long-term liabilities	167,450	163,868	171,447
Total liabilities	$ 191,583	$ 191,452	$ 190,908
Deferred inflows - right-to-use assets	$ 2,871	$ 4,646	$ 6,422
Net investment in capital assets	34,238	31,039	28,163
Unrestricted net assets	9,577	1,391	1,959
Total net position	43,815	32,430	30,122
Total liabilities, deferred inflows, and net position	$ 238,269	$ 228,528	$ 227,452

Individual subsidiary income statements are presented as supplemental information to the consolidated financial statements. Changes in net position, representing the operating activity of the Finance Corporation, primarily composed of revenues and expenses associated with real estate transactions from Circle Road Corporation and the operations of UHPSI, are summarized below for the fiscal years ended June 30, 2023, 2022, and 2021.

FINANCIAL HIGHLIGHTS (CONTINUED)

	2023	2022 Restated	2021
		(In thousands)	
Summary of revenues, expenses, and nonoperating expenses for the year ended June 30:			
Operating revenues	$ 124,556	$ 88,952	$ 51,160
Operating expenses	(123,534)	(86,281)	(48,122)
Operating Income	1,022	2,671	3,038
Nonoperating (expenses) revenue	(12)	(11)	989
Gain before transfers	1,010	2,660	4,027
Net Transfers	10,375	-	-
Cumulative effect of change in accounting method GASB 87	-	(353)	(16)
Increase in net position	$ 11,385	$ 2,307	$ 4,011

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS

In this section, the Finance Corporation explains the reasons for those financial statement items with significant variances relating to fiscal year 2023 amounts compared to fiscal year 2022.

SUMMARY OF ASSETS AND LIABILITIES

Changes in assets included the following:

- *Pharmaceutical accounts receivable* – decreased from June 30, 2022 to June 30, 2023 by approximately $311,000. Accounts receivable declined despite an increase in sales volume due to continued focus on receivables management and optimizing UHPSI's collection process.

- *Lease receivable* – decreased from June 30,2022 to June 30, 2023 by approximately $1.8 million due to continued payments from UConn Health to the Finance Corporation for leasing the MSI building and third-party lease payments for retail space in the OP. Presentation of lease receivables is done in accordance with GASB 87.

- *Inventory* – increased from June 30, 2022 to June 30, 2023 by approximately $1.1 million. Increased inventory levels due to rapid sales growth are the result of management's focus on maintaining minimal stock levels required to meet patient needs.

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

- *Deposits with vendors* – increased from June 30, 2022 to June 30, 2023 by approximately $4.4 million due to contractually required deposits with UHPSI's primary pharmaceutical vendor AmerisourceBergen, driven by increased purchases in fiscal year 2023. Deposits are required to access preferred pricing arrangements under the contract.

- *Investment in subsidiaries* – increased from June 30, 2022 to June 30, 2023 by approximately $1.4 million as a result of Finance Corporation's capital call contributions.

- *Net investment in direct financing lease* – decreased from June 30, 2022 to June 30, 2023 by approximately $3.8 million due to current year lease activity.

Changes in liabilities included the following:

- *Accounts payable* – increased from June 30, 2022 to June 30, 2023 by approximately $1.7 million due to increased amounts owed related to pharmaceutical purchases related to UHPSI's sales growth.

- *Due to/from related parties* – fluctuated from June 30, 2022 to June 30, 2023 by approximately $4.4 million as a result of 340B revenue and increased supplier deposits due to the Hospital at June 30, 2023. These amounts were offset by repayments received from UMG during the year ended June 30, 2023 for pharmaceuticals obtained from UHPSI.

- *Due to third party payors* – Beginning fiscal year 2023, UHPSI began accruing for future direct and indirect remuneration (DIR) fees based on a percentage of net income. The amount accrued at June 30, 2023 is approximately $2 million.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from fiscal year ended June 30, 2022 to fiscal year ended June 30, 2023 by approximately $35.6 million or 40.0%. Significant operating variances are presented below.

- *Pharmaceutical revenue* – increased by approximately $36.0 million or 47.7%, from the prior fiscal year due to UHPSI's third full year of expanded business operations, including filling patient prescriptions to outpatients primarily from UConn Health related clinics. In addition, there has been an expansion in contracts, prescription volume, and prescription offerings.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Operating expenses

Total operating expenses increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $37.3 million or 43.2%.

- *Internal contractual support* – increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $944,000 or 86.7% due to UHPSI's use of additional pharmacy personnel. The number of employees allocated from UConn Health for fiscal years 2023 and 2022 was approximately 18 and 9, respectively.

- *Outside agency per diems* – increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $2.4 million or 42.0% due to increased support service costs from Shields Pharmacy of Connecticut II, LLC (Shields) in support of expanded business operations during fiscal year 2023.

- *Pharmaceuticals/ medical supplies* - increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $34.3 million or 49.1% due to the increased pharmaceutical sales of UHPSI during fiscal year 2023.

CAPITAL AND DEBT RELATED ACTIVITIES

The Teachers Insurance and Annuity Association of America (TIAA) mortgage for the (OP) is supported by a 25-year fixed term lease between UConn Health and the Finance Corporation. As a result, capital assets associated with the OP have been reclassified and reported as investment in direct financing lease. For additional information on capital assets and the breakout of the OP's underlying assets, see Notes 1,4 and 6.

The OP construction was completed in 2019. The Finance Corporation continues to lease the OP to UConn Health, which in turn subleases the space to related parties. Lease payments from UConn Health provide the funding for the Finance Corporation's OP mortgage payments. For the fiscal years ended June 30, 2023 and 2022, the Finance Corporation made all regularly scheduled payments on the mortgage, thereby reducing the principal amount of the secured mortgage on the OP by $6,093,203 and $5,807,674, respectively. For additional information on debt-related activities, see Note 4.

The Finance Corporation continues to own and lease the UConn Musculoskeletal Institute property to UConn Health. For the fiscal years ended June 30, 2023 and 2022, the Finance Corporation made all regularly scheduled payments on the UConn Musculoskeletal Institute's secured mortgage, thereby reducing the amount of secured mortgage principal debt on the UConn Musculoskeletal Institute by $1,779,887 and $1,670,824, respectively. For additional information on debt-related activities, see Note 4.

RELATED PARTIES

During fiscal years 2023 and 2022, UHPSI was charged the cost of pharmacy personnel and other operating expenses while earning revenues from UConn Health for pharmaceuticals sold. The net result of these transactions was an increase to amounts payable to UConn Health of approximately $2.3 million and $1.2 million, respectively. During fiscal years 2023 and 2022, UHPSI repaid UConn Health approximately $2.5 million and $4.1 million, respectively.

During fiscal years 2023 and 2022, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately $898,000 and $953,000, respectively. Beginning in fiscal year 2021, the Hospital allocated to UHPSI its share of UConn Health's institutional deposit with AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. The deposit was approximately $12.0 million at June 30, 2023 and $7.6 million at June 30, 2022. For the fiscal years ended June 30, 2023 and 2022, UHPSI repaid the Hospital approximately $25.0 million and $15.8 million, respectively.

