

Annual Comprehensive Financial Report

FOR THE YEAR ENDED JUNE 30, 2023

Included as an Enterprise Fund of the State of Connecticut



UConn HEALTH

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Annual Comprehensive
Financial Report
For the Year Ended June 30, 2023

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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 at 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 and 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. A key component of external oversight, the Auditors of Public Accounts issue an Independent Auditors’ Report on the financial statements of UConn Health. They are responsible for

auditing its financial operations and their opinion appears in this report.

Established in 1961, with a mission of teaching, research, and patient care. UConn Health is Connecticut’s only public academic medical center. It is comprised of UConn School of Medicine, School of Dental Medicine and their associated Education Clinics, a Research Enterprise, John Dempsey Hospital (the Hospital), UConn Medical Group (UMG), and the University of Connecticut Finance Corporation (Finance Corporation) and its subsidiaries including UConn Health Pharmacy Services, Inc. (UHPSI) on the campus in Farmington. There are additional clinical care community locations throughout the State.

UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. UConn Health consistently pursues 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 5,000 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 211 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 Health's dental students with an especially solid foundation in the biomedical sciences, reflected in the dental school's decision to award its graduates the D.M.D. (Doctor of Medical Dentistry). School of Dental Medicine students have a long history of outstanding performance on the National Boards.

UConn Health is Connecticut's number one producer of medical and dental professionals. It is the largest single source of new physicians and surgeons for the State and a significant source of trained scientists and public health experts. For more than 50 years we've been training the State's health care workforce, with UConn-educated doctors and trainees continuing to make their mark on the communities they serve; many right here in Connecticut.

Each year at UConn Health, approximately 450 students work toward the medical doctor's degree and 200 toward the doctor of medical dentistry degree. Admission to each school is highly competitive but both schools offer preferential consideration to qualified Connecticut residents in their admissions policies.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 600 newly graduated D.M.D. and M.D.s each year. These physicians come from all over the country to acquire advanced skills in fields such as the surgical specialties, internal medicine, and primary care. Some of the residency training occurs on UConn Health's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending UConn Health's positive impact on the region.

Research Programs

High-quality research programs are one of the core missions of UConn Health. The strength of UConn Health's research programs allows it to attract high quality students as well as nationally and internationally known researchers with expertise in Neuroscience, Molecular Biology and Biochemistry, Cell Physiology, Biomedical Engineering, Genetics, Immunology and Childhood Development, among other fields. The Alcohol Research Center is one of only twenty-two such federally supported centers in the nation and is the

longest-funded center at the National Institute on Alcohol Abuse and Alcoholism (NIAAA). UConn Health is home to one of just fifteen older American Independence Centers, otherwise known as Claude D. Pepper Centers across the country. Areas of growth and opportunity include Psychiatry, Neuroscience, the Center on Aging, Genetics and Genome Sciences, Molecular Biology and Biophysics, Child, and Family Studies, Biomedical Engineering, and the Calhoun Cardiology Center. Awards to UConn Health exceeded \$100.0 million in four of the last five years, with awards in FY23 totaling more than \$129.3 million.

Health Care Services

Through John Dempsey Hospital (224 certified general acute care beds and 10 bassinets, 205 staffed), UConn Health provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular (interventional cardiology and surgery), cancer, musculoskeletal services, neurosurgical care, stroke services, behavioral mental health 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 grow volume, the challenges of the healthcare marketplace (recruitment, increased competition, supply chain disruption, malpractice costs, and low reimbursement) are continuing challenges. 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 under/uninsured by providing better medical care and health education. UConn Health is committed to finding new and effective ways to reach

out to the public as part of our ongoing effort to bring a better quality of life to all our citizens.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. Since then, COVID-19 and its variants have continued 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. Since fiscal year 2021, UConn Health has been diligently navigating a path back to providing full services in a changed world. The federal COVID-19 Public Health Emergency declaration ended on May 11, 2023. We continue to monitor the pandemic and its many associated business challenges including variant waves, supply chain disruption, worker shortages, and aid application and reporting requirements. Management remains focused on providing exceptional, reliable, and safe patient care to our community.

