

Comprehensive Annual Financial Report

FOR THE YEAR ENDED JUNE 30, 2020

Included as an Enterprise Fund of the State of Connecticut



UConn HEALTH

UConn HEALTH

Financial Report
For the Year Ended June 30, 2020

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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.

UConn Health is an academic medical center composed of the School of Medicine, the School of Dental Medicine and their associated Education Clinics, Research, John Dempsey Hospital, the UConn Medical Group, and the University of Connecticut Finance Corporation (Finance Corporation). Established in 1961, UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. In this quest, UConn Health will continuously enable students, professionals and agencies in promoting the health of Connecticut’s citizens. 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 4,500 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).

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; both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards.

In the fall of 2020, UConn School of Medicine and School of Dental Medicine welcomed their largest classes ever at 110 students and 52 students, respectively. These classes represent the fulfillment of the initial Bioscience 2000 initiative to grow class size in each school.

The School of Medicine was recently 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 11% of the student body.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 650 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

Since UConn Health's inception, high-quality research programs have been part of the institution's fabric. This history has enabled UConn Health to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only twenty two such federally supported centers in the nation; clinical and translational research is facilitated by Clinical Research Center and the Clinical Trials Unit both of which assist with observation studies of volunteer subjects as well as intervention studies of patients. Research awards were over \$86.5 million in fiscal 2020.

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 UConn Health's 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 virus continues to spread rapidly 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 for non-essential services. UConn Health clinical operations elected to pause elective procedures on March 13, 2020 and did not resume services until May 20, 2020. The Office of the Vice President for Research requested the shutdown of on-campus research activities as of March 23, 2020; and also remained down until May 20, 2020. Exceptions were made to research that was deemed essential. Research activities continued remotely to the extent possible, and personnel costs continued to be charged to sponsored projects during that time; which alleviated some of the financial burden of the research shutdown to UConn Health. As a result, UConn Health went from being favorable to budget in February 2020 to finishing the year significantly behind budget.

The operating loss for the year is mainly attributable to the last three and a half months of the fiscal year from March 2020 to June 2020. Operating losses were caused primarily by revenue declines from lack of elective procedures, but also by increased operating costs resulting from the pandemic including increases in personal protective equipment (PPE), enhanced cleaning and disinfection protocols, and increased operational costs to pivot patient care to telehealth, and much of the non-clinical workforce to telecommuting.

UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory and supply chains, patient trends, payments trends, and the industry in

general. We also continue to monitor the impact on our employees.

Due to the rapid development and fluidity of this situation, the magnitude and ongoing duration of the pandemic, and its demands on our clinical, research, and educational functions, the full impact on UConn Health's financial condition, including results of operations, is uncertain as of the date of this report.

Economic Condition

Connecticut's expenses exceed revenues at the State level, causing large and continuing overall budget deficits. The growth in expenses is largely due to the State's unfunded pension liability, debt service, and growth in other services. In June 2019, the State's biennial budget for fiscal years 2020 and 2021 were approved by the State legislature and signed into law by the Governor. The State's \$43.4 billion biennial budget addresses the projected \$3.7 billion budget deficit for the period. For UConn Health specifically, the approved appropriations were \$128.2 million and \$135.9 million for fiscal years 2020 and 2021, respectively.

The fiscal year 2020 and 2021 appropriation were reduced by the State by \$625,926 and \$77,000, respectively, for allocable bottom line savings for the State budget. This reduction resulted in an allotment of \$127.6 million for fiscal year 2020 and a forecasted allotment of \$135.8 million for fiscal year 2021.

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 initial fiscal 2021 deficit projection of \$58.0 million has been communicated to the State. UConn Health requested funding during the 2020 legislative session to address this deficit, and the Governor proposed legislation that would have provided an additional \$33.2 million to UConn Health for fiscal 2021. However, due to the COVID-19 pandemic, the legislative session ended precipitously and this and all other proposals were suspended before being taken up by the legislature. UConn Health will continue to work with the State

to address the fiscal 2021 deficit in the coming legislative session.

Despite these challenges, UConn Health continues to focus on protecting academic excellence, delivering strong student support, providing excellent patient care, and supporting the research mission.

Awards and Acknowledgements

Teaching, research and patient care are the mission of UConn Health, Connecticut's only public academic medical center comprised of UConn School of Medicine, School of Dental Medicine, John Dempsey Hospital (the Hospital), and UConn Medical Group (UMG) on its 209 acre campus in Farmington. There are an additional eight clinical care community locations throughout the state.

While 2020 has been one of our most challenging years, it was also an opportunity to return tremendous value to the State of Connecticut and its residents.

The most popular word of 2020 has been "unprecedented". COVID-19 and its challenges were frequently described as such. UConn Health has stepped forward to help the State of Connecticut meet these challenges. The past year has served to highlight the value of UConn Health through its unwavering commitment to public health and the residents of Connecticut. In the face of a relentless pandemic, while many people isolated and stayed home, UConn Health's care delivery teams on the clinical front lines and the ancillary and clinical support staff forged ahead. Treating patients as our collective knowledge of the virus and its impact and risks were continually evolving earned these dedicated personnel their right to be called Healthcare Heroes and provided hope, comfort, and care to those affected.

The state turned to UConn Health for both its expertise and its available capacity during the ongoing public health crisis. Powered by its unrelenting and dedicated workforce, the institution rose to the occasion, establishing, in a week's time, a drive-through COVID-19 sampling site in partnership with the Jackson Laboratory for Genomic Medicine (JAX), the Department of Public Health, and Hartford Healthcare. This much-needed state resource was up and running by late March, expanding Connecticut's diagnostic testing capacity.

Less than a month later, in preparation for a potential surge like that seen in New York City, UConn Health partnered with the Connecticut National Guard to reconfigure the Hospital to be able to accommodate up to 325 additional patients, nearly tripling its bed capacity. The Hospital's state of the art facility has also been scaled, modified, and reconfigured to allow for negative pressure airflows to prevent virus spread. Its supply chain and logistics teams scoured the country and the globe for PPE to protect our staff and allow UConn Health to continue to treat patients safely.

UConn Health researchers also joined the fight against COVID-19.

Researchers in the Department of Biomedical Engineering developed a new, low-cost, CRISPR based diagnostic platform to detect infectious diseases including the coronavirus. The all in one method enables simple, rapid, ultrasensitive, visual detection of SARS-CoV-2, intended for use at home or in small clinics.

UConn Health faculty received federal funding from the U.S. Department of Health and Human Services (HHS) to develop self-administered microneedle Covid-19 vaccine technology in collaboration with Biomedical Advanced Research and Development Authority and UConn Storrs researchers. It could be quickly distributed to home in an epidemic or pandemic to provide effective, long-term protection from infectious diseases.

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

UConn Health successfully sent its "mighty mice" to space in December 2019 on an important health mission to learn more about bone and muscle loss. The research project, led by UConn Health/JAX's Dr. Se-Jin Lee with spouse and co-investigator Dr. Emily Germain-Lee of UConn School of Medicine and Connecticut Children's Medical Center, sent genetically-engineered mice to the International Space Station to learn about the health effects of microgravity on muscle and bone degeneration. The research findings could benefit everyone from astronauts to people who are suffering from muscle atrophy and bone degeneration-related conditions.

The clinical trial research of UConn Health's Dr. Biree Andemariam is offering new hope for patients living with sickle cell disease, a painful inherited red blood cell disease. Her latest research is showing a promising oral, once-a-day experimental medication which may have a meaningful future impact on patient lives.

A team of UConn Health researchers has received approximately \$1.9 million in grant funding from the National Cancer Institute to determine ways to improve the outlook of ovarian cancer patients. Their newly discovered cellular intervention may be applicable to a larger population of ovarian cancer patients that they hope will aid in the development of innovative treatments and ultimately help to successfully treat ovarian cancer patients and reduce related deaths.

Two NIH-funded study programs at UConn School of Medicine are studying ways to promote HIV testing and to improve the lives of people living with HIV in Connecticut, especially the unemployed and women. Dr. Carla Rash received \$3.4 million from

the National Institute on Drug Abuse (NIDA) to pursue the PROMOTE study with co-investigators to help unemployed persons living with HIV obtain jobs. Dr. Kristyn Zajac is using her new \$2.8 million five-year grant from the National Institute on Minority Health and Health Disparities (NIMHD) to investigate better ways for increasing HIV testing intervention in African-American and Latina women, as well as women living in poverty through the EMPOWER program with study co-investigators.

Joint UConn Health/JAX faculty member Dr. John Travis Hinson is principal investigator for a nearly \$3.0 million grant from the National Institutes of Health to examine human somatic cell genome editing as a promising treatment option for cardiovascular disorders by developing a pre-clinical model to address the safety and efficacy for it as a future therapeutic strategy.

Respectfully Submitted,



Scott Jordan
Executive Vice President for Administration &
Chief Financial Officer
University of Connecticut



Jeffrey P. Geoghegan
Chief Financial Officer

UConn Health

**DIRECTORS AND FINANCIAL OFFICERS
As of June 30, 2020**

BOARD OF DIRECTORS

**Members at
Large**

Dr. Kenneth Alleyne	<i>Bloomfield</i>
Francis X. Archambault, Jr.	<i>Storrs</i>
Richard M. Barry	<i>Avon</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>
Richard T. Carbray, Jr.	<i>Rocky Hill</i>

FINANCIAL OFFICERS

Scott A. Jordan, UConn Executive Vice President for Administration and Chief Financial Officer
Jeffrey P. Geoghegan, UConn Health Chief Financial Officer
Chad A. Bianchi, UConn Health Controller

TRUSTEES
As of June 30, 2020

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 Miguel Cardona
Commissioner of Education
Member ex officio *Hartford*

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

ELECTED BY THE ALUMNI

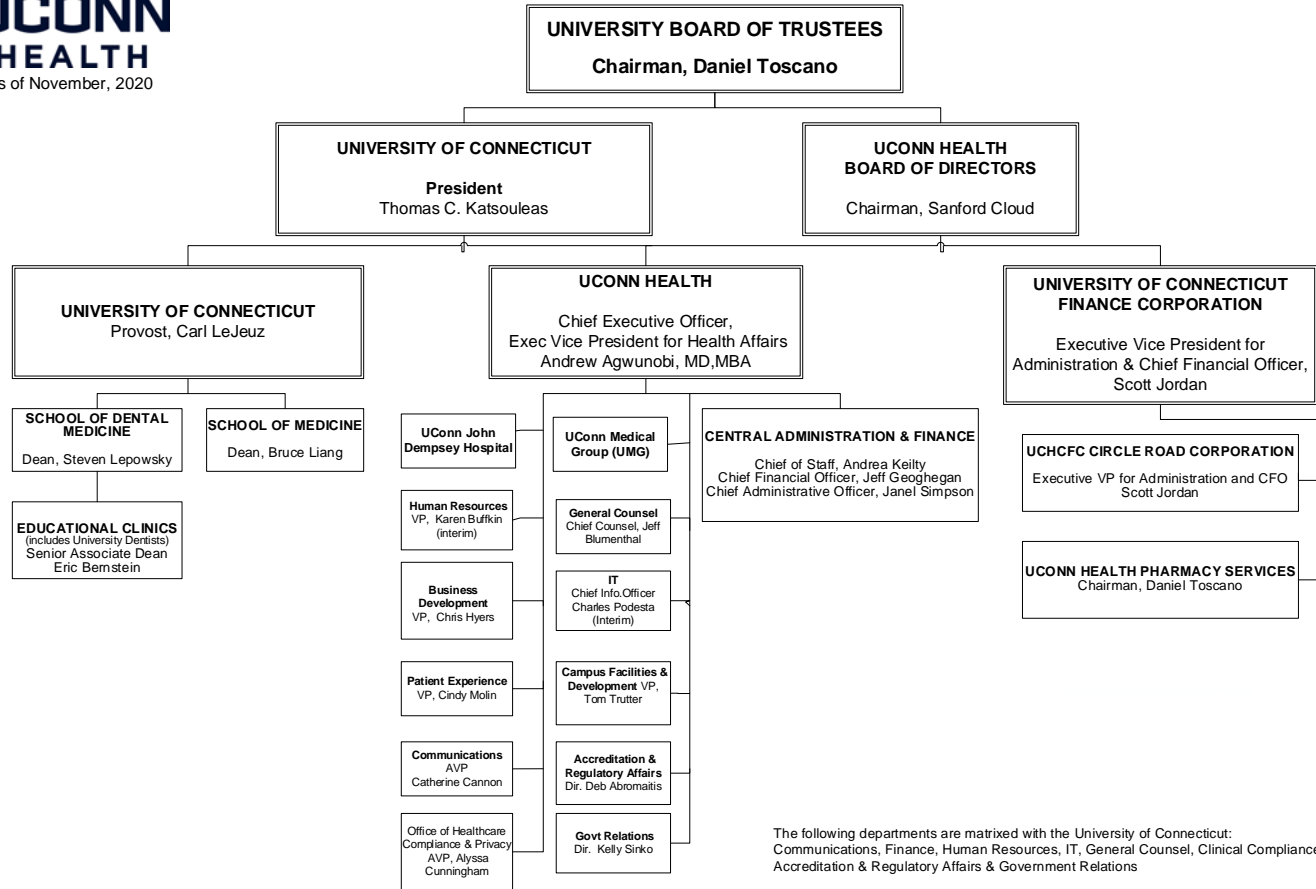
Jeanine A. Gouin. *Durham*
Bryan K. Pollard *Middletown*

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*

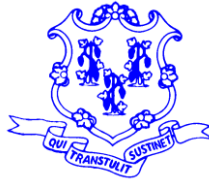
ELECTED BY THE STUDENTS

Justin M. Fang *Willington*
Renukanandan Tumu *Storrs*



**FINANCIAL
SECTION**

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

165 Capital Ave.

HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

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 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, 2020 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 the John Dempsey Hospital, which represented 39.7% of the assets of UConn Health as of June 30, 2020 and 45.6% of the revenues of UConn Health for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the John Dempsey Hospital, is based solely on the report 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.