During fiscal years 2023 and 2022, UHPSI had pharmaceutical sales to UMG of approximately $6.7 million and $5.8 million, respectively. UHPSI received approximately $6.6 million and $6.0 million from UMG, respectively, in fiscal years 2023 and 2022 for current and prior year sales. For additional information on related parties, see Note 5.

FISCAL YEAR 2024 OUTLOOK

The Finance Corporation was created by State statute in recognition of UConn Health's need to implement decisions rapidly in order to provide excellent care in a competitive health care environment with a special focus on the need for expedited processes in the areas of purchasing, leasing, construction, and through joint ventures and shared service agreements with other organizations. The Finance Corporation also provides UConn Health with contracting efficiency and flexibility that is important to meeting the demands of modern healthcare. These services are an integral part of UConn Health's operations.

The Finance Corporation's economic position is closely tied to UConn Health's clinical entities serviced by the Finance Corporation. Through various lease agreements, UConn Health provides funding which enables the Finance Corporation to make its required debt and principal payments. In turn, these facilities allow for the Hospital and UMG to provide state of the art care in modern spaces. The addition of UHPSI provides another opportunity for the Finance Corporation to help clinical operations expand its offerings, adapt to changing insurance and pharmacy landscapes, and maximize financial resources. As we look forward to fiscal year 2024, UConn Health is focused on maintaining flexibility and adaptability in a rapidly changing landscape. Emerging and re-emerging health threats reinforce the need for a public health infrastructure able to adapt to changing public health needs and minimize the impacts of health disparities in the general population. At the same time, changing healthcare delivery models require the flexibility that the Finance Corporation affords UConn Health. UConn Health is working diligently to stay abreast of changing clinical and business models as it navigates changing operational, disease, and regulatory landscapes.

UConn Health continues to adapt to new operational realities, including labor and supply shortages through continual re-prioritization, forward thinking, teamwork, and creativity. Continued and evolving public health challenges require new methodologies, partnerships, and treatment options. We are committed to responding to new needs, to serve the people of Connecticut.

The Finance Corporation is dependent upon both the Hospital and UMG for the lease payments that support the Musculoskeletal Institute and OP mortgage payments. It also depends on its relationships with these entities to maximize UHPSI's business opportunities. UHPSI's sales have risen as the business expanded its 340B pharmacy sales and offered services to patients in more clinical specialties. UConn Health's management expects slower clinical growth as UHPSI's business model reaches maturity.

A combination of institution-wide financial initiatives and strong State funding allowed UConn Health to balance its 2023 spending plan. UConn Health approaches fiscal year 2024 with cautious optimism. The new biennium brings its own challenges. As State and Federal government seek to put the pandemic behind them, funding is at the forefront of new concerns. Public sentiment towards healthcare and education has eroded as the focus shifts to affordability, government sustainability, and tax relief.

FISCAL YEAR 2024 OUTLOOK (CONTINUED)

Supply shortages and a resurgence of inflation provide additional operational challenges. The global supply chain continues to work towards stabilization. Extreme weather and global geopolitics further complicate product availability. As such, UConn Health is constantly re-evaluating its stocking methodologies to minimize operational disruption. The flexibility offered by the Finance Corporation will be important in allowing UConn Health to adapt to a changing marketplace.

The State is again in 2023 is expecting to complete the upcoming fiscal year with a surplus. 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. UConn Health does not anticipate any issues with making scheduled debt payments, lease payments, or meeting operational needs over the next year.

While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, appropriate cost reductions, and programmatic enhancements while protecting quality of care and our delivery of exceptional education and cutting-edge research.

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

CONTACTING FINANCE CORPORATION'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer, University of Connecticut Health Center, Farmington, Connecticut 06030-3800.

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
The University of Connecticut Health Center
Farmington, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of The University of Connecticut Health Center Finance Corporation (Finance Corporation or Company), a component unit of the State of Connecticut, as of and for the years ended June 30, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the Finance Corporation's basic consolidated financial statements as listed in the table of contents.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Finance Corporation as of June 30, 2023 and 2022, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Finance Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The University of Connecticut Health Center Finance Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Connecticut Health Center Finance Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Finance Corporation's consolidated financial statements. The accompanying consolidating supplementary information on pages 46 through 48 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of The University of Connecticut Health Center Finance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Finance Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Finance Corporation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut

November 21, 2023

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 15,915,421	$ 6,540,423
Malpractice Fund	778,942	568,424
Pharmaceutical accounts receivable, net (note 7)	3,609,689	3,920,747
Lease receivable - current portion (note 2)	1,775,505	1,809,386
Inventory	2,986,435	1,913,944
Due from UConn Medical Group (note 5)	617,544	545,517
Prepaid expenses	799	-
Net investment in direct financing lease, current portion (note 6)	4,028,844	4,112,746
Total Current Assets	29,713,179	19,411,187
Noncurrent Assets		
Deposits with vendors	12,007,648	7,583,784
Lease receivable - net of current portion (note 2)	1,095,480	2,853,492
Investment in subsidiaries	1,375,000	-
Net investment in direct financing lease, net of current portion (note 6)	171,067,095	174,791,204
Property - right-to-use assets, net (note 3)	532,043	652,954
Capital assets, net (note 3)	22,478,171	23,235,749
Total Noncurrent Assets	208,555,437	209,117,183
Total Assets	$ 238,268,616	$ 228,528,370

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,991,773	$ 4,269,276
Due to UConn Health - Malpractice Fund (note 5)	778,942	568,424
Due to UConn Health (note 5)	2,321,675	2,539,919
Due to John Dempsey Hospital, current portion (note 5)	4,641,730	12,212,558
Due to third party payors	1,963,898	-
Advances for construction	6,619	6,619
Security deposits	2,229	2,229
Lease payable, current portion (note 4)	137,525	111,752
Loans payable, current portion (note 4)	8,288,841	7,873,092
Total Current Liabilities	24,133,232	27,583,869
Noncurrent Liabilities		
Due to John Dempsey Hospital, net of current portion	12,007,648	-
Lease payable, net of current portion (note 4)	522,910	660,435
Loans payable, net of current portion (note 4)	154,919,174	163,208,013
Total Noncurrent Liabilities	167,449,732	163,868,448
Total Liabilities	191,582,964	191,452,317
Deferred Inflows		
Deferred inflows - right-to-use assets	2,870,985	4,646,489
Net Position		
Net investment in capital assets	34,237,703	31,038,357
Unrestricted net assets	9,576,964	1,391,207
Total Net Position	43,814,667	32,429,564
Total Liabilities, Deferred Inflows and Net Position	$ 238,268,616	$ 228,528,370