UConn Health has received aid from a number of governmental agencies and other sources throughout the pandemic. Notably, UConn Health received federal funding via the American Rescue Plan Act (ARPA), and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds received under these programs carry reporting and other requirements outlined by the federal government, which began September 30, 2021. UConn Health believes it has met these requirements. A summary of the significant amounts received in fiscal year 2023 is shown below:

Funding Source	<u>2023</u>
State ARPA allocation	\$ 72,700,000
Other funds	266,090
Total Covid-19 relief revenue	<u>\$ 72,966,090</u>

Economic Condition

Connecticut’s revenues exceeded expenses at the State level, resulting in a fiscal year 2023 surplus. In June 2023, the State’s biennial budget for fiscal years 2024 and 2025 were approved by Public Act 23-204 (HB-6941) and signed into law by the Governor. The approved appropriations for UConn Health were \$111.6 for fiscal year 2024 and \$114.1 million for fiscal year 2025. In addition to the appropriations, the State allocated “One-Time Carry Forward Funds” of \$35.0 million for fiscal year 2024 and \$17.5 million for fiscal

year 2025. UConn Health also received allocations of “One-Time American Rescue Plan Act Funds” of \$51.5 million for fiscal year 2024 and \$25.7 million for fiscal year 2025.

UConn Health’s fiscal 2024 budget contains a projected loss of \$22.1 million. This is reliant upon current State budget legislation. The current projected deficit will be funded through the use of unrestricted reserves. Changes at the State level may impact State support and UConn Health’s overall results. UConn Health remains in constant contact with the State to monitor trends and needs.

No assurance can be made that the State will not change the fiscal year 2024 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/or other deficit mitigation efforts.

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

Awards and Acknowledgements

Thanks to the dedication, hard work, and teamwork of UConn Health’s over 5,000 employees, it has been a record-breaking year for Connecticut’s only public academic medical center.

In fiscal year 2023, UConn Health clinicians had more than 1.5 million patient encounters with approximately 850,000 clinic visits, 14,500 hospital discharges, 13,000 surgeries, 51,000 emergency department visits, and 79,000 dental visits.

The Hospital’s emergency room is seeing record number of patients many of which go on to be admitted. Our consistently high census has led to the exploration of adding more hospital beds to meet the demands of the growing number of patients seeking UConn Health’s high-quality, rapid, and award-winning care.

Research funding is at a record high. UConn Health’s current year research funding was \$129.3 million, with \$76.5 million of the funding prestigiously awarded by the National Institutes of Health (NIH). Academically, the UConn School of Medicine recently graduated its 4,000th doctor since opening in 1972, while the dental

school is at nearly 2,000 graduates. Historically, we have trained nearly 7,000 new primary care and specialty physicians in our robust and growing residency programs. We remain the state's largest medical school, its only public medical school, and the largest single source of medical professionals including physicians and surgeons, along with many scientists and public health experts.

UConn Health's healthcare workforce contributions are unparalleled, with many of our graduates and trainees remaining in Connecticut to train and practice. Seventy percent of UConn School of Medicine graduates are practicing medicine or serving as resident physicians in Connecticut and sixty percent of all the state's pediatricians are graduates or trainees. In addition, thirty-one percent of Connecticut's practicing physicians and twenty-two percent of its local public health directors are UConn-trained. Over half of Connecticut's practicing dentists are School of Dental Medicine alumni.

This year was robust in accolades for UConn Health. Most notably our hospital was just one of two hospitals in Connecticut to be "most likely to be recommended by patients," receiving five stars for patient recommendations from The Center for Medicare and Medicaid Services (CMS) with Becker's HealthCare applauding our patient experience excellence. U.S. News & World Report named the Hospital a "High Performing" hospital for heart attack and stroke. Once again, the Hospital was named a "World's Best Hospital" by Newsweek. The Leapfrog Group awarded us our sixth consecutive top "A" rating for patient safety excellence; while we were also awarded 7 Women's Choice Awards as one of "America's Best Hospitals" for patient safety, cancer care, stroke care, minimally invasive surgery, comprehensive breast care, mammogram imaging and women's services. Our campus was redesignated by Connecticut Division of Public Health (DPH) as the only "Heart Safe" medical center campus in the state.

UConn Health also offered our patients many care innovations including:

- First in the U.S. to offer a newly FDA-approved drug for multiple myeloma called "teclistamab".

- First in the Northeast to implant a 3D-printed custom ankle replacement to allow a patient to walk again without pain.
- First in CT to offer an innovative 3D-printed implant solution for spinal fusion to ease a patient's severe back pain.