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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of UConn Health, as of June 30, 2020, 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

The accompanying Management Discussion and Analysis on pages 14 through 24 and the Required Supplemental Information on pages 58 through 62 are required by accounting principles generally accepted in the United States of America 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.

Other Information

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



Robert J. Kane
State Auditor

December 31, 2020
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, 2020. 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 John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2020 was 444 students in the School of Medicine, 202 in the School of Dental Medicine, and 266 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal year 2020 with 4,482 FTE's. John Dempsey Hospital (JDH) has 186 staffed acute care beds. In fiscal year 2020, adjusted patient days (a measure of total hospital volume) were 116,205, a 2.9% decrease from the prior year. During 2020, UMG had 625,310 unique patient visits, a 13.1% decrease. Volume decreases were attributed to the impact of the pandemic.

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, 2020, 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, 2020, 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, 2020, consisted of assets of \$1.2 billion and liabilities of

\$2.9 billion. Net assets, which represent the residual interest in UConn Health's assets after liabilities are deducted, decreased \$179.1 million in fiscal year 2020 after non-operating and other changes in net position.

The financial statements contained herein show an operating loss of \$496.0 million for the year ending June 30, 2020 (fiscal year 2020). 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 \$178.8 million in fiscal year 2020.

Some sources of recurring operating and non-operating revenues increased in 2020, including contract and other operating revenue. Net patient revenues decreased from the prior year. Decreases were attributed to temporary halt of elective procedures due to COVID-19. State support, including state funded capital appropriations, increased 18.2% in fiscal year 2020. The increase is primarily attributed to the one-time funding from the Comptroller to pay a portion of the State's unfunded accrued liabilities assigned to UConn Health. UConn Health has requested a similar funding appropriation in fiscal year 2021. However, decreases in state appropriations are expected in the upcoming fiscal year due to ongoing efforts by the state to reduce expected budget shortfalls. UConn Health received an appropriation of \$135.9 million for fiscal year 2021. This fiscal year 2021 appropriation has since been reduced by the State by \$77,000 for allocable bottom line savings for the State budget. This reduction results in a forecasted allotment of \$135.8 million for fiscal year 2021.

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 2020 and 2019. 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 decreased by \$44.3 million, or 3.7%, over the prior year. The decrease was primarily attributable to decreases in Capital and intangible assets by \$58.3 million, which is the result of depreciation outpacing new capital investment.

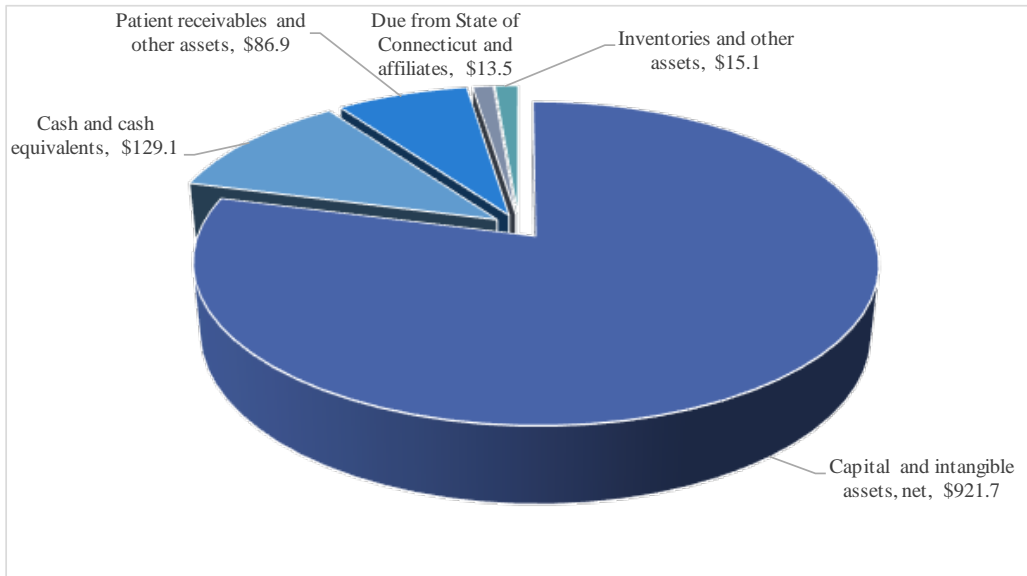
Total liabilities increased by \$723.4 million or 33.1% from 2019. The driver of the increase was the \$706.6 million increases related to Pension and OPEB liabilities. Increases in pension and OPEB expenses reflect both UConn Health's increasing percentage of overall plan contribution and changes at the state plan level to underlying assumptions such as discount rates.

Deferred outflows of resources increased \$522.2 million and deferred inflows of resources decreased \$66.4 million based on changes to the respective plans as evaluated in the most recent actuary reports.

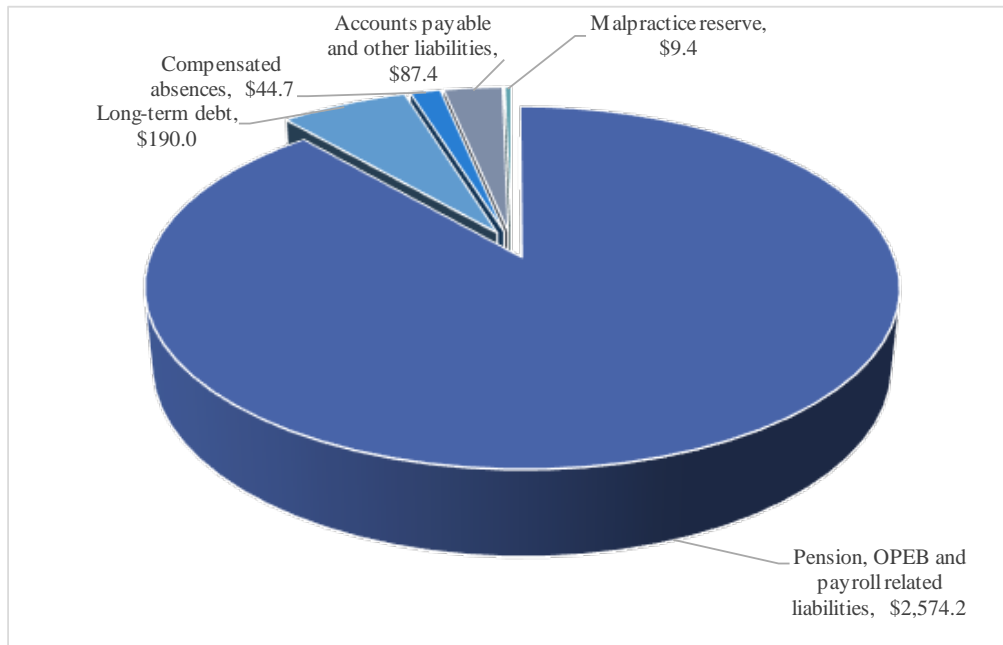
The following table shows a Condensed Schedule of Net Position at June 30 (\$ in millions):

	2020	2019	\$ Change	% Change
Assets:				
Current assets	\$ 242.4	\$ 225.4	\$ 17.0	7.5%
Capital and intangible assets, net	921.7	980.0	(58.3)	-5.9%
Other noncurrent assets	2.2	5.2	(3.0)	-57.7%
Total assets	1,166.3	1,210.6	(44.3)	-3.7%
Deferred outflows of resources	881.6	359.4	522.2	145.3%
Liabilities:				
Current Liabilities	162.4	135.8	26.6	19.6%
Noncurrent liabilities	2,743.3	2,046.5	696.8	34.0%
Total liabilities	2,905.7	2,182.3	723.4	33.1%
Deferred inflows of resources	441.5	507.9	(66.4)	-13.1%
Net position:				
Net investment in capital assets	731.7	784.3	(52.6)	-6.7%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	6.4	10.0	(3.6)	-36.0%
Unrestricted	(2,037.5)	(1,914.6)	(122.9)	6.4%
Total net position	\$ (1,299.3)	\$ (1,120.2)	\$ (179.1)	16.0%

The following graph shows total assets of \$1.2 billion by major category as of June 30, 2020 (\$ in millions):



The following graph shows total liabilities of \$2.9 billion by major category as of June 30, 2020 (\$ in millions):



Net Position

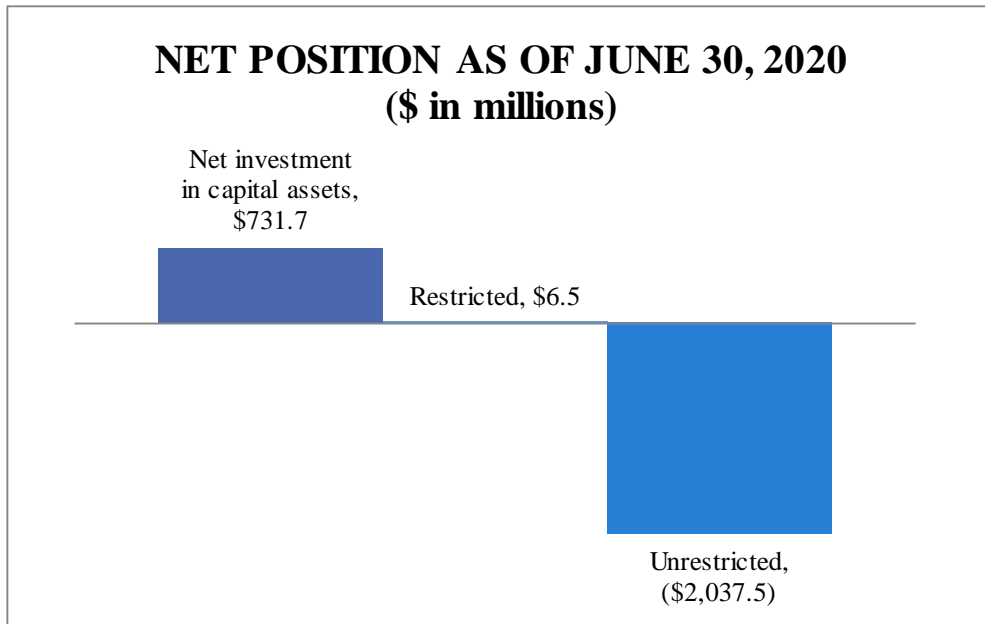
Net position is divided into three major categories. The first category, net investment in capital assets, represents UConn Health’s equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable 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 beyond 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 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 graph shows net position by major category:



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, 2020 and 2019 is presented below:

Operating revenues:	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Student tuition and fees (net of scholarship allowances)	\$ 21.6	\$ 20.7	\$ 0.9	4.3%
Patient services	513.6	534.5	(20.9)	-3.9%
Federal grants and contracts	58.1	58.2	(0.1)	-0.2%
Nonfederal grants and contracts	27.9	30.0	(2.1)	-7.0%
Contract and other operating revenues	162.7	159.7	3.0	1.9%
Total operating revenues	<u>783.9</u>	<u>803.1</u>	<u>(19.2)</u>	<u>-2.4%</u>
Operating expenses:				
Instruction	170.5	157.4	13.1	8.2%
Research	55.2	52.8	2.3	4.5%
Patient services	846.5	663.7	182.8	27.5%
Academic support	20.1	15.2	4.9	32.2%
Institutional support	89.6	126.9	(37.3)	-29.4%
Operations and maintenance of plant	25.1	37.7	(12.5)	-33.1%
Depreciation and amortization	72.9	72.5	0.4	0.6%
Student aid	0.0	0.1	(0.1)	100.0%
Total operating expenses	<u>1,279.9</u>	<u>1,126.3</u>	<u>153.6</u>	<u>13.6%</u>
Operating Loss	(496.0)	(323.2)	(172.8)	53.5%
Nonoperating revenues (expenses):				
State appropriations	296.5	250.9	45.6	18.2%
Transfer from/(to) State and outside programs	-	(2.0)	2.0	-100.0%
Gifts	7.0	6.1	0.9	14.8%
Coronavirus Relief Funding	22.5	-	22.5	100.0%
Investment income (net of investment expense)	0.6	1.4	(0.8)	-57.1%
Interest on capital asset - related debt	(9.4)	(9.6)	0.2	-2.1%
Net nonoperating revenues	<u>317.2</u>	<u>246.8</u>	<u>70.4</u>	<u>28.5%</u>
Loss before other changes in net position	(178.8)	(76.4)	(102.4)	134.0%
Other changes in net position:				
Capital appropriations	-	13.0	(13.0)	-100.0%
Loss on disposal	(0.3)	(1.9)	1.6	-84.2%
Net other changes in net position	<u>(0.3)</u>	<u>11.1</u>	<u>(11.4)</u>	<u>-102.7%</u>
Decrease in net position	(179.1)	(65.3)	(113.8)	174.3%
Net position-beginning of year (as previously stated)	(1,120.2)	(1,015.0)	(105.2)	10.4%
Cumulative effect of accounting changes and error corrections	-	(39.9)	39.9	-100.0%
Net position-beginning of year	<u>(1,120.2)</u>	<u>(1,054.9)</u>	<u>(65.3)</u>	<u>6.2%</u>
Net position-end of year	<u>\$ (1,299.3)</u>	<u>\$ (1,120.2)</u>	<u>\$ (179.1)</u>	<u>16.0%</u>

Revenue

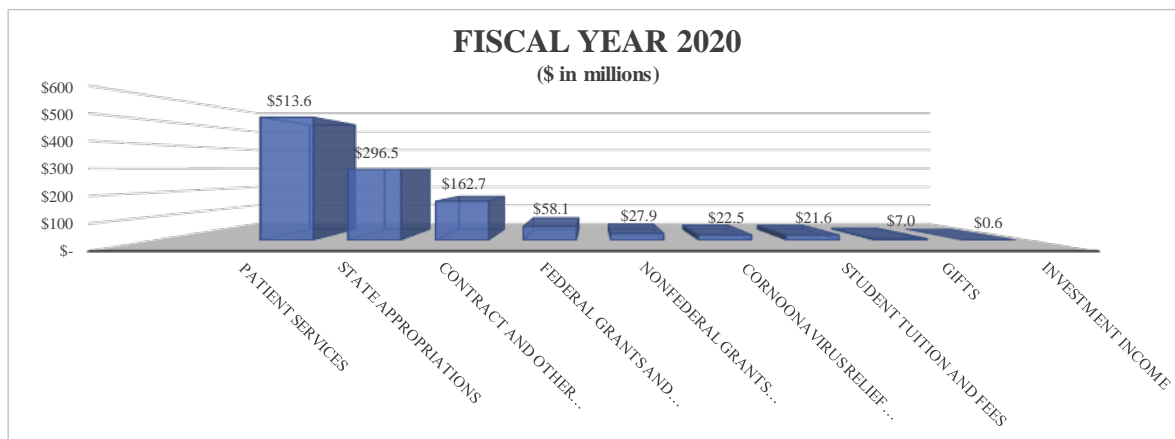
Revenue highlights for the year ending June 30, 2020, including operating and non-operating revenues, presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

The largest source of revenue was patient service revenue. UConn Health’s overall net patient service revenue decreased \$20.9 million or 3.9% from the prior year. This is attributed to the decreased volume

in fiscal year 2020 mostly related to the temporary halt to elective procedures due to COVID-19.

The State Appropriation (including In Kind Fringe Benefits), which is included in non-operating revenues, totaled \$296.5 million. This represents an 18.2% 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):



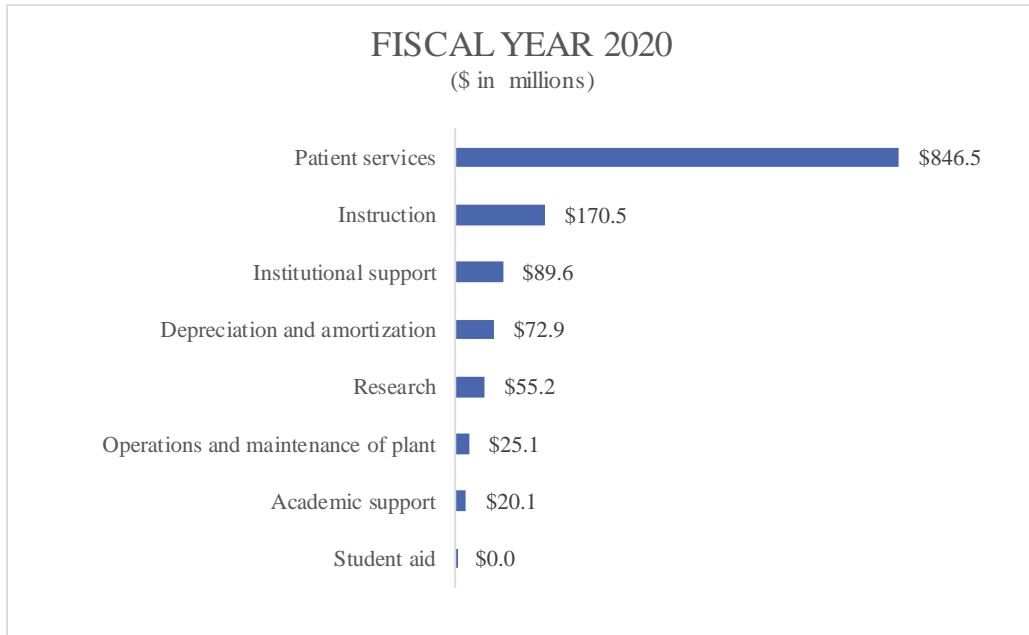
Expenses

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

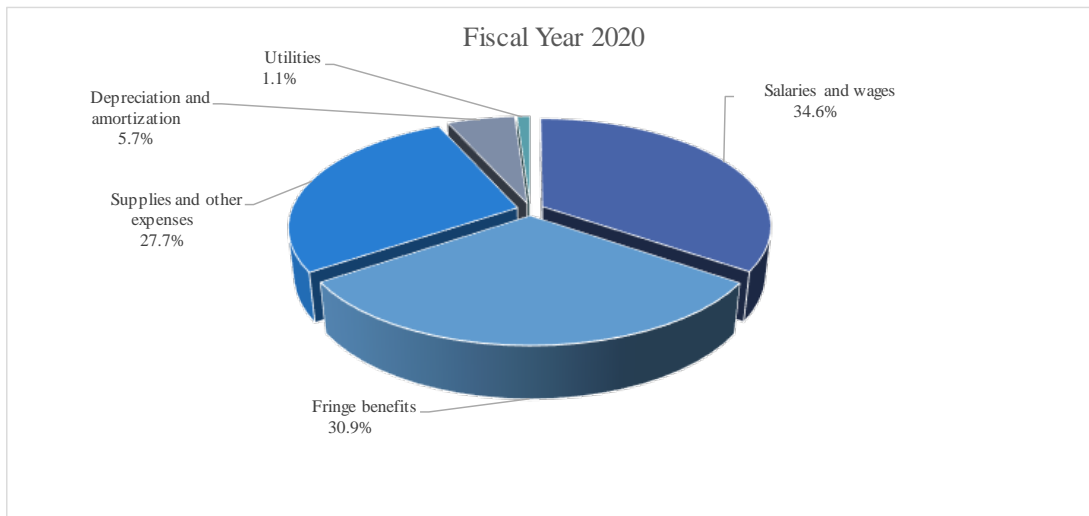
Patient service expense is the largest expense category for UConn Health; it accounts for 66.1% of total operating expenses. It increased by \$182.8

million or 27.5% 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, 2020 and 2019, is as follows:

	(\$ in millions)			
	2020	2019	\$ Change	% Change
Cash received from operations	\$ 796.1	\$ 803.9	\$ (7.8)	-1.0%
Cash expended for operations	(940.3)	(965.7)	25.4	-2.6%
Net cash used in operating activities	(144.2)	(161.8)	17.6	-10.9%
Net cash provided by investing activities	0.6	1.4	(0.8)	-57.1%
Net cash provided by noncapital financing activities	203.7	141.9	61.8	43.6%
Net cash used in capital and related financing activities	(26.6)	(5.2)	(21.4)	411.5%
Net increase/(decrease) in cash and cash equivalents	33.5	(23.7)	57.2	-241.4%
Cash and cash equivalents, beginning of the year	95.6	119.3	(23.7)	-19.9%
Cash and cash equivalents, end of the year	\$ 129.1	\$ 95.6	\$ 33.5	35.0%

CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets, net of accumulated depreciation, consisted of the following (\$ in millions):

	2020	2019	\$ Change	% Change
		(as restated)		
Land	\$ 13.5	\$ 13.5	\$ (0.0)	0.0%
Construction in Progress	10.7	23.7	(13.0)	-54.9%
Fine art	1.3	1.3	0.0	0.0%
Buildings and Building Improvements	1,247.4	1,234.0	13.4	1.1%
Equipment	268.8	268.5	0.3	0.1%
Computer Software	77.4	77.3	0.1	0.1%
Capital Leases	18.3	16.3	2.0	12.3%
Less Accumulated Depreciation	(715.7)	(654.6)	(61.1)	9.3%
Capital assets, net	\$ 921.7	\$ 980.0	\$ (58.3)	-5.9%

Construction in progress decreased approximately \$13.0 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 did not receive capital appropriations during 2020 from the UCONN 2000 and does not expect material future bond issuances.

UConn Health's fiscal year 2021 capital funding requests will be considered for funding by the senior executive committee of UConn Health on an individual basis.

DEBT ACTIVITIES

UConn Health entered into several new capital lease agreements in 2020 adding approximately \$2.0 million in lease liabilities. Two of those leases were with GE for C-arm equipment and an ultrasound for approximately \$1.1 million. UConn Health also entered into a capital lease with Avaya for a phone system for approximately \$900,000. Scheduled lease payments began in 2020. 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, 2020.

FISCAL YEAR 2021 OUTLOOK

As we look forward to fiscal year 2021, UConn Health is challenged to adapt its business to meet the demands of the COVID-19 economy. While our facilities offer certain advantages, such as the ability to create negative pressure COVID-19 floors in the hospital, the size and co-location of so many clinical specialties can pose their own challenges in an era of social distancing and de-densifying. UConn Health

remains committed to providing the highest possible levels of care in the safest manner possible.

Research, education, and patient care remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. They also share in the uncertainty surrounding both local and national government funding. Federal, State, and local aid are more essential than ever in shepherding public institutions through the challenges of COVID-19. UConn Health has benefitted from federal CARES Act and Provider Relief fund support during the current year and has received an additional allotment in fiscal 2021. These amounts, however, pale in comparison to the scale of losses from the cancellation of surgeries and other elective services. Continued funding, whether from the CARES Act, the Coronavirus Relief Fund (CRF) or other outside sources will be an important part of UConn Health's strategy moving forward while operations seek to return to normal.