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Operating Revenues		
Interest income from right-to-use assets	$ 255,081	$ 359,002
Lease revenue from right-to-use assets	1,774,805	1,803,609
Interest income from direct financing lease	10,171,221	10,382,334
Contract and other income	1,025,232	1,038,737
Pharmaceutical revenue, net (note 7)	111,329,599	75,368,565
Total Operating Revenues	124,555,938	88,952,247
Operating Expenses		
Professional services	42,813	25,274
Internal contractual support	2,033,041	1,088,904
Outside agency per diems	8,209,706	5,781,714
Pharmaceuticals/medical supplies	104,139,390	69,855,291
Equipment and software leases	88,455	71,574
Insurance	750	750
Repairs and maintenance	-	1,377
Interest expense	8,118,817	8,501,358
Depreciation	757,578	756,342
Amortization - right-to-use assets	120,911	147,578
Other	22,482	50,513
Total Operating Expenses	123,533,943	86,280,675
Operating Income	1,021,995	2,671,572
Nonoperating Expense		
Loan servicing fees	(11,892)	(11,042)
Total Nonoperating Expense	(11,892)	(11,042)
Gain before transfers	1,010,103	2,660,530
Net Transfers from UConn Health - Unrestricted (note 5)	10,375,000	-
Increase in Net Position	11,385,103	2,660,530
Net Position - Beginning of year **(as previously stated)**	32,429,564	30,121,870
Cumulative effect of change in accounting method GASB 87	-	(352,836)
Net Position - Beginning of year **(as restated)**	32,429,564	29,769,034
Net Position - Ending	$ 43,814,667	$ 32,429,564

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Cash paid to suppliers, contractors and others	$ (100,620,082)	$ (68,990,613)
Lease payments received	2,046,274	2,046,274
Cash received for contract and other income	113,838,504	73,833,840
Cash returned to related parties	(20,807,433)	(13,849,613)
Cash paid for administrative expenses	(39,416)	(40,902)
Net Cash Used in Operating Activities	(5,582,153)	(7,001,014)
Cash Flows from Investing Activities		
Investment in subsidiaries	(1,375,000)	-
Payments for purchase of capital assets	-	(25,611)
Change in value of direct financing lease	2,682	39,123
Net Cash (Used by) Provided by Investing Activities	(1,372,318)	13,512
Cash Flows from Capital Financing Activities		
Direct financing lease payments received (including $10,171,221 and $10,382,334 of interest, respectively)	13,976,552	13,976,552
Transfers from UConn Health	10,375,000	-
Repayments of capital debt	(7,873,090)	(7,478,498)
Payment for lease liability	(137,851)	(63,600)
Loan servicing fees	(11,142)	(11,042)
Net Cash Provided by Capital Financing Activities	16,329,469	6,423,412
Net Increase/(Decrease) in Cash	9,374,998	(564,090)
Cash - Beginning	6,540,423	7,104,513
Cash - Ending	$ 15,915,421	$ 6,540,423

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating income	$ 1,021,995	$ 2,671,572
Depreciation	757,578	756,342
Amortization	120,911	147,578
Interest on right-to-use assets	25,347	12,338
Direct financing lease interest payments received	(10,171,221)	(10,382,334)
Changes in operating assets and liabilities:		
Inventory	(1,072,491)	70,313
Patient & contract receivables	311,058	(1,642,305)
Lease receivable	1,791,893	1,682,126
Interest receivable	-	5,846
Deposits to vendors	(4,423,864)	(5,529,649)
Due from UConn Health	(218,244)	(1,780,110)
Due from UConn Medical Group	(72,027)	(785,166)
Prepaid	(799)	-
Accounts payable and accrued expenses, excluding payables for capital assets	1,722,497	1,939,316
Interest payable	-	(142)
Due to John Dempsey Hospital	4,436,820	7,637,569
Due to third party payors	1,963,898	-
Deferred inflows - right-to-use assets	(1,775,504)	(1,804,308)
Net Cash Used in Operating Activities	$ (5,582,153)	$ (7,001,014)

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

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Effective July 1, 1987, The University of Connecticut Health Center Finance Corporation (the Finance Corporation) was established pursuant to Public Act No. 87-458. The purpose of the Finance Corporation is to provide greater flexibility for John Dempsey Hospital (21002 Fund) (the Hospital), UConn Medical Group (UMG), and University Dentists (collectively, the entities) and to promote the more efficient provision of health care services. As such, the Finance Corporation has been empowered to purchase supplies and equipment; acquire facilities; approve write-offs of accounts receivable; negotiate and enter into joint ventures, shared service, and other agreements for all of the entities; and process malpractice claims on behalf of the University of Connecticut Health Center (UConn Health), the Hospital, UMG, and the School of Dental Medicine's associated Dental Clinics.

The Finance Corporation is administered by a board of directors currently consisting of the President of the University of Connecticut, the Secretary of the Office of Policy and Management for the State of Connecticut, a member of the Board of Directors of UConn Health, the Executive Vice President for Health Affairs, and the Chairman of the Board of Trustees for the University of Connecticut, who is appointed by the Governor of the State of Connecticut or their respective designees. The Governor appoints one of these members as Chairman of the Board of the Finance Corporation.

The University of Connecticut Health Center Finance Corporation Circle Road Corporation (Circle Road Corporation), a subsidiary of the Finance Corporation, was formed pursuant to Section 10a-254 of the Connecticut General Statutes by the Finance Corporation (its sole member). This subsidiary corporation is administered by a board of directors elected on an annual basis by the sole member's board of directors or appointed by the Governor of the State of Connecticut, as prescribed in the bylaws of Circle Road Corporation. The number of directors shall not be less than three or more than ten, and 50% shall be members of the board of directors of the sole member or appointed by the Governor. At least one of these directors must be an independent director. There are four members of the subsidiary corporation's board of directors and five members of the sole member's board of directors.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

In 2018, the Finance Corporation created a wholly-owned subsidiary corporation, UConn Health Pharmacy Services, Inc. (UHPSI) pursuant to the authority granted by Section 10a-254 of the Connecticut General Statutes. The subsidiary's main focus is the provision of pharmacy operation services on behalf of UConn Health and its clinical units, including the Hospital and UMG. The subsidiary has been empowered to apply for and obtain all licenses, certificates or other credentials as required for pharmacy operations and granted the ability to enter into such contracts that are necessary or desirable for, or incidental to, the conduct of the subsidiary's business and affairs.

The sole member of UHPSI is the Finance Corporation (the Member). The Member has the power to elect and remove directors to/from UHPSI's Board of Directors. The property and affairs of UHPSI will be managed by or under the direction of UHPSI's Board of Directors.

In 2019, UHPSI commenced operations. UHPSI provides services for specialty prescriptions for patients within clinics associated with UConn Health. The expenses reported in the consolidated statements of revenues, expenses, and changes in net position include allocations from UConn Health for salary and fringe benefits for persons utilized in UHPSI. This is reported as internal contractual support. Otherwise, undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other Connecticut State agencies are not included in the consolidated statements of revenues, expenses, and changes in net position.