UConn Health began fiscal 2020 in a position of strength and was projected well ahead of budget when COVID-19 hit. The impact of COVID-19 on operations was swift and pronounced. The temporary closure of non-essential services was a significant financial blow. The lack of clinical revenues caused UConn Health to realize large operating losses from March 2020 through the end of the year, resulting in a total loss across the system for which UConn Health has requested a deficiency appropriation. Clinical operations began to ramp up in May 2020 and have continued to improve over the first couple months of fiscal 2021. Even with increasing revenues, UConn Health does not anticipate returning to pre-COVID-19 clinical levels until the second half of fiscal 2021, making another operating loss likely. In addition to its request for a fiscal 2020 deficiency appropriation, UConn Health has alerted the Office of Policy and Management (OPM) that a similar appropriation will likely be needed for fiscal 2021. UConn Health has also applied for and received approximately \$45.3 million in cash advances under the Medicare Advance program. Under this program, the Hospital will receive the cash up front and then pay it back via Medicare recouping amounts due for patient services. The first repayments under this plan will begin in fiscal 2022.

Clinically, the focus is on safely returning to patient care while assuring patients that it is safe to do so. There is significant concern nationally about patients putting off care due to COVID-19 and its ultimate

impact upon their health. UConn Health has worked diligently over the past six months to assure it has the required types and amounts of PPE, has upgraded its treatment protocols, and has proactively taken steps to ensure patient and staff safety across all its clinical units. At the same time, UConn Health has aggressively expanded its ability to provide telemedicine consults and visits, revamped its waiting rooms and arrival procedures, and has adapted its facilities to protect patient health. As a result, we have been able to continue monitoring patients and providing services.

Among the initiatives that UConn Health has implemented are testing of clinical staff and screening of staff and visitors (where allowed). UConn Health's employee testing has identified very few staff having potentially contracted the virus at work reinforcing the effectiveness of our safety protocols.

UConn Health also continued to make progress in its implementation of EPIC. In 2020, we completed our first substantial upgrades of the system, moving ahead 8 versions to the November 19 version. In 2021, we will move up again to the May 20 version. At the same time, significant progress was made in patient services reducing the backlog of old accounts, generating collections on funds owed, and cleaning up system processes to match operations. As a result, average monthly clinical cash collections, even after the impact of COVID-19, were higher in fiscal 2020 than in fiscal 2019.

On July 31, 2017, the State Legislature approved the State Employees Bargaining Agent Coalition (SEBAC) 2017 agreement that was ratified by union membership. In addition, contracts were ratified for all of UConn Health bargaining units participating in

SEBAC. The SEBAC 2017 agreement includes provisions for wage increases in fiscal 2021. Wage increases, along with the impact of unfunded pension and retiree health costs on the State's fringe benefit rates will add increased financial pressure on UConn Health. While UConn Health received \$33.2 million to help offset these costs in fiscal 2020, the support was only in the budget for one year and will need to be voted upon again for fiscal 2021. The SEBAC agreement also provides for certain employment protection for bargaining unit employees through June 30, 2021 reducing operational flexibility.

Continued economic pressures on the State of Connecticut may cause additional instability in the predictability of State support across UConn Health. Leadership remains diligent on seeking out continued, appropriate cost reductions and programmatic enhancements while protecting quality of care. Additional cuts in State support, beyond those in the original passed budget, are possible depending on how the State's fiscal picture develops during the upcoming year.

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, 2020

	2020
	(\$ in thousands)
ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	\$ 128,290
Patient receivables, net	49,240
Contract and other receivables	26,271
Construction escrow account	27
Due from Affiliates (Note 12)	3,689
Due from State of Connecticut	8,416
Due from Department of Correction	788
Inventories	14,316
Prepaid expenses	11,320
Total current assets	242,357
Noncurrent Assets	
Restricted cash and cash equivalents (Note 2)	824
Other assets	717
Due from State of Connecticut	647
Capital and intangible assets, net (Note 9)	921,683
Total noncurrent assets	923,871
Total assets	\$ 1,166,228
Deferred outflows of resources pension (Note 11)	\$ 379,804
Deferred outflows of resources OPEB (Note 11)	\$ 501,820

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

UCONN HEALTH
STATEMENT OF NET POSITION (continued)
As of June 30, 2020

	2020
	(\$ in thousands)
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 56,182
Due to State of Connecticut	11,152
Accrued salaries	32,765
Compensated absences - current portion (Note 10)	20,399
Due to third party payors	18,286
Due to Affiliates (Note 14)	12,047
Unearned revenues	856
Malpractice reserve (Note 10)	2,378
Long-term debt - current portion (Note 10)	8,315
Total current liabilities	162,380
Noncurrent Liabilities	
Malpractice reserve (Note 10)	6,977
Compensated absences - net of current portion (Note 10)	24,268
Pension Liability (Note 11)	1,018,773
OPEB Liability (Note 11)	1,511,626
Long-term debt - net of current portion (Note 10)	181,638
Total noncurrent liabilities	2,743,282
Total liabilities	\$ 2,905,662
Deferred inflows of resources pension	\$ 225,895
Deferred inflows of resources OPEB	\$ 215,609
NET POSITION	
Net investment in capital assets	\$ 731,730
Restricted for	
Nonexpendable	
Scholarships	61
Expendable	
Research	1,792
Loans	283
Capital projects	4,363
Unrestricted	(2,037,543)
Total net position	\$ (1,299,314)

UCONN HEALTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

	2020
	(\$ in thousands)
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$7,796)	\$ 21,636
Patient services (net of charity care of \$1,495) (Note 4)	513,608
Federal grants and contracts	58,055
Nonfederal grants and contracts	27,872
Contract and other operating revenues	162,725
Total operating revenues	783,896
OPERATING EXPENSES	
Educational and General	
Instruction	170,526
Research	55,173
Patient services	846,526
Academic support	20,087
Institutional support	89,592
Operations and maintenance of plant	25,112
Depreciation and amortization (Note 9)	72,893
Student aid	25
Total operating expenses	1,279,934
Operating loss	(496,038)
NONOPERATING REVENUES (EXPENSES)	
State appropriations (Note 14)	296,520
Gifts	6,950
COVID-19 relief revenue	22,518
Investment income	600
Interest on capital asset - related debt	(9,354)
Net nonoperating revenues	317,234
Loss before other changes in net position	(178,804)
OTHER CHANGES IN NET POSITION	
Loss on Disposal	(332)
Net other changes in net position	(332)
Decrease in net position	(179,136)
NET POSITION	
Net position-beginning of year	(1,120,178)
Net position-end of year	\$ (1,299,314)

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

	2020
	(\$ in thousands)
Cash flows from operating activities:	
Cash received from patients and third-party payors	\$ 529,328
Cash received from tuition and fees	21,636
Cash received from grants, contracts and other revenue	245,175
Cash paid to employees for personal services and fringe benefits	(587,805)
Cash paid for other than personal services	(352,573)
Net cash used in operating activities	(144,239)
Cash flows from investing activities:	
Interest received	600
Net cash provided by investing activities	600
Cash flows from noncapital financing activities:	
State appropriations	174,304
COVID-19 relief revenue	22,518
Gifts	6,854
Net cash provided by noncapital financing activities	203,676
Cash flows from capital and related financing activities:	
Additions to property and equipment	(9,707)
Capital appropriations	314
Interest paid	(9,369)
Net repayment from long-term debt	(7,778)
Net cash used in capital and related financing activities	(26,540)
Net increase in cash and cash equivalents	33,497
Cash and cash equivalents at beginning of year	95,617
Cash and cash equivalents at end of year	\$ 129,114

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2020

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

	2020
	(\$ in thousands)
Operating loss	\$ (496,038)
Adjustments to reconcile operating loss to net cash	
Used in operating activities:	
Depreciation and amortization	72,893
Personal services and fringe benefits In Kind from State	122,215
 Changes in assets and liabilities:	
Patients receivables, net	12,637
Contract and other receivables	(3,203)
Due from DOC	2,737
Inventories	(766)
Third party payors	346
Prepaid expenses	2,682
Other assets	3,016
Accounts payable and accrued liabilities	17,123
Due to State of Connecticut	88
Due to Affiliates	(1,782)
Accrued salaries	4,552
Pension liabilities and related deferred outflows/inflows	118,035
Compensated absences	4,304
Deferred revenue	(275)
Malpractice reserve	(2,803)
 Net cash used in operating activities	 \$ (144,239)

Schedule of Non-Cash Financing Transactions

Mortgage proceeds held by Trustee in construction escrow account	\$ (5)
Proceeds from capital leases	\$ 2,044
Loss on disposal of capital and intangible assets	\$ (332)
In kind Coronavirus Relief donation	\$ 96

NOTES TO FINANCIAL STATEMENTS

UCONN HEALTH
Notes to Financial Statements
For the Years Ended June 30, 2020

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, 2020, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), Finance Corporation, 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 and 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 and research at the University, including UConn Health.

The financial operations of UConn Health are reported in the State of Connecticut comprehensive annual 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.

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 for non-essential services. UConn Health’s clinical operations elected to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. The Office of the Vice President for Research requested the shutdown of on-campus research activities as of March 23, 2020; and also remained down until May 20, 2020. Exceptions were made to research that was deemed essential by the Institution. Research activities continued remotely to the extent possible, and personnel costs continued to be charged to sponsored projects during that time; which alleviated some of the financial burden of the research shutdown to UConn Health. Overall, UConn Health went from being favorable to budget in February 2020 to finishing the year significantly behind budget. The operating loss for the year is mainly attributable to the last three and a half months of the fiscal year from March 2020 to June 2020. Operating losses were caused primarily by lack of elective procedures, but also by increased operating costs resulting from the pandemic and increases in personal protective equipment (PPE), enhanced cleaning and disinfection protocols, and increased operational costs to pivot patient care to telehealth and much of the non-clinical workforce to telecommuting. UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, research, 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 rapid development and fluidity of this situation and, the magnitude and duration of the pandemic, the full impact on UConn Health’s financial condition and results of operations is uncertain as of the date of this report. See note 16 and 17 for additional details.

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 estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, malpractice reserves, third-party reimbursement reserves, compensated absences, pension, and OPEB liabilities.

Reclassification

Certain reclassifications were made to the 2019 Capital and Intangible Assets presented in note 9 to better reflect their use.

Recently Adopted Accounting Pronouncements

In June 2020, GASB issued Technical Bulletin No. 2020-1, Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases. The bulletin clarifies the application of the recognition requirements of Statements No. 33, 56, and 70 to resources received from certain programs established by the CARES Act. The CARES Act was passed and signed into law in March 2020. The CARES Act provides resources for various programs including the Coronavirus Relief Fund (CRF), the Provider Relief Fund, and the Paycheck Protection Program. In addition, the Technical Bulletin clarifies the presentation of certain inflows of CARES Act resources and the additional unplanned outflows of resources incurred in response to a coronavirus disease. The requirements of this bulletin were effective immediately.

Upcoming 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 is currently evaluating the impact this statement will have on its consolidated financial statements.

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 provisions of this statement are effective for reporting periods beginning after June 15, 2021. UConn Health is currently evaluating the impact this standard will have on its 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. UConn Health does not expect

this statement will have a material impact on its consolidated 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. UConn Health is currently evaluating the impact this statement will have on its 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 92: paragraphs 6, 7, regarding intra entity transfers to fiscal years beginning after June 15, 2021; paragraphs 8, 9 and 12 regarding fiduciary and nonrecurring value measurements to reporting periods beginning after June 15, 2021; and paragraph 10 regarding government acquisitions occurring in reporting periods beginning after June 15, 2021. UConn Health is currently evaluating the impact this statement will have on its financial statements

Operating and Non-operating revenues:

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. Exchange transactions principally include services provided by UConn Health to the community. Non-exchange transactions include State Appropriations, Gifts, Loss on disposal of property and equipment, and

Investment Returns. Coronavirus Relief Funds have been classified as non-operating as amounts received are not tied to specific patient treatment activities.

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.

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 14.

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.

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 controlled 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 or, other than described above, the Treasurer's interest credit program.