On June 8, 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC to form UConn Health Imaging, LLC. UConn Health Imaging will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation will retain a 75% ownership interest in the joint venture. Balances advanced are accounted for as Investments in Subsidaries on the Statement of Net Position. UConn Health Imaging is expected to open in the spring of 2024.

For presentation purposes, activities for and with for Central Administrative Services (CAS), Research Finance, School of Medicine and School of Dental Medicine, including Dental Clinics, are combined under UConn Health.

The Finance Corporation is a component of the State of Connecticut and is, therefore, generally exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The Finance Corporation's consolidated financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements.

PROPRIETARY FUND ACCOUNTING

The Finance Corporation utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis.

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, liabilities, deferred inflows of resources, and disclosure of contingencies 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 estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, direct and indirect remuneration (DIR) fees, certain estimates related to the valuation of the direct financing lease, right-to-use assets, lease liabilities, and malpractice.

CASH

Cash includes cash held on behalf of the Finance Corporation by the State of Connecticut.

CONTRACT AND OTHER INCOME

Contract and other income is recorded on the accrual basis of accounting in the period the related services were rendered.

As described in Note 5, UHPSI provides pharmaceuticals to UMG, and records revenue on the accrual basis of accounting in the period the related services are rendered.

The Hospital pharmacy allocates overhead revenue related to certain pharmaceutical sales to UHPSI on a monthly basis. This revenue is included in contract and other income on the consolidated statements of revenues, expenses, and changes in net position. Additional information on this can be found in Note 5.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

UHPSI's business includes filling patient prescriptions to outpatients primarily from UConn Health related clinics.

A uniform pricing structure is used for billing to Pharmacy Benefit Managers (PBMs) subject to contractual allowances as negotiated by the Pharmacy Services Administrative Organization (PSAO). Contractual allowances will reduce the amount received and will vary based on rates, such as Medicare, Medicaid, and commercial contracts. Pharmaceutical revenues, net of contractual allowances and direct and indirect remuneration (DIR) fees, are recognized on the accrual basis of accounting when prescriptions are filled. Accounts receivable from patients, third-party payers, and others for pharmaceutical purchases represent the net amounts owed to UHPSI for which payment had not been received as of June 30, 2023 and 2022.

UHPSI PHARMACY MANAGEMENT

In November 2019, UConn Health entered a five-year agreement with a third party, Shields Pharmacy of Connecticut II, LLC (Shields), for support services for UHPSI. These services include support for patient liaisons, medication adherence management, revenue cycle management and other services. These services are billed on a monthly basis. The five-year term of the agreement began on the date the first prescription was filled.

The agreement includes a performance fee based on a specific profitability calculation as stipulated in the agreement. These fees are calculated and billed monthly.

340B PROGRAM

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and low-income patients. The Hospital qualifies as a covered entity (CE) under this provision. Therefore, the Hospital is qualified to receive 340B savings for certain pharmaceutical purchases, as the Hospital is a public entity classified as a Disproportionate Share Hospital (DSH) that serves a disproportionately higher percentage of Medicaid payers. When the patient establishes a relationship with the CE, the CE is then allowed to receive 340B savings.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

340B PROGRAM (CONTINUED)

UHPSI is a contract pharmacy for the Hospital and receives revenue for filling and dispensing 340B qualified pharmaceuticals to patients. The contract pharmacy fills and dispenses pharmaceuticals on behalf of the CE; therefore, UHPSI receives a dispensing fee for these transactions, as provided for in the agreement with the Hospital, and reimburses the Hospital for the total revenue less the dispensing fee.

INVENTORY

Pharmaceuticals are valued at market value, which approximates cost due to high turnover rates.

DEPOSITS WITH VENDORS

UHPSI is required to keep an amount on deposit with AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. The deposit is based on a 90-day purchasing history and a 45-day amount is required to be on deposit with AmerisourceBergen. These deposits are non-interest bearing and are considered subject to the credit risk of the supplier.

As of June 30, 2023 and 2022, amounts on deposit were approximately $12.0 million and $7.6 million, respectively. As disclosed in Note 5, the deposits with AmerisourceBergen were funded through the Hospital.

DESCRIPTION OF LEASING ARRANGEMENTS

The OP lease, effected through the Circle Road Corporation, is a direct financing lease for both the OP building and its associated equipment. Under this treatment, the underlying capital assets are reported as net investment in direct financing lease. The associated equipment will be depreciated over a maximum 10-year life, while the building will be depreciated over 40 years. The term of the lease is 25 years, as stipulated in the mortgage agreement with Teachers Insurance and Annuity Association of America (TIAA). At the conclusion of the lease, any residual amounts will revert to capital assets, net. The Finance Corporation reviews the estimated residual value of property leased under the direct financing lease on an annual basis. See Note 5 and Note 6 for additional information.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

Circle Road Corporation is a lessor for office space to a third party. Circle Road Corporation has recorded a lease receivable and a deferred inflows of resources based on the present value of the future lease payments expected to be received during the contracted lease term. The deferred inflow of resources is amortized evenly over the life of the lease.

Finance Corporation routinely engages in lease arrangements to meet operational needs of UConn Health and UHPSI. The lease agreements relate to office space. For agreements in which Finance Corp is the lessee, it records a lease liability and an intangible right-to-use lease asset based on the present value of future lease payments over the term of the lease. Lease right-to-use assets net of amortization and liabilities are reported as current and non-current in the statement of net position. The right-to-use assets are amortized over the term of the lease or the estimated useful life of the asset. Finance Corporation is a lessor providing space in the MSI building to the Hospital, UMG, and UConn Health.

Finance Corporation uses the incremental borrowing rate as the discount rate for leases unless the rate the lessor charges is known. The incremental borrowing rate is based on the weighted-average interest rate of outstanding debt and capital lease obligations. If amendments or other circumstances occur that are expected to significantly affect the amount of the lease, the present value is remeasured, and corresponding adjustments made. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indexes, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but are recognized as revenue or expenses in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

The Finance Corporation elected to record the value of all leased assets in accordance with GASB 87 for lease reporting.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are defined as an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are reported in the statement of net position in a separate section, after total liabilities. The Finance corporation has lease deferrals that meet this criterion.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASE INCOME AND INTEREST INCOME

Lease income is recognized over the lease period by reference to the lease agreements. Interest income on the direct financing lease is recognized over the term of the lease to produce a constant, periodic rate of return on the net investment of the lease. Unearned income related to the direct financing lease is amortized over the lease term using the interest method.

INVESTMENT IN SUBSIDIARIES

On June 8, 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC to form UConn Health Imaging, LLC. UConn Health Imaging will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation will retain a 75% ownership interest in the joint venture and funded its initial capital call to the new corporation in September of 2022. As of June 30, 2023, operations have not begun however, the amount invested and shown on the consolidated statements of net position as a noncurrent asset is $1,375,000.