Investment Income also includes amounts received from endowments.

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

As of June 30, 2020, the prepaid expense total was \$11.3 million. Approximately, \$7.4 million is held on deposit with AmerisourceBergin. 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.

Capital Assets

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

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

Depreciation is provided over the estimated useful life of each class of depreciable asset 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.

Intangible Assets

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 are incurred in the primary project stage, application development state, or post-implementation state, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives which range from 3 years to 15 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. Reference is made in note 9 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

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 2020, UConn Health disposed of its previous Electronic Health Management and Bed Management Systems, as well as trading in a Vevo Imaging System. The combined loss on disposal was approximately \$141,000. UConn Health also disposed of or traded in a number of smaller items leading to a total loss on disposal of \$332,000. None of these items were individually significant. As of June 30, 2020, UConn Health continues to utilize its legacy patient revenue systems and therefore, did not record any impairment losses.

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, 2020, 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. Since 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 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.

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 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. For example, amounts classified as unrestricted may be assigned to specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. 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.

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

Effective for fiscal year 2020, UConn Health implemented the Home Office allocation which allocated 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.

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 \$129,114,476, as of June 30, 2020, included the following:

	<u>2020</u>
Cash maintained by State of Connecticut Treasurer	\$ 95,342,409
Invested in State of Connecticut Short-Term Investment Fund	33,251,243
Deposits with Financial Institutions and Other	512,874
Currency (Change Funds)	<u>7,950</u>
Total cash and cash equivalents	129,114,476
Less: current balance	<u>128,290,299</u>
Total noncurrent balance	<u>\$ 824,177</u>

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 \$33,251,243 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 2020.

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 \$2,565,667 as of June 30, 2020. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income earned from those sources was \$51,260 the year ended June 30, 2020.

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, 2020, the Hospital and UMG had the following draws and availability under the State statute:

	2020	
	John Dempsey Hospital	UConn Medical Group
Amount Drawn under Hypothecation	\$ -	\$ -
Remaining amounts available under Hypothecation	\$ 43,516,784	\$ 6,232,398

4. NET PATIENT SERVICE REVENUE

UConn Health provides health care services primarily to residents of the region. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. 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.

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. These third party payers include Medicare, Medicaid and certain commercial insurance carriers and Health Maintenance Organizations.

Net patient service revenue for UConn Health is as follows:

	<u>2020</u>
John Dempsey Hospital	
Gross patient services revenue	\$ 1,130,278,872
Less contractual allowances and provision for bad debt	<u>727,693,856</u>
	\$ 402,585,016
UConn Medical Group	
Gross patient services revenue	235,801,392
Less contractual allowances and provision for bad debt	<u>133,217,244</u>
	102,584,148
All other	8,438,555
Total net patient revenue	<u>\$ 513,607,719</u>

5. CHARITY CARE

The Hospital, UMG, and Educational Clinics maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges forgone for services and supplies furnished under their charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2020, the Hospital, UMG, and Educational Clinics provided charity care services of \$1,085,950, \$259,538, and \$149,235, respectively.

The estimated cost of these services for the Hospital, UMG, and Educational Clinics was \$319,812, \$73,787, and \$136,000, respectively. No net patient service revenue was recorded for these services; however, expenses associated with these services were included in operating expenses.

6. ENDOWMENTS

UConn Health designated the Foundation as manager of UConn Health's endowment funds. The Foundation makes spending allocation distributions to UConn Health for each participating endowment. The distribution is spent by UConn Health in accordance with the respective purposes of the endowments and 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 will not have a material effect on UConn Health's financial statements.

9. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2020, consisted of the following:

	<u>2020</u>
Land	\$ 13,537,051
Construction in Progress	10,690,101
Fine art	1,271,363
Buildings	1,247,382,940
Equipment	268,821,045
Computer Software	77,425,705
Capital leases	<u>18,308,464</u>
	1,637,436,669
Less accumulated depreciation	<u>715,753,968</u>
Capital and intangible assets, net	<u>\$ 921,682,701</u>

Construction in progress at June 30, 2020, 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.

As discussed in note 1, UConn Health reclassified assets from equipment and computer software to better reflect their use. The gross amount reallocated between categories was \$4,257,680. UConn Health also reallocated the associated accumulated depreciation in the amount of \$2,955,683.

Plant and equipment activity and related information on accumulated depreciation for UConn Health for the year ended June 30, 2020 was as follows:

	2019				2020
	<u>(as restated)</u>	<u>Additions</u>	<u>Deletions</u>		<u>2020</u>
<u>Capital assets not being depreciated</u>					
Land	\$ 13,537,051	\$ -	\$ -	\$	13,537,051
Construction in progress	23,651,008	6,127,114	(19,088,021)		10,690,101
Fine art	1,260,116	14,175	(2,928)		1,271,363
Total capital assets not being depreciated	<u>38,448,175</u>	<u>6,141,289</u>	<u>(19,090,949)</u>		<u>25,498,515</u>
<u>Depreciable capital assets</u>					
Buildings and building improvements	1,233,982,078	14,425,364	(1,024,502)		1,247,382,940
Equipment	268,472,687	9,841,569	(9,493,211)		268,821,045
Computer software	77,361,389	1,576,474	(1,512,158)		77,425,705
Capital leases	16,264,244	2,044,220	-		18,308,464
Total depreciable capital assets	<u>1,596,080,398</u>	<u>27,887,627</u>	<u>(12,029,871)</u>		<u>1,611,938,154</u>
<u>Less accumulated depreciation:</u>					
Buildings and Building Improvements	425,192,501	43,161,375	(964,386)		467,389,490
Equipment	199,192,468	19,563,556	(9,223,952)		209,532,072
Computer Software	17,315,773	9,135,071	(1,512,157)		24,938,687
Capital leases	12,860,756	1,032,963	-		13,893,719
Total accumulated depreciation	<u>654,561,498</u>	<u>72,892,965</u>	<u>(11,700,495)</u>		<u>715,753,968</u>
<u>Depreciable capital assets, net</u>					
Buildings and Building Improvements	808,789,577	(28,736,011)	(60,116)		779,993,450
Equipment	69,280,219	(9,721,987)	(269,259)		59,288,973
Computer Software	60,045,616	(7,558,597)	(1)		52,487,018
Capital leases	3,403,488	1,011,257	-		4,414,745
Total depreciable capital assets, net	<u>941,518,900</u>	<u>(45,005,338)</u>	<u>(329,376)</u>		<u>896,184,186</u>
Capital and intangible assets, net	<u>\$ 979,967,075</u>	<u>\$ (38,864,049)</u>	<u>\$ (19,420,325)</u>	<u>\$</u>	<u>921,682,701</u>

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	June 30, 2019 Balance	Additions	Reductions	June 30, 2020 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	\$ 998,761	\$ -	\$ (422,572)	\$ 576,189	\$ 430,757
Capital lease obligation (Sysmex America)- Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed Hematology equipment	207,503	-	(81,834)	125,669	83,385
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	2,068,896	-	(340,050)	1,728,846	350,393
Capital lease obligation (GE Capital) - Payments including interest at 1.76% began July 2019 and continue until July 2025, collateralized by financed Voluson P8 ultrasound	-	40,608	(6,041)	34,567	6,157
Capital lease obligation (GE Capital)- Payments including interest at 2.82% began October 2019 and continue until September 2025, collateralized by financed 6 C-arms equipment	-	926,997	(127,323)	799,674	175,805
Capital lease obligation (GE Capital) - Payments including interest at 1.85% began November 2019 and continue until October 2025, collateralized by financed 1 C-arm equipment	-	167,547	(19,979)	147,568	31,243
Capital lease obligation (Avaya) - Payments including interest at 5.65% began April 2020 and continue until March 2026, collateralized by financed phone system	-	909,068	(32,057)	877,011	132,847
Total Capital Leases	3,275,160	2,044,220	(1,029,856)	4,289,524	1,210,587
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%	9,213,664	-	(1,472,336)	7,741,328	1,568,443
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040	183,198,369	-	(5,276,127)	177,922,242	5,535,524
Total Notes From Direct Borrowing	192,412,033	-	(6,748,463)	185,663,570	7,103,967
Malpractice reserve	12,158,000	-	(2,803,000)	9,355,000	2,378,000
Compensated absences	40,363,125	29,715,431	(25,411,956)	44,666,600	20,399,236
Total Long - Term Liabilities	\$ 248,208,318	\$ 31,759,651	\$ (35,993,275)	\$ 243,974,694	\$ 31,091,790

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, 2020 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.

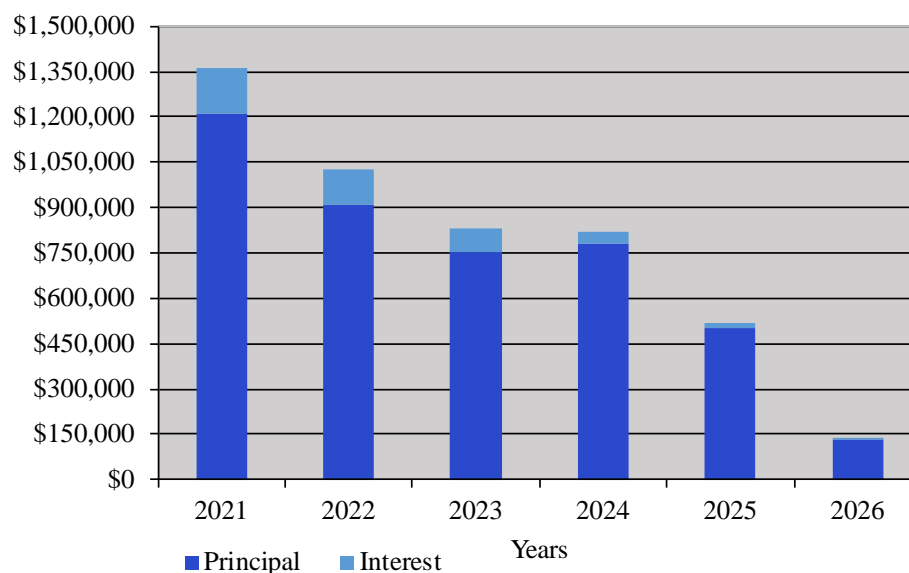
Outstanding notes from direct borrowings related to business-type activities of \$185,663,570 as of June

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

<u>Year Ending June 30,</u>	<u>Future Minimum Capital Lease Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,210,587	\$ 149,125
2022	911,603	113,565
2023	752,490	77,168
2024	782,308	39,892
2025	500,988	17,859
2026	131,548	3,018
Total minimum payments	<u>\$ 4,289,524</u>	<u>\$ 400,627</u>

In fiscal year 2020, UConn Health recorded interest expense of \$132,640 related to capital leases.

Capital Leases

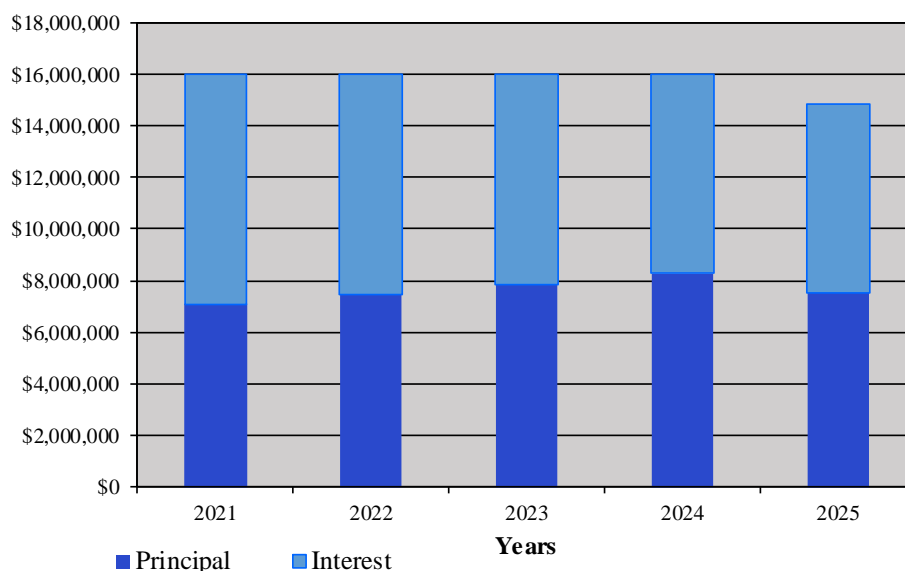


Estimated cash basis interest and principal requirements for notes from direct borrowings for the remaining years of the notes are as follows:

<u>Year Ending June 30,</u>	<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 7,103,967	\$ 8,881,072
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
2026-2030	38,817,985	31,036,275
2031-2035	49,345,824	20,508,435
2036-2040	59,222,194	7,139,353
	<u>\$ 185,663,570</u>	<u>\$ 99,156,749</u>

In fiscal year 2020, UConn Health recorded interest expense of \$9,220,817 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, 2020, UConn Health Malpractice Fund had actuarial reserves of approximately \$9.4 million and assets of approximately \$6.1 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 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 Comprehensive Annual Financial Report (CAFR). 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, 2020, 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 62.7% in fiscal year 2020. 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
Tier II and IIA	Effective July 1, 1997, 5 years 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, 2020 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 \$81.0 million for fiscal year 2020.