MALPRACTICE FUND

The Malpractice Fund includes investments held on behalf of UConn Health and is offset in Due to UConn Health – Malpractice Fund on the consolidated statements of net position. The fund is invested in the State of Connecticut Short-Term Investment Fund (STIF). The STIF is an investment pool of high-quality, short-term money market instruments that is considered a "2a7-like" pool, which is excluded from the scope of GASB Statement No. 72, *Fair Value Measurement and Application*. The cost of the STIF approximates fair value. The Finance Corporation is responsible for the timely payment of malpractice fund claims. Therefore, the Finance Corporation monitors upcoming cash needs and holds an amount estimated for upcoming malpractice fund liabilities in its account. The claim liability is reflected on UConn Health's financial statements.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND INTANGIBLE ASSETS

Property and equipment acquisitions are recorded at cost. Betterments and major renewals are capitalized, and maintenance and repairs are expensed as incurred. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Buildings have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years. Assets acquired under capital leases and leasehold improvements are depreciated no longer than the lease term.

Construction in progress is capitalized as costs are incurred during the construction phase, and depreciation will begin once the assets are placed in service. Intangible assets are comprised of right-to-use assets under lease agreements for pharmacy space.

ADVANCES FOR CONSTRUCTION

Advances for construction in the amount of $6,619 as of June 30, 2023 and 2022, represent the unused portion of bond proceeds that were received in March 1993 by the Finance Corporation, which are to be used for the Farm Hollow Building renovations.

DUE TO THIRD PARTY PAYORS

Beginning in fiscal year 2023, UHPSI began accruing for future direct and indirect remuneration (DIR) fees. These fees are charged by various Pharmacy Benefit Managers (PBMs) based on differing metrics. They are generally retroactive and occur monthly. The amount accrued at June 30, 2023 is based on a percentage of net income over a period of 6 months and is approximately $2 million.

NET POSITION

Net position is classified in two components. Net investment in capital assets consists of capital and right-to-use assets net of accumulated depreciation/amortization, reduced by the current net balances of any outstanding borrowings (less amounts held in trust) used to finance the purchase or construction of those assets. All other assets less liabilities are classified as unrestricted.

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The following GASB accounting pronouncements were adopted during fiscal year 2023: Paragraphs 11 through 32 of GASB Statement No. 99, *Omnibus 2022 (GASB 99)*; GASB Statement No. 91, *Conduit Debt Obligations (GASB 91)*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*; GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 (GASB 100)*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*. These pronouncements did not have a material impact on the financial statements.

Additionally, while preparing for the implementation of GASB No. 96, a change in software vendors was made to accommodate current and future needs of tracking and accounting for both leases (GASB No. 87) and subscription-based information technology arrangements (GASB No. 96). During the implementation of the new software, differences in the methodology used for calculating right-to-use assets and liabilities were noted. There were also some revaluations that needed to be performed in relation to several leases. As a result, we have restated our prior year statements for GASB No. 87 comparative purposes.

The impact of the restatement of select accounts on the statements of net position and statement of revenues, expenses and changes in net position as of June 30, 2022 was as follows:

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Combined Statement of Net Position	As Previously Reported	Adjustment	As Restated
Current Assets			
Lease receivable - current portion	$ 1,791,825	$ 17,561	$ 1,809,386
Interest receivable - leases	17,291	(17,291)	-
Noncurrent Assets			
Intangible - right-to-use assets, net	357,275	295,679	652,954
Lease receivable - net of current portion	3,143,656	(290,164)	2,853,492
Current Liabilities			
Interest payable	1,044	(1,044)	-
Lease payable, current portion	82,816	28,936	111,752
Noncurrent Liabilities			
Lease payable, net of current portion	294,696	365,739	660,435
Deferred inflows - right-to-use assets	4,618,122	28,367	4,646,489
Net position	$ 32,845,777	$ (416,213)	$ 32,429,564

Combined Statement of Revenues, Expenses, and Changes in Net Position	As Previously Reported	Adjustment	As Restated
Operating expenses			
Amortization - right-to-use assets	$ 84,201	63,377	147,578
Cumulative effect of change in accounting method GASB 87	-	(352,836)	(352,836)
Net position	$ 32,845,777	$ (416,213)	$ 32,429,564

NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Finance Corporation is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: Paragraphs 4 through 10 of GASB Statement No. 99, *Omnibus 2022 (GASB 99)*, effective for fiscal years beginning after June 15, 2023 and all reporting periods thereafter; and GASB Statement No. 101, *Compensated Absences (GASB 101)*, effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

NOTE 2 – LEASE RECEIVABLE

As described in Note 1, receivables from leases to UConn Health (for the MSI building) and to a third party (for space in the OP) are based on the present value of the future payments and are as follows:

Lease receivables:	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amount due within 1 year
Buildings and building improvements total	$ 4,662,878	$ -	$ (1,791,893)	$ 2,870,985	$ 1,775,505

Lease receivables:	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amount due within 1 year
Buildings and building improvements total	$ 6,617,607	$ -	$ (1,954,729)	$ 4,662,878	$ 1,809,386

NOTE 2 – LEASE RECEIVABLE(CONTINUED)

Lease payments to be received are as follows:

	Lease Receivables	
Fiscal Year Ending June 30	Principal	Interest
2024	$ 1,775,505	$ 138,223
2025	749,998	32,584
2026	17,493	18,982
2027	17,493	18,510
2028	17,493	18,015
2029-33	87,464	81,192
2034-38	87,464	61,152
2039-43	87,464	32,518
2044-47	30,611	2,657
	$ 2,870,985	$ 403,833

NOTE 3 – CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of June 30, 2023 and 2022 consisted of the following:

	2023	2022 (Restated)
Buildings	$ 29,730,870	$ 29,730,870
Land	6,593,084	6,593,084
Equipment	37,983	50,905
	36,361,937	36,374,859
Less accumulated depreciation	13,883,766	13,139,110
Capital assets, net	$ 22,478,171	$ 23,235,749

As described in Note 1, the OP is leased to UConn Health under the terms of a direct financing lease.