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, 2019. 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 4.45% which was an increase of .83% from its proportion measured as of June 30, 2018.

At June 30, 2020, UConn Health reported liabilities of \$1,014.3 million for its proportionate share of the SERS collective NPL.

SERS Expense - For the year ended June 30, 2020, UConn Health recognized a SERS pension expense of \$116.8 million.

Actuarial assumptions - For SERS, the RP-2014 White Collar Mortality Table projected to 2020 by

scale BB at 100 percent 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, including inflation	3.50% - 19.50%,
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, 2019 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, 2019 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 2139.

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%)
\$ 1,211,348	\$ 1,014,303	\$ 849,936

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS pension plan is available in the State’s CAFR for the fiscal year ended June 30, 2019.

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 10-183ss 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, 2020, was \$396,678.

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, 2019. 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 .026% at the measurement date of June 30, 2019.

TRS Expense - For the year ended June 30, 2020, UConn Health recognized a TRS pension expense of \$963,467.

Actuarial assumptions - TRS mortality rates were based on the RP-2014 White Collar Table with employee and annuitant rates blend from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RP-2014 Disabled Mortality Table

projected to 2017 with Scale BB is used for the period after disability retirement.

The TPL was based on an actuarial study for the period July 1, 2010 – June 30, 2015 for TRS, using the following key actuarial assumptions:

Inflation	2.50%
Salary increases, including inflation	3.25% – 6.50%
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, 2019 measurement date are summarized in the following table:

Asset Class	Target	Long-term
	Allocation	Expected Real Rate of Return
Public Equity - US Equity	20.00%	5.60%
Public Equity - Intl. Developed Equity	11.00%	6.00%
Public Equity - Emerging Markets Equity	9.00%	7.90%
Real Estate	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternate Investment - Real Assets	4.00%	2.90%
Alternate Investment - Hedge Funds	3.00%	2.90%
Fixed Income - Core	16.00%	21.10%
Fixed Income - High Yield	6.00%	4.00%
Fixed Income - Emerging Market Debt	5.00%	2.70%
Fixed Income - Inflation Linked Bonds	5.00%	1.10%
Liquidity Fund	1.00%	40.00%
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	Current Discount Rate	1% Increase
(5.9%)	(6.9%)	(7.9%)
\$ 5,575	\$ 4,469	\$ 3,540

Pension plan fiduciary net position - Detailed information about the fiduciary net position of the TRS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2019.

Deferred outflows and deferred inflows of resources related to pensions - At June 30, 2020, 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	\$ 66,580	\$ 1,095	\$ 67,675
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	160,404	1,236	161,640
Net differences between projected and actual earnings on pension plan investments	-	74	74
UConn Health contributions subsequent to the measurement date	80,994	397	81,391
Difference between expected and actual experience	68,914	-	68,914
Difference between expected and actual contributions	-	110	110
Total Deferred Outflows	<u>\$ 376,892</u>	<u>\$ 2,912</u>	<u>\$ 379,804</u>
<u>Deferred Inflows of Resources</u>			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	\$ 223,365	\$ 6	\$ 223,371
Net differences between projected and actual earnings on pension plan investments	2,413	-	2,413
Difference in expected and actual contributions	-	-	-
Difference between expected and actual experience	-	111	111
Total Deferred Inflows	<u>\$ 225,778</u>	<u>\$ 117</u>	<u>\$ 225,895</u>

The \$81.4 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, 2021. 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
2021	\$ 46,152	\$ 681	\$ 46,833
2022	15,697	545	16,242
2023	(18,639)	504	(18,135)
2024	2,074	344	2,418
2025	24,836	240	25,076
Thereafter	-	84	84
Total	\$ 70,120	\$ 2,398	\$ 72,518

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. UConn Health contributed 14.61% for June 30, 2020, a decrease from the 14.75% in June 30, 2019. For fiscal year 2020, UConn Health's employer

contributions to ARP were \$26.4 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 percent of the healthcare insurance premium cost for eligible retirees. In addition, the State pays 100 percent 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	<u>48,015</u>
Total covered employees	<u><u>125,805</u></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 16.2% and the total amount contributed to the plan was \$65.8 million for the fiscal year ended June 30, 2020.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2019, 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, 2018 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, 2020, UConn Health reported a liability of \$1,511.6 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 7.3%, which was an increase of 1.3% from its proportion measured as of June 30, 2018.

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2019 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, 3.58%, is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.50% as of June 30, 2019 and 3.87% as of June 30, 2018). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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 19.5% varying by years of service
Discount rate:	3.58% as of June 30, 2019

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 (2.58%) or 1- percentage-point higher (4.58%) than the current discount rate:

	Discount		
	1% Decrease	Rate	1% Increase
	2.58%	3.58%	4.58%
	(\$ in thousands)		
Net OPEB Liability	\$ 1,759,296	\$ 1,511,626	\$ 1,310,573

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	\$ 1,295,838	\$ 1,511,626	\$ 1,783,990

OPEB plan fiduciary net position – Detailed information about SEOPEBP’s fiduciary net position is available in the State’s CAFR for the fiscal year ending June 30, 2019.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, UConn Health recognized an OPEB expense of \$147.6 million. At June 30, 2020, 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	\$ 234,083	\$ -
Changes in assumptions or other inputs	65,804	-
Net difference between projected and actual earnings	201,933	50,064
Changes in expected and actual experience on Total OPEB Liability	-	328
Changes in proportion between employe and proportionate share of contributions		38,146
Total	\$ 501,820	\$ 127,071
		\$ 215,609

UConn Health contributions subsequent to the measurement date totaling \$65.8 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)
2021	\$ 45,914
2022	45,914
2023	44,665
2024	65,842
2025	18,072
Therefore	-
Total	\$ 220,407

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 million reallocation from existing UCONN 2000 UConn Health allocations, and a \$207 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.

As of June 30, 2020, 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 million through operations, eligible gifts, or other sources towards new UConn Health construction.

In fiscal 2019, the University realized proceeds of \$200 million related to Series A and Refunding Series A bonds. Included in this total was \$13.0 million to finance projects at UConn Health. 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, \$3.7 million, at June 30, 2020, in the Statement of Net Position.

13. COMMITMENTS

On June 30, 2020, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$26,176,206. Portions of this amount was included in the June 30, 2020 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 were paid directly from proceeds of bond issuances.

UConn Health agreed to pay \$63,526,985 during the 2020-2021 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 \$5,538,515 for the year ended June 30, 2020. Future minimum rental payments at June 30, 2020 under non-cancelable operating leases are approximately as follows:

<u>Year</u>	<u>Payments</u>
2021 \$	3,335,226
2022	2,430,642
2023	1,919,546
2024	1,429,128
2025	1,240,158
Thereafter	<u>4,760,732</u>
Total \$	<u>15,115,432</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 transactions occurred between UConn Health and the Foundation during the year ended June 30, 2020:

	2020
Amount paid to Foundation	\$ <u>561,766</u>
Amount paid to University for Foundation services*	\$ <u>945,000</u>
Amount received from Foundation for personnel services and operating expenses	\$ <u>2,520,375</u>
Amount received from Foundation from endowments and gifts	\$ <u>2,290,144</u>

*Included in Due to Affiliate in the accompanying Statement of Net Position

In addition, UConn Health directly engages in transactions with the University. The terms of these 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 2020, UConn Health recorded a payable to the University for the \$12.0 million related to these agreements. 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.

	2020
Agreements under an MOU	
Police	\$ 4,642,460
Communications	3,947,189
Fire	3,446,049
Library	1,950,405
Technology commercialization Services	943,741
Audit, Compliance and Privacy	823,359
Information Technology	773,208
Reprographics	768,363
Miscellaneous	739,974
Total MOUs with University of Connecticut ^	\$ <u>18,034,748</u>

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

Also, UConn Health paid to the University in fiscal year 2020 related to grants and contracts, services of educational departments, and for other miscellaneous goods and services.

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 \$19.1 million in fiscal year 2020 for services.

UConn Health is a component unit of the State of Connecticut. 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, 2020, the amounts of the benefits recognized were as follows:

State of Connecticut Appropriations	\$ 109,611,428
Unfunded Liability Sec 44	33,200,000
Bioscience CT Appropriation	15,323,000
Fringe Benefit Differential Sec 3-123i	13,500,000
Worker Compensation Appropriation	<u>2,670,431</u>
Amount of General Fund Appropriations from State of Connecticut	<u>\$ 174,304,859</u>
Amount of In Kind Fringe Benefits from State of Connecticut:	<u>\$ 122,215,068</u>
Total Appropriations and In Kind Fringe Benefits received from State of Connecticut	<u>\$ 296,519,927</u>

15. OPERATING EXPENSES BY NATURE AND FUNCTIONAL CLASSIFICATION

The table below details UConn Health's operating expenses by natural and functional classification for the year ended June 30, 2020 (amounts in thousands).

Functional Classification	Natural Classification					Total
	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	
Instruction	\$ 82,429	\$ 35,602	\$ 51,472	\$ 1,023	\$ -	\$ 170,526
Research	24,258	9,053	17,088	4,774	-	55,173
Patient services	287,545	313,805	239,657	5,519	-	846,526
Academic support	8,759	5,032	6,296	-	-	20,087
Institutional support	28,785	24,161	36,646	-	-	89,592
Operations and maintenance of plant	11,343	8,362	2,703	2,704	-	25,112
Depreciation and amortization	-	-	-	-	72,893	72,893
Student aid	13	4	8	-	-	25
Total	<u>\$ 443,132</u>	<u>\$ 396,019</u>	<u>\$ 353,870</u>	<u>\$ 14,020</u>	<u>\$ 72,893</u>	<u>\$ 1,279,934</u>

16. COVID-19 RELIEF REVENUE

In fiscal year 2020, 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*. 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). UConn Health qualified for funding from various programs and received a total of \$22.5 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. Criteria and reporting requirements for these funds continues to evolve. UConn Health believes that it was eligible for the complete amount received based on increased operating expenses and lost revenues. As such, UConn Health recognized awarded funds as non-operating revenues in the statement of revenues, expenses, and changes in net position.

UConn Health is also 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 Coronavirus Relief Fund to assist with eligible pandemic related expenses not reimbursed by FEMA. No amounts were received in fiscal 2020 from FEMA, while \$4.2 million had been earmarked for UConn Health from the State's Coronavirus Relief Fund as of June 30, 2020. This was recognized as non-operating revenues in the statement of revenues, expenses and changes in net position. UConn Health expects to receive reimbursement related to these programs in fiscal 2021.

UConn Health also received in-kind support in the form of personal protective equipment and other equipment to facilitate its efforts to provide clinical care to COVID-19 patients. These items; which UConn Health valued at \$96,130, are recorded as

gifts in the statement of revenues, expenses, and changes in net assets.

17. SUBSEQUENT EVENTS

No other subsequent events requiring recognition or disclosure in the financial statements other than the following, were identified.

On July 20, 2020, the Hospital received additional CARES Act funding 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, and totaled \$12,450,000.

On September 17, 2020, CMS (Medicare) advanced approximately \$45.3 million to the Hospital. This is considered an advance payment on future Medicare claims and will be recouped in twenty-nine installments beginning one year from the issuance date. The Recoupment rate will be 25% for the first eleven months and 50% for the remaining six months. This is an interest free advance. However, if this is not repaid timely, there will be a 4% interest rate charged on the outstanding advance.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

UCONN HEALTH
Required Supplementary Information
For the Year Ended June 30, 2020

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

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

For the year ended June 30	<i>SERS</i> (\$ in thousands)					
	2020	2019	2018	2017	2016	2015
Contractually Required employer contribution	\$ 80,994	\$ 70,177	\$ 52,170	\$ 84,860	\$ 80,493	\$ 72,496
Actual UConn Health Contribution	80,994	70,177	52,170	84,860	80,493	72,496
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UConn Health's covered employee payroll	\$ 222,553	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762
Actual UConn Health contributions as a percentage of covered employee payroll	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

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

UCONN HEALTH
Required Supplementary Information
For the Year Ended June 30, 2020

State Employees' 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

Fiscal Year Ended June 30	<i>TRS</i> (\$ in thousands)					
	2020	2019	2018	2017	2016	2015
Proportion of Collective NPL	0.026%	0.026%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	\$ 4,469	\$ 3,447	\$ 2,508	\$ 2,646	\$ 1,042	\$ 963
UConn Health's covered employee payroll	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573	\$ 384
Proportionate share of the collective NPL as a percentage of covered-employee payroll	392.71%	312.51%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	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,

For the year ended June 30	<i>TRS</i> (\$ in thousands)					
	2020	2019	2018	2017	2016	2015
Contractually Required employer contribution	\$ 397	\$ 448	\$ 280	\$ 239	\$ 181	\$ 93
Actual UConn Health Contribution	397	448	280	239	237	201
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ (108)
UConn Health's covered employee payroll	\$ 1,263	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573
Actual UConn Health contributions as a percentage of covered employee payroll	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% to 7% 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

2020 – Reduction in the inflation assumption from 2.75% to 2.50%.

Reduction to the real rate 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.

Other Factors

2020 - The State's assessed fringe benefits rate attributable to TRS decreased to 33.40% in fiscal year 2020 from 41.84% in fiscal year 2019, resulting in a decrease of UConn Health contributions to the plan.

UCONN HEALTH
Required Supplementary Information
For the Year Ended June 30, 2020

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

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

	2020	2019	2018
	<i>(\$ in Thousands)</i>		
UConn Health's proportion of the net OPEB liability	7.31%	6.00%	6.96%
UConn Health's proportion of the net OPEB liability	\$ 1,511,626	\$ 1,036,300	\$ 1,208,427
UConn Health's covered-employee payroll	\$ 375,680	\$ 366,593	\$ 424,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	402.37%	282.68%	284.51%
Plan fiduciary net position as a percentage of the total OPEB liability	5.47%	4.69%	3.03%

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

	2020	2019	2018
	<i>(\$ in Thousands)</i>		
Contractually required contribution	\$ 65,804	\$ 55,031	\$ 48,134
Contributions in relation to the contractually required contribution	\$ 65,804	\$ 55,031	\$ 48,134
Contribution deficiency (excess)	--	--	--
UConn Health's covered-employee payroll	\$ 405,433	\$ 375,680	\$ 366,593
Contributions as a percentage of covered-employee payroll	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.

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 3.58%, 3.95%, and 3.68% for the fiscal reporting years 2020, 2019, and 2018, respectively.

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.

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2020

	2020			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 88,897,215	\$ 39,393,084	\$ -	\$ 128,290,299
Patient receivables, net	6,182,133	43,057,077	-	49,239,210
Contract and other receivables	20,976,122	5,294,905	-	26,271,027
Construction Escrow Account	27,274	-	-	27,274
Due from Affiliates (Note 12)	3,688,959	-	-	3,688,959
Due from State of Connecticut	5,222,812	3,193,464	-	8,416,276
Due from Primary Institution	-	3,228,607	(3,228,607)	-
Due from Department of Correction	788,318	-	-	788,318
Inventories	2,408,204	11,907,825	-	14,316,029
Prepaid expenses	2,441,788	8,878,387	-	11,320,175
Total current assets	130,632,825	114,953,349	(3,228,607)	242,357,567
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	824,177	-	-	824,177
Other assets	438,992	277,991	-	716,983
Due from State of Connecticut	646,792	-	-	646,792
Capital and intangible assets, net (Note 9)	574,405,368	347,277,333	-	921,682,701
Total noncurrent assets	576,315,329	347,555,324	-	923,870,653
Total assets	\$ 706,948,154	\$ 462,508,673	\$ (3,228,607)	\$ 1,166,228,220
Deferred Outflows of Resources Pension	233,510,787	146,293,132	-	379,803,919
Deferred Outflows of Resources OPEB	322,238,809	179,580,884	-	501,819,693
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 39,260,479	\$ 16,921,315	\$ -	\$ 56,181,794
Due to State of Connecticut	6,721,923	4,430,183	-	11,152,106
Accrued salaries	21,598,962	11,165,561	-	32,764,523
Compensated absences - current portion (Note 10)	12,700,422	7,698,814	-	20,399,236
Due to John Dempsey Hospital	3,228,607	-	(3,228,607)	-
Due to third party payors	(1,310,051)	19,595,962	-	18,285,911
Due to Affiliates (Note 14)	12,047,694	-	-	12,047,694
Unearned revenues	852,161	4,419	-	856,580
Malpractice reserve (Note 10)	2,378,000	-	-	2,378,000
Long-term debt - current portion (Note 10)	7,242,971	1,071,583	-	8,314,554
Total current liabilities	104,721,168	60,887,837	(3,228,607)	162,380,398
Noncurrent Liabilities				
Malpractice reserve (Note 10)	6,977,000	-	-	6,977,000
Compensated absences - net of current portion (Note 10)	15,108,692	9,158,672	-	24,267,364
Pension Liability (Note 11)	636,052,961	382,719,634	-	1,018,772,595
OPEB Liability (Note 11)	964,902,461	546,723,069	-	1,511,625,530
Long-term debt - net of current portion (Note 10)	179,332,177	2,306,363	-	181,638,540
Total noncurrent liabilities	1,802,373,291	940,907,738	-	2,743,281,029
Total liabilities	\$ 1,907,094,459	\$ 1,001,795,575	\$ (3,228,607)	\$ 2,905,661,427
Deferred Inflows of Resources Pension	\$ 224,928,703	\$ 966,353	\$ -	\$ 225,895,056
Deferred Inflows of Resources OPEB	\$ 183,586,744	\$ 32,022,226	\$ -	\$ 215,608,970
NET POSITION				
Net investment in capital assets	\$ 387,830,220	\$ 343,899,387	\$ -	\$ 731,729,607
Restricted for				
Nonexpendable				
Scholarships	61,451	-	-	61,451
Expendable				
Research	1,791,744	-	-	1,791,744
Loans	283,089	-	-	283,089
Capital projects	4,363,025	-	-	4,363,025
Unrestricted	(1,447,241,685)	(590,300,852)	-	(2,037,542,537)
Total net position	\$ (1,052,912,156)	\$ (246,401,465)	\$ -	\$ (1,299,313,621)

UCONN HEALTH
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

	2020				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 21,635,605	\$ -	\$ 21,635,605	\$ -	\$ 21,635,605
Patient services, net	111,022,703	402,585,016	513,607,719	-	513,607,719
Federal grants and contracts	58,055,210	-	58,055,210	-	58,055,210
Nonfederal grants and contracts	27,872,359	-	27,872,359	-	27,872,359
Contract and other operating revenues	145,074,214	61,756,615	206,830,829	(44,106,130)	162,724,699
Total operating revenues	<u>363,660,091</u>	<u>464,341,631</u>	<u>828,001,722</u>	<u>(44,106,130)</u>	<u>783,895,592</u>
OPERATING EXPENSES					
Educational and General					
Instruction	195,961,383	-	195,961,383	(25,435,831)	170,525,552
Research	55,173,426	-	55,173,426	-	55,173,426
Patient services	253,287,216	610,144,252	863,431,468	(16,905,685)	846,525,783
Academic support	20,086,425	-	20,086,425	-	20,086,425
Institutional support	91,135,238	-	91,135,238	(1,542,953)	89,592,285
Operations and maintenance of plant	25,333,789	-	25,333,789	(221,661)	25,112,128
Depreciation and amortization (Note 9)	47,951,730	24,941,235	72,892,965	-	72,892,965
Student aid	25,051	-	25,051	-	25,051
Total operating expenses	<u>688,954,258</u>	<u>635,085,487</u>	<u>1,324,039,745</u>	<u>(44,106,130)</u>	<u>1,279,933,615</u>
Operating loss	<u>(325,294,167)</u>	<u>(170,743,856)</u>	<u>(496,038,023)</u>	<u>-</u>	<u>(496,038,023)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations (Note 14)	296,519,926	-	296,519,926	-	296,519,926
Gifts	6,278,209	671,395	6,949,604	-	6,949,604
COVID-19 relief revenue	6,647,666	15,870,741	22,518,407	-	22,518,407
Hospital transfer	(25,099,967)	25,099,967	-	-	-
Investment income, net	599,816	-	599,816	-	599,816
Interest on capital asset - related debt	(9,238,601)	(114,856)	(9,353,457)	-	(9,353,457)
Net nonoperating revenues	<u>275,707,049</u>	<u>41,527,247</u>	<u>317,234,296</u>	<u>-</u>	<u>317,234,296</u>
Loss before other revenues, expenses, gains or losses	<u>(49,587,118)</u>	<u>(129,216,609)</u>	<u>(178,803,727)</u>	<u>-</u>	<u>(178,803,727)</u>
OTHER CHANGES IN NET POSITION					
Loss on Disposal	(236,468)	(95,836)	(332,304)	-	(332,304)
Net other changes in net position	<u>(236,468)</u>	<u>(95,836)</u>	<u>(332,304)</u>	<u>-</u>	<u>(332,304)</u>
Decrease in net position	<u>(49,823,586)</u>	<u>(129,312,445)</u>	<u>(179,136,031)</u>	<u>-</u>	<u>(179,136,031)</u>
NET POSITION					
Net position-beginning of year	<u>(1,003,088,570)</u>	<u>(117,089,020)</u>	<u>(1,120,177,590)</u>	<u>-</u>	<u>(1,120,177,590)</u>
Net position-end 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>

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 21,636	\$ 20,655	\$ 18,613	\$ 17,499	\$ 15,728	\$ 16,557	\$ 15,794	\$ 13,812	\$ 13,746	\$ 13,095
Patient services	513,608	534,494	580,697	539,777	532,876	512,960	450,315	432,032	429,546	422,094
Federal grants and contracts	58,055	58,196	50,748	58,148	59,529	57,920	62,527	60,651	56,904	60,127
Nonfederal grants and contracts	27,872	30,016	29,337	29,009	27,116	24,407	23,803	27,593	27,690	25,885
Contract and other operating revenues	162,725	159,745	127,188	114,284	108,017	109,324	106,771	102,574	93,730	71,694
Total operating revenues	<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>	<u>592,895</u>
State appropriations	296,520	250,846	279,513	278,211	289,287	280,645	266,139	213,371	202,997	225,268
Transfer from/(to) State and outside programs	-	-	-	-	-	-	-	-	1,312	(10,807)
Gifts	6,950	6,146	5,706	4,079	6,865	7,175	7,300	7,658	7,435	2,554
Coronavirus Relief Funding	22,518	-	-	-	-	-	-	-	-	-
Investment income (net of investment expense)	600	1,385	654	104	141	176	93	124	101	134
Net nonoperating revenues	<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>	<u>217,149</u>
Total Revenues	<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>	<u>\$ 810,044</u>