NOTE 3 – CAPITAL ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Capital assets and depreciation activity for the fiscal years ended June 30, 2023 and 2022 were as follows:

	2022	Additions	Deductions	2023
Buildings	$ 29,730,870	$ -	$ -	$ 29,730,870
Land	6,593,084	-	-	6,593,084
Equipment	50,905	-	(12,922)	37,983
Less: accumulated depreciation - Buildings	(13,121,240)	(753,300)	-	(13,874,540)
Less: accumulated depreciation - Equipment	(17,870)	(4,278)	12,922	(9,226)
	$ 23,235,749	$ (757,578)	$ -	$ 22,478,171

	2021	Additions	Deductions	2022
Buildings	$ 29,730,870	$ -	$ -	$ 29,730,870
Land	6,593,084	-	-	6,593,084
Equipment	25,293	25,612	-	50,905
Less: accumulated depreciation - Buildings	(12,367,940)	(753,300)	-	(13,121,240)
Less: accumulated depreciation - Equipment	(14,828)	(3,042)	-	(17,870)
	$ 23,966,479	$ (730,730)	$ -	$ 23,235,749

NOTE 3 – CAPITAL ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets at June 30, 2023 and 2022 consisted of the following:

	2023	2022 (Restated)
Right-to-use assets	$ 885,723	$ 885,723
Less: accumulated amortization- assets	(353,680)	(232,769)
	$ 532,043	$ 652,954

Intangible assets and amortization activity for the fiscal years ended June 30, 2023 and 2022 were as follows:

	2022 (Restated)	Additions	Deductions	2023
Right-to-use buildings	$ 825,337	$ -	$ -	$ 825,337
Right-to-use equipment	60,386	-	-	60,386
Less: accumulated amortization- Buildings	(217,672)	(108,834)	-	(326,506)
Less: accumulated amortization- Equipment	(15,097)	(12,077)	-	(27,174)
	$ 652,954	$ (120,911)	$ -	$ 532,043

	2021	Additions	Deductions	2022 (Restated)
Right-to-use buildings	$ 466,110	$ 359,227	$ -	$ 825,337
Right-to-use equipment	60,557	-	(171)	60,386
Less: accumulated amortization- Buildings	(81,633)	(136,039)	-	(217,672)
Less: accumulated amortization- Equipment	(3,558)	(11,539)	-	(15,097)
	$ 441,476	$ 211,649	$ (171)	$ 652,954

NOTE 4 – NONCURRENT LIABILITIES

The Finance Corporation routinely leases various facilities and equipment instead of purchasing the assets. The contracts include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal years ended June 30, 2023 and 2022, the Finance Corporation recognized expense for lease variable payments related to common area maintenance and property taxes of $118 and $1,684, respectively. There were no termination penalties or residual guarantee payments expensed for the fiscal years ended June 30, 2023 or 2022.

The Finance Corporation has a loan agreement held by KeyBank Real Estate Capital (KeyBank), which financed the construction of the UConn Musculoskeletal Institute. The Finance Corporation through its subsidiary, the Circle Road Corporation, has a mortgage with TIAA, which financed the construction of the OP. Changes in long-term obligations for the years ended June 30, 2023 and 2022, respectively were as follows:

	June 30, 2022 Balance	Additions	Repayments	June 30, 2023 Balance	Amounts due within 1 year
Business-type activities:					
Notes from Direct Borrowings -					
Capital Lease Funding (KeyBank)	$ 4,502,061	$ -	$ (1,779,887)	$ 2,722,174	$ 1,896,069
TIAA	166,579,044	-	(6,093,203)	160,485,841	6,392,772
	$ 171,081,105	$ -	$ (7,873,090)	$ 163,208,015	$ 8,288,841

	June 30, 2021 Balance	Additions	Repayments	June 30, 2022 Balance	Amounts due within 1 year
Business-type activities:					
Notes from Direct Borrowings -					
Capital Lease Funding (KeyBank)	$ 6,172,885	$ -	$ (1,670,824)	$ 4,502,061	$ 1,779,887
TIAA	172,386,718	-	(5,807,674)	166,579,044	6,093,205
	$ 178,559,603	$ -	$ (7,478,498)	$ 171,081,105	$ 7,873,092

NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

Long-term debt obligations as of June 30 consisted of the following:

	2023	2022
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 10, 2004 and continue until November 10, 2024, with interest at 6.34%	$ 2,722,174	$ 4,502,061
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040.	160,485,841	166,579,044
	$ 163,208,015	$ 171,081,105

The Finance Corporation's outstanding notes from direct borrowings related to business-type activities of $163,208,015 and $171,081,105 as of June 30, 2023 and 2022, respectively, are secured by the Musculoskeletal Institute building, the OP, 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. As of June 30, 2023, there were no instances of default under these agreements.

NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

Debt service requirements on long-term debt at June 30, 2023 are as follows:

	Business-Type Activities	
	Notes from Direct Borrowings	
Year Ending June 30,	Principal	Interest
2024	$ 8,288,841	7,696,199
2025	7,533,171	7,276,923
2026	7,036,815	6,934,037
2027	7,382,775	6,588,076
2028	7,745,744	6,225,108
2029-2033	44,829,453	25,024,807
2034-2038	56,987,664	12,866,595
2039-2040	23,403,552	1,045,440
	$ 163,208,015	$ 73,657,185

The Finance Corporation recorded interest expense of $8,093,470 and $8,489,020, respectively, during the years ended June 30, 2023 and 2022.

The following summary provides information reported at June 30, 2023 for lease liability additions and reductions during the fiscal year:

	Balance July 1, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Amounts due within 1 year
Right-to-use building	$ 725,928	$ -	$ (100,000)	$ 625,928	$ 125,357
Right-to-use equipment	46,259	-	(11,752)	34,507	12,168
	$ 772,187	$ -	$ (111,752)	$ 660,435	$ 137,525

NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

	July 1, 2021	Additions	Reductions	Balance June 30, 2022 (Restated)	due within 1
Right-to-use building	$ 371,168	$ 354,760	$ -	$ 725,928	$ 100,000
Right-to-use equipment	57,606	-	(11,347)	46,259	11,752
	$ 428,774	$ 354,760	$ (11,347)	$ 772,187	$ 111,752

The following is a schedule by fiscal year of future minimum payments due for leases together with the present value of the net minimum payments due as of June 30, 2023:

	Lease Liabilities	
Year Ending June 30,	Principal	Interest
2024	$ 137,525	$ 20,803
2025	145,103	15,913
2026	148,312	10,754
2027	143,472	5,712
2028	86,023	1,001
	$ 660,435	$ 54,183

NOTE 5 – RELATED PARTY TRANSACTIONS

The Finance Corporation enters into transactions for the benefit of UConn Health entities. In 2006, the Finance Corporation entered into transactions resulting in the acquisition of the UConn Musculoskeletal Institute and Munson Road properties. The Finance Corporation leases the MSI building to entities from UConn Health under operating agreement that renew annually.

Through UHPSI, the Finance Corporation also engages in transactions with UConn Health. UHPSI provides pharmaceuticals to patients from the Hospital and UMG while obtaining personnel and other services vital for operations from UConn Health.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Circle Road Corporation has a 25-year direct financing lease with UConn Health, designed to facilitate the monthly debt service payments on its mortgage with TIAA. Effective April 2015, the Circle Road Corporation began charging rent to UConn Health's clinical enterprises, including the Hospital and UMG. The amounts allocated to each of UConn Heath's internal business units is determined based on the square footage and evaluated annually.

Lease payments to be received under these agreements, which cover mortgage payments including principal, interest and services fees, over the next five years and thereafter are estimated to be as follows:

Year ending June 30,	Outpatient Pavilion (a)	UConn Musculoskeletal Institute
2024	$ 13,975,852	$ 2,020,230
2025	13,975,852	841,762
2026	13,975,852	-
2027	13,975,852	-
2028	13,975,852	-
Thereafter	164,112,906	-
	$ 233,992,166	$ 2,861,992

(a) OP amounts are due under a non-cancellable direct financing lease with UConn Health. Additional details can be found in Note 6.