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Student tuition and fees (net of scholarship allowances)	2.0%	2.0%	1.7%	1.7%	1.5%	1.6%	1.7%	1.6%	1.7%	1.6%
Patient services	46.3%	50.4%	53.2%	51.8%	51.3%	50.8%	48.3%	50.3%	51.6%	52.1%
Federal grants and contracts	5.2%	5.5%	4.6%	5.6%	5.7%	5.8%	6.7%	7.1%	6.8%	7.4%
Nonfederal grants and contracts	2.5%	2.8%	2.7%	2.8%	2.6%	2.4%	2.6%	3.2%	3.3%	3.2%
Contract and other operating revenues	14.7%	15.0%	11.6%	11.0%	10.4%	10.9%	11.4%	12.0%	11.2%	8.9%
Total operating revenues	<u>70.6%</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>	<u>73.2%</u>
State appropriations	26.6%	23.6%	25.6%	26.7%	27.8%	27.8%	28.5%	24.9%	24.3%	27.8%
Transfer from/(to) State and outside programs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-1.3%
Gifts	0.6%	0.6%	0.5%	0.4%	0.7%	0.7%	0.8%	0.9%	0.9%	0.3%
Coronavirus Relief Funding	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income (net of investment expense)	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net nonoperating revenues	<u>29.4%</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>	<u>26.8%</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 NATURAL CLASSIFICATION

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses:										
Salaries and wages	\$ 443,132	\$ 418,558	\$ 438,122	\$ 444,948	\$ 452,363	\$ 430,988	\$ 418,305	\$ 403,159	\$ 391,890	\$ 377,149
Fringe benefits	396,019	254,030	369,185	331,533	264,911	239,288	223,850	180,323	128,613	162,684
Supplies and other expenses	353,870	368,279	333,986	291,166	282,218	286,170	258,778	237,013	266,778	229,952
Utilities	14,020	12,887	12,429	13,133	12,617	12,766	11,599	11,297	13,191	14,533
Depreciation and amortization	72,893	72,575	52,637	52,046	41,469	37,830	32,780	32,365	30,875	30,075
Total operating expenses	<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>	<u>814,393</u>
Transfer to State and outside programs	-	1,991	-	-	-	-	-	-	-	-
Interest on capital asset - related debt	9,354	9,619	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570
Total nonoperating expenses	<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>	<u>1,570</u>
Total Expenses	<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>	<u>\$ 815,963</u>

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses:										
Salaries and wages	34.4%	36.8%	36.0%	38.9%	42.5%	42.6%	44.2%	46.6%	47.1%	46.2%
Fringe benefits	30.7%	22.3%	30.4%	29.0%	24.9%	23.7%	23.8%	20.8%	15.5%	19.9%
Supplies and other expenses	27.4%	32.4%	27.5%	25.5%	26.5%	28.3%	27.3%	27.4%	32.0%	28.2%
Utilities	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%	1.2%	1.3%	1.6%	1.8%
Depreciation and amortization	5.7%	6.4%	4.3%	4.6%	3.9%	3.8%	3.5%	3.7%	3.7%	3.7%
Total operating expenses	<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>	<u>99.8%</u>
Transfer to State and outside programs	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on capital asset - related debt	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%
Total nonoperating expenses	<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>	<u>0.2%</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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total revenues (from Schedule of revenues by source)	\$ 1,110,484	\$ 1,061,483	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164	\$ 932,742	\$ 857,815	\$ 833,461	\$ 810,044
Total expenses (from schedule of expenses by natural classification and function)	1,289,288	1,137,939	1,216,268	1,143,040	1,064,065	1,010,862	946,319	865,229	832,442	815,963
Loss before other changes in net position	(178,804)	(76,456)	(123,812)	(101,929)	(24,506)	(1,698)	(13,577)	(7,414)	1,019	(5,919)
Capital appropriations	-	13,000	88,806	43,479	175,000	159,810	193,214	5,000	62,500	170
Loss on disposal	(332)	(1,898)	(3,092)	(989)	(695)	(3,902)	(573)	(2,978)	(7)	(482)
Net other changes in net position	(332)	11,102	85,714	42,490	174,305	155,908	192,641	2,022	62,493	(312)
Total changes in net position	(179,136)	(65,354)	(38,098)	(59,439)	149,799	154,210	179,064	(5,392)	63,512	(6,231)
Net position-beginning of year (as previously stated)	(1,120,178)	(1,014,953)	126,332	185,771	35,972	576,794	397,730	403,122	339,610	345,841
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	345,841
Net position, ending	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794	\$ 397,730	\$ 403,122	\$ 339,610
Net investment in capital assets	\$ 731,730	\$ 784,280	\$ 867,913	\$ 823,325	\$ 734,480	\$ 579,241	\$ 405,672	\$ 335,015	\$ 301,969	\$ 277,865
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	1,792	1,588	(127)	(8)	(876)	(139)	547	1,982	3,436	4,047
Loans	283	589	523	31	953	1,348	104	794	1,081	875
Capital projects	4,363	7,881	37,660	37,061	117,466	104,082	152,707	30,829	51,287	5,758
Unrestricted	(2,037,543)	(1,914,577)	(1,920,983)	(734,138)	(666,313)	(648,621)	17,703	29,049	45,288	51,004
Total net position	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794	\$ 397,730	\$ 403,122	\$ 339,610

SCHEDULE OF LONG-TERM DEBT

	For the Year Ended June 30,									
	(amounts in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Payable	-	-	-	-	-	-	-	-	415	1,245
Capital Leases	4,289	3,275	1,701	2,187	-	-	-	-	472	1,087
Mortgage Agreement	185,664	192,412	198,823	204,914	210,700	216,198	168,024	62,889	17,281	18,097
Total long-term debt	\$ 189,953	\$ 195,687	\$ 200,524	\$ 207,101	\$ 210,700	\$ 216,198	\$ 168,024	\$ 62,889	\$ 18,168	\$ 20,429

FACULTY AND STAFF

	For the Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
BARGAINING UNIT										
Faculty	566.7	565.6	539.6	529.4	517.6	507.8	512.8	508.0	505.7	486.8
University Health Professionals	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	2,285.0
All Other	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	1,401.6
Total FTE's	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	4,173.4
EXEMPT										
Faculty	54.9	54.3	55.2	56.2	56.8	60.6	61.5	60.5	60.1	57.8
Managerial	133.0	131.8	139.1	153.9	160.6	159.3	158.3	156.2	151.9	144.1
All Other	350.2	334.9	340.7	335.1	329.3	353.2	392.7	404.1	408.9	369.0
Total FTE's	538.1	521.0	535.0	545.2	546.7	573.1	612.5	620.8	620.9	570.9
TOTAL FTE's	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	4,744.3

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,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Academic										
Net assignable square feet (in thousands)	84	84	82	82	74	74	74	74	74	74
Number of buildings/major areas of Main Building*	2	2	2	2	1	1	1	1	1	1
Research buildings										
Net assignable square feet (in thousands)	478	478	456	456	456	435	435	435	442	442
Number of buildings/major areas of Main Building*	7	7	6	6	6	6	6	6	17	17
Patient care buildings										
Net assignable square feet (in thousands)	868	868	885	885	885	662	529	529	529	529
Number of buildings/major areas of Main Building*	6	6	6	6	6	6	8	8	8	8
Administrative and support buildings										
Net assignable square feet (in thousands)	985	985	865	865	873	769	769	698	179	179
Number of buildings/major areas of Main Building*	11	11	11	11	12	11	11	10	9	9
Total net assignable square feet (in thousands)	<u>2415</u>	<u>2415</u>	<u>2288</u>	<u>2288</u>	<u>2288</u>	<u>1940</u>	<u>1807</u>	<u>1736</u>	<u>1224</u>	<u>1224</u>
Number of buildings/major areas of Main Building*	<u>26</u>	<u>26</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>24</u>	<u>26</u>	<u>25</u>	<u>35</u>	<u>35</u>

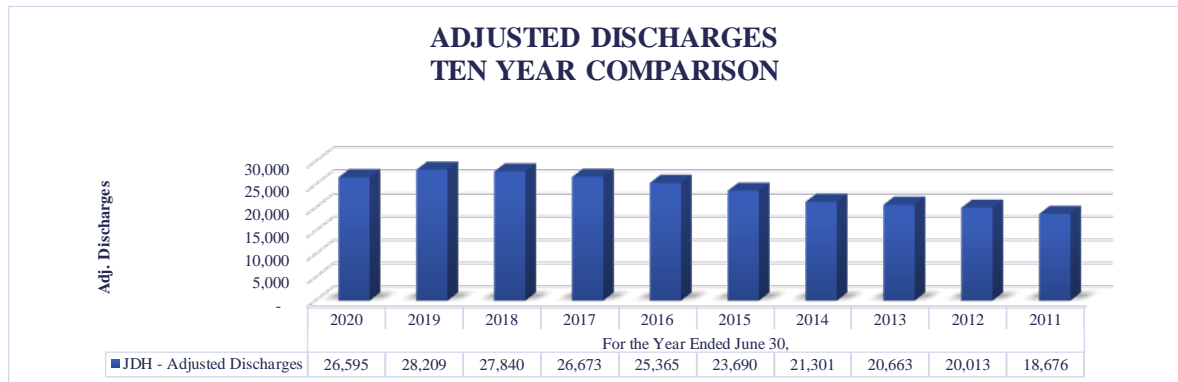
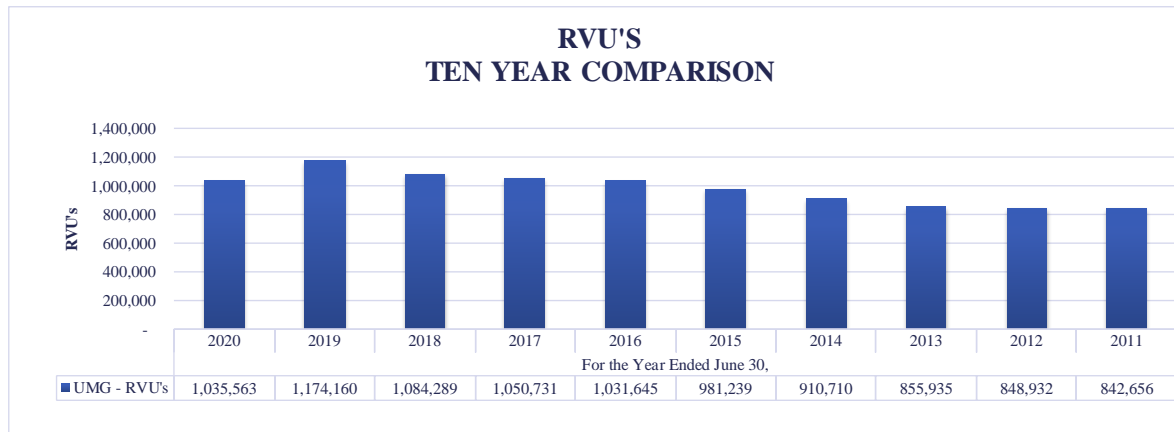
69

*** 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 = 695 (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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
UMG - RVU's	1,035,563	1,174,160	1,084,289	1,050,731	1,031,645	981,239	910,710	855,935	848,932	842,656
	For the Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
JDH - Adjusted Discharges	26,595	28,209	27,840	26,673	25,365	23,690	21,301	20,663	20,013	18,676



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)
2020	\$ 260,641,600,000	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%
2011	215,220,960,000	3,589,072	59,966	9.1%

(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

2020

Name	Employees in CT	Percentage of Total CT Employment	Rank
Hartford HealthCare	30,000	1.7%	1
Yale New Haven Health Sys	26,028	1.5%	2
United Technologies Corp. UTC	19,000	1.1%	3
Yale University	15,243	0.9%	4
General Dynamics/Electric Boat	14,000	0.8%	5
Sikorsky Air/Lockheed Martin Co.	8,735	0.5%	6
Wal-Mart Stores Inc.	8,066	0.5%	7
Mohegan Sun Casino	8,000	0.5%	8
The Travelers Cos Inc.	7,000	0.4%	9
The Hartford	6,800	0.4%	10
Total	142,872	8.2%	

2011

Name	Employees in CT	Percentage of Total CT Employment	Rank
United Technologies Corp. UTC	26,900	1.6%	1
Hartford HealthCare	15,216	0.9%	2
Yale University	13,615	0.8%	3
Stop & Shop Cos., Inc	13,574	0.8%	4
The Hartford	10,500	0.6%	5
Wal-Mart Stores Inc.	9,204	0.5%	6
Yale New Haven Health Sys	8,500	0.5%	7
General Dynamics/Electric Boat	8,350	0.5%	8
Mohegan Sun Casino	8,000	0.5%	9
Foxwoods Resort Casino	7,210	0.4%	10
Total	121,069	7.1%	

Source: State of Connecticut Office of the State Comptroller

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