Listed in the tables below are material transactions with related parties and the components of the Finance Corporation to show the changes in amounts due (to) from each entity as of June 30, 2023 and 2022. Certain transactions that were settled during the fiscal years with transfers, payments or cash receipts and did not result in a receivable or payable balance at June 30 have been excluded from these tables. The paragraphs that follow describe the related party transactions that are summarized in the aforementioned tables.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE (TO) UCONN HEALTH

	2023	2022
Due (to) UConn Health - Beginning Balance:	**$ (2,539,919)**	**$ (4,320,029)**
Circle Road Corporation:		
Cash repayments to UConn Health	-	(1,000,000)
UHPSI:		
Internal contractual support and other expenses, net of pharmaceuticals sold	(2,281,756)	(1,229,205)
Cash repayments to UConn Health	2,500,000	4,087,319
Cash received from UConn Health	-	(78,004)
Total Change in Due (to) UConn Health	$ 218,244	$ 1,780,110
Due (to) UConn Health - Ending Balance:	**$ (2,321,675)**	**$ (2,539,919)**

During the fiscal year ended June 30, 2021, Circle Road Corporation received $1.0 million as proceeds for a successful business interruption insurance claim based on UMG's COVID-19 related losses exceeding the policy's deductible. The insurance policy was held by Circle Road Corporation for the OP. This amount was deposited into UConn Health and was paid to Circle Road Corporation during fiscal year 2022.

During fiscal years 2023 and 2022, UHPSI incurred costs for pharmacy personnel and other operating expenses offset by pharmaceutical revenues from sales to UConn Health, netting to an increase in the amount owed to UConn Health of approximately $2.3 million and $1.2 million, respectively. During the years ended June 30, 2023 and 2022, UHPSI repaid UConn Health approximately $2.5 million and $4.1 million, respectively.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE (TO) JOHN DEMPSEY HOSPITAL

	2023	2022
Due (to) John Dempsey Hospital - Beginning Balance:	**$ (12,212,558)**	**$ (4,574,989)**
UHPSI:		
Deposits with vendors	(4,423,865)	(5,097,529)
Pharmaceuticals and other expenses	16,241	3,073
340B revenue	(25,927,521)	(19,308,687)
Cash repayments	25,000,000	15,812,094
Overhead revenue received	898,325	953,480
Total Change in Due (to) John Dempsey Hospital	$ (4,436,820)	$ (7,637,569)
Due (to) John Dempsey Hospital - Ending Balance:	**$ (16,649,378)**	**$ (12,212,558)**

During fiscal years 2023 and 2022, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately $898,000 and $953,000, respectively. UHPSI was allocated its share of a deposit to AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. See Note 1 for additional information. The amounts allocated were approximately $4.4 million and $5.1 million for fiscal years ended 2023 and 2022, respectively.

During fiscal years 2023 and 2022, UHPSI repaid the Hospital approximately $25.0 million and $15.8 million, respectively.

During fiscal years 2023 and 2022, UHPSI had transactions with the Hospital for 340B pharmaceutical sales. Payments received by UHPSI for 340B sales was approximately $31.9 million and $23.8 million, respectively. The amount due to the Hospital pharmacy, less dispensing fees of approximately $6.5 million was approximately $25.9 million at June 30, 2023. At June 30, 2022, the amount due to the Hospital for these sales was $19.3 million.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE FROM (TO) UMG

		2023		2022
Due from (to) UConn Medical Group - Beginning Balance:	**$**	**545,517**	**$**	**(239,649)**
Circle Road Corporation:				
Payment to UConn Medical Group for lease credit		-		1,000,000
UHPSI:				
Pharmaceuticals & courier services charged back to UConn Medical Group		6,697,977		5,771,778
Cash received from UConn Medical Group		(6,625,950)		(5,986,612)
Total Change in Due from (to) UConn Medical Group	$	72,027	$	785,166
Due from UConn Medical Group - Ending Balance:	**$**	**617,544**	**$**	**545,517**

During fiscal years 2023 and 2022, UHPSI provided pharmaceuticals and related services to UMG in the amount of approximately $6.7 million and $5.8 million, respectively. Pharmaceutical expense to UMG is recorded as a chargeback from UHPSI. During the fiscal years ended June 30, 2023 and 2022, UMG repaid UHPSI $6.6 million and $6.0 million, respectively.

DUE (TO) UCONN HEALTH - MALPRACTICE FUND

		2023		2022
Due (to) UConn Health-Malpractice Fund - Beginning Balance	**$**	**(568,424)**	**$**	**(444,512)**
Cash transfers from UConn Health & interest earned on funds held for UConn Health		(7,042,591)		(1,801,934)
Payments on behalf of UConn Health		6,832,073		1,678,022
Total Change in Due (to) UConn Health-Malpractice Fund	$	(210,518)	$	(123,912)
Due (to) UConn Health-Malpractice Fund - Ending Balance	**$**	**(778,942)**	**$**	**(568,424)**

Balances at fiscal year end for the Malpractice Fund can fluctuate based on funding needs for payments.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Finance Corporation received working capital transfers from UConn Health to assist with repayments to related parties and the investment in subsidiary. These transfers recognize the overall contribution of UHPSI to the clinical enterprise. The amounts received are accounted for as "Net Transfers From UConn Health - unrestricted" in the statements of revenues, expenses and changes in net position. The total amount transferred as of June 30, 2023 and 2022 were $10,375,000 and -0-.

NOTE 6 – INVESTMENT IN DIRECT FINANCING LEASE

The OP lease, created through the Circle Road Corporation, is a non-cancellable 25-year lease supporting the repayment of the TIAA mortgage. As such, this lease is classified as a direct financing lease. Under this treatment, the underlying capital assets are not recorded separately on the consolidated statements of net position. Instead, the Finance Corporation records its net investment in direct financing lease. The components of the net investment in direct financing lease are shown below as of June 30, 2023 and 2022.

	2023	2022
Net minimum lease payments receivable	$ 234,107,245	$ 248,083,797
Estimated residual value of leased property (unguaranteed)	65,861,269	65,861,269
Less unearned income	(124,872,575)	(135,041,116)
Net investment in direct financing lease	$ 175,095,939	$ 178,903,950

The following schedule provides an analysis of the Circle Road Corporation's cost of the property held for lease under the direct financing lease as of June 30, 2023 and 2022.

	2023	2022
Building	$ 182,613,585	$ 182,613,585
Equipment	13,768,588	13,789,114
Art	104,351	104,351
	$ 196,486,524	$ 196,507,050

The associated equipment has a maximum useful life of 10 years, while the building has a useful life of 40 years. The term of the lease is 25 years, as stipulated in the mortgage agreement with TIAA. At the conclusion of the lease, any residual amounts will revert to capital assets.

NOTE 7 – PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

UHPSI business operations include filling patient prescriptions to outpatients primarily from UConn Health related clinics.

Pharmaceutical revenues reported net of contractual allowances, DIR fees, and bad debt for the fiscal years ended June 30, 2023 and 2022 were:

	2023	2022
Gross phamaceutical revenue	$ 164,415,813	$ 108,654,478
Less contractual allowances, DIR fees, bad debt	(53,086,214)	(33,285,913)
Net pharmaceutical revenue	$ 111,329,599	$ 75,368,565

SIGNIFICANT CONCENTRATIONS

In fiscal years 2023 and 2022, revenue received by UHPSI for Medicare, Medicaid, and Commercial payers were approximately as follows:

Revenue:

Payer	2023	2022
Medicare	24.98%	24.74%
Medicaid	55.62%	57.12%
Commercial	19.40%	18.14%
	100.00%	100.00%

Pharmaceutical accounts receivable for fiscal years 2023 and 2022, due from Medicare, Medicaid, and Commercial insurance were approximately as follows:

Pharmacceutical Accounts Receivable:

Payer	2023	2022
Medicare	36.84%	34.45%
Medicaid	27.96%	42.76%
Commercial	35.20%	22.79%
	100.00%	100.00%

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 21, 2023, the date the financial statements were available to be issued. No subsequent events required recognition or disclosure in the financial statements were identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Joint Audit and Compliance Committee
The University of Connecticut Health Center
Hartford, Connecticut

We have audited, in accordance with the 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, the consolidated financial statements of The University of Connecticut Health Center Finance Corporation (Finance Corporation or the Company), as of and for the years ended June 30, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the Finance Corporation's consolidated financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Finance Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Finance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Finance Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Finance Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 21, 2023

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE I – CONSOLIDATING STATEMENT OF NET POSITION

JUNE 30, 2023

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Assets				
Current Assets				
Cash	$ -	$ -	$ 15,915,421	$ 15,915,421
Malpractice Fund	778,942	-	-	778,942
Pharmaceutical accounts receivable, net	-	-	3,609,689	3,609,689
Lease receivable -current portion	1,758,012	17,493	-	1,775,505
Inventory	-	-	2,986,435	2,986,435
Due from UConn Medical Group	-	-	617,544	617,544
Due (to) from subsidiaries	(720,791)	588,335	132,456	-
Prepaid Expenses	-	-	799	799
Net investment in direct financing lease, current portion	-	4,028,844	-	4,028,844
Total Current Assets	1,816,163	4,634,672	23,262,344	29,713,179
Noncurrent Assets				
Deposits with vendors	-	-	12,007,648	12,007,648
Lease receivable, net of current portion	732,505	362,975	-	1,095,480
Investment in subsidiaries	1,375,000	-	-	1,375,000
Net investment in direct financing lease, net of current portion	-	171,067,095	-	171,067,095
Property - right-to-use assets, net	-	-	532,043	532,043
Capital assets, net	22,449,414	-	28,757	22,478,171
Total Noncurrent Assets	24,556,919	171,430,070	12,568,448	208,555,437
Total Assets	$ 26,373,082	$ 176,064,742	$ 35,830,792	$ 238,268,616

See independent auditors' report.

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION

SCHEDULE I – CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued expenses	$ 53,018	$ 325,074	$ 5,613,681	$ 5,991,773
Due to UConn Health – Malpractice Fund	778,942	-	-	778,942
Due to UConn Health	-	68,970	2,252,705	2,321,675
Due to John Dempsey Hospital	-	-	4,641,730	4,641,730
Advances for construction	6,619	-	-	6,619
Due to third party payors	-	-	1,963,898	1,963,898
Security deposits	-	2,229	-	2,229
Lease liability, current portion	-	-	137,525	137,525
Loans payable, current portion	1,896,069	6,392,772	-	8,288,841
Total Current Liabilities	2,734,648	6,789,045	14,609,539	24,133,232
Noncurrent Liabilities				
Due to John Dempsey Hospital, net of current portion	-	-	12,007,648	12,007,648
Lease liability, net of current portion	-	-	522,910	522,910
Loans payable, net of current portion	826,105	154,093,069	-	154,919,174
Total Noncurrent Liabilities	826,105	154,093,069	12,530,558	167,449,732
Total Liabilities	3,560,753	160,882,114	27,140,097	191,582,964
Deferred Inflows of Resources				
Deferred inflows - right-to-use assets	2,490,517	380,468	-	2,870,985
Net Position				
Net investment in capital assets	19,727,240	14,610,098	(99,635)	34,237,703
Unrestricted	594,572	192,062	8,790,330	9,576,964
Total Net Position	20,321,812	14,802,160	8,690,695	43,814,667
Total Liabilities, Deferred Inflows and Net Position	$ 26,373,082	$ 176,064,742	$ 35,830,792	$ 238,268,616

See independent auditors' report.

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE II – CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSTION

FOR THE YEAR ENDED JUNE 30, 2023

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Operating Revenues				
Interest income - right-to-use assets	$ 235,003	$ 20,078	$ -	$ 255,081
Lease Revenue - right-to-use assets	1,758,012	16,793	-	1,774,805
Interest income from direct financing lease	-	10,171,221	-	10,171,221
Contract and other income	-	-	1,025,232	1,025,232
Pharmaceutical revenues, net	-	-	111,329,599	111,329,599
Total Operating Revenues	1,993,015	10,208,092	112,354,831	124,555,938
Operating Expenses				
Professional services	39,317	3,496	-	42,813
Internal contractual support	-	-	2,033,041	2,033,041
Outside agency per diems	-	-	8,209,706	8,209,706
Pharmaceuticals/medical supplies	-	-	104,139,390	104,139,390
Equipment and software leases	-	-	88,455	88,455
Insurance	-	-	750	750
Interest expense	228,031	7,865,439	25,347	8,118,817
Depreciation	753,300	-	4,278	757,578
Amortization - right-to-use assets	-	-	120,911	120,911
Other	-	2,682	19,800	22,482
Total Operating Expenses	1,020,648	7,871,617	114,641,678	123,533,943
Operating Income	972,367	2,336,475	(2,286,847)	1,021,995
Nonoperating Revenue (Expense)				
Loan servicing fee	(6,142)	(5,750)	-	(11,892)
Net Nonoperating (Expense)	(6,142)	(5,750)	-	(11,892)
Gain (Loss) before Transfers	966,225	2,330,725	(2,286,847)	1,010,103
Net Transfers from UConn Health - Unrestricted (note 5)	1,375,000	-	9,000,000	10,375,000
Increase in Net Position	2,341,225	2,330,725	6,713,153	11,385,103
Net Position - Beginning of year **(as restated)**	17,980,587	12,471,435	1,977,542	32,429,564
Net Position - End of year	$ 20,321,812	$ 14,802,160	$ 8,690,695	$ 43,814,667

See independent auditors' report.