UConn Health continues to expand its care and service to Connecticut. In 2023, we successfully opened:

- Newly expanded UConn Health Simsbury outpatient care location.
- New Laser Center for dermatology care and training.

In the upcoming year we look forward to opening:

- UConn Center on Aging with comprehensive geriatric and subspecialty care programs.
- UConn Brain and Spine Institute located in Farmington. The Brain and Spine Institute will be in a new building featuring free-standing radiology equipment.

Public service is the foundational mission of UConn Health. A few of our major initiatives this past year with a significant community impact include:

- The establishment of the first-of-its-kind, publicly funded endometriosis data and biorepository program at UConn Health in collaboration with The Jackson Laboratory (JAX). It will drive research breakthroughs to help women across the state and nation, advancing diagnostics, treatments, and cures for the highly invasive, underdiagnosed, and under-researched condition. The collaboration positions Connecticut as a trailblazer in endometriosis treatment and research.
- UConn Health continues to distribute hundreds of free do-it-yourself indoor air filters to help vulnerable community members protect themselves from respiratory dangers including COVID-19 and unhealthy wildfire smoke particles. The air filters are built by volunteering UConn faculty, students, and staff as part of the ongoing cross-campus "UConn

Indoor Air Quality Initiative” launched during COVID-19 to help battle the virus and protect teachers inside public schools. The simple, inexpensive purifiers, known as “CorsiRosenthal boxes,” can be assembled with common hardware store supplies. The U.S. EPA is bio chamber testing the efficacy of these devices with UConn researchers.

- Our experts are part of a new sickle cell disease expert commission calling on the world to improve care for the painful inherited red blood cell disease and disseminating globally simple and effective methods to reduce the pain and suffering of millions of individuals. UConn Health’s New England Sickle Cell Institute at UConn Health has transformed the care of sickle cell patients in Connecticut as the region’s first and only dedicated outpatient center of its kind for managing and researching the disease.

Our researchers continue their impressive cutting-edge clinical trials, high-impact study publications, and research breakthroughs. A few of the many highlights from this past year include:

- Discovering a new method for healing and regrowing long bones such as those in the arms and legs.

Respectfully Submitted,



Jeffrey P. Geoghegan, CPA
Executive Vice President for Finance and Chief Financial Officer
UConn & UConn Health

- Developing a new artificial intelligence (AI) algorithm to review patient mammograms to pinpoint potential breast cancers.
- Teaming up with JAX to use advanced genomics for brain cancer tumor analysis and diagnosis to uncover the molecular signatures using precision genomics called whole genome methylation array to best treat each patient’s individual brain tumor.
- Researchers are tackling Alzheimer’s disease by leveraging big data to understand how Alzheimer’s brains may differ from healthy brains by visualizing and tracking the behavior patterns of the expressed genes of thousands of cells in hopes of fueling a cure or new therapy.

UConn Health’s faculty, researchers and staff are making extraordinary and innovative breakthroughs in patient care and basic and translational research. Our academic, clinical, research, and public service pursuits are having lasting impacts on academic medicine, our state, our communities, and the lives of our citizens. These are challenging, exciting times at UConn Health and we continue to be optimistic about bringing world class care to the residents of Connecticut and beyond.

**DIRECTORS AND FINANCIAL OFFICERS
As of June 30, 2023**

BOARD OF DIRECTORS

Members at Large

Dr. Kenneth Alleyne *Bloomfield*

Francis X. Archambault, Jr. *Hartford*

Richard M. Barry *Avon*

Richard T. Carbray, Jr. *Rocky Hill*

Cheryl A. Chase *Hartford*

Britt-Marie Cole-Johnson *Hartford*

Timothy A. Holt *Glastonbury*

Dr. Wayne Rawlins *Cromwell*

Appointed by the Governor

Patricia Baker *Cheshire*

Teresa M. Ressel *New Canaan*

Joel Freedman *South Glastonbury*

Members Ex Officio

Radenka Maric *Storrs*

Claudio Gaultieri *Hartford*

Manisha Juthani *Hartford*

Appointed by Chairperson, Board of Trustees

Sandford Cloud, Jr. Chairperson *West Hartford*

Andy F. Bessette *West Hartford*

Mark L. Boxer *Glastonbury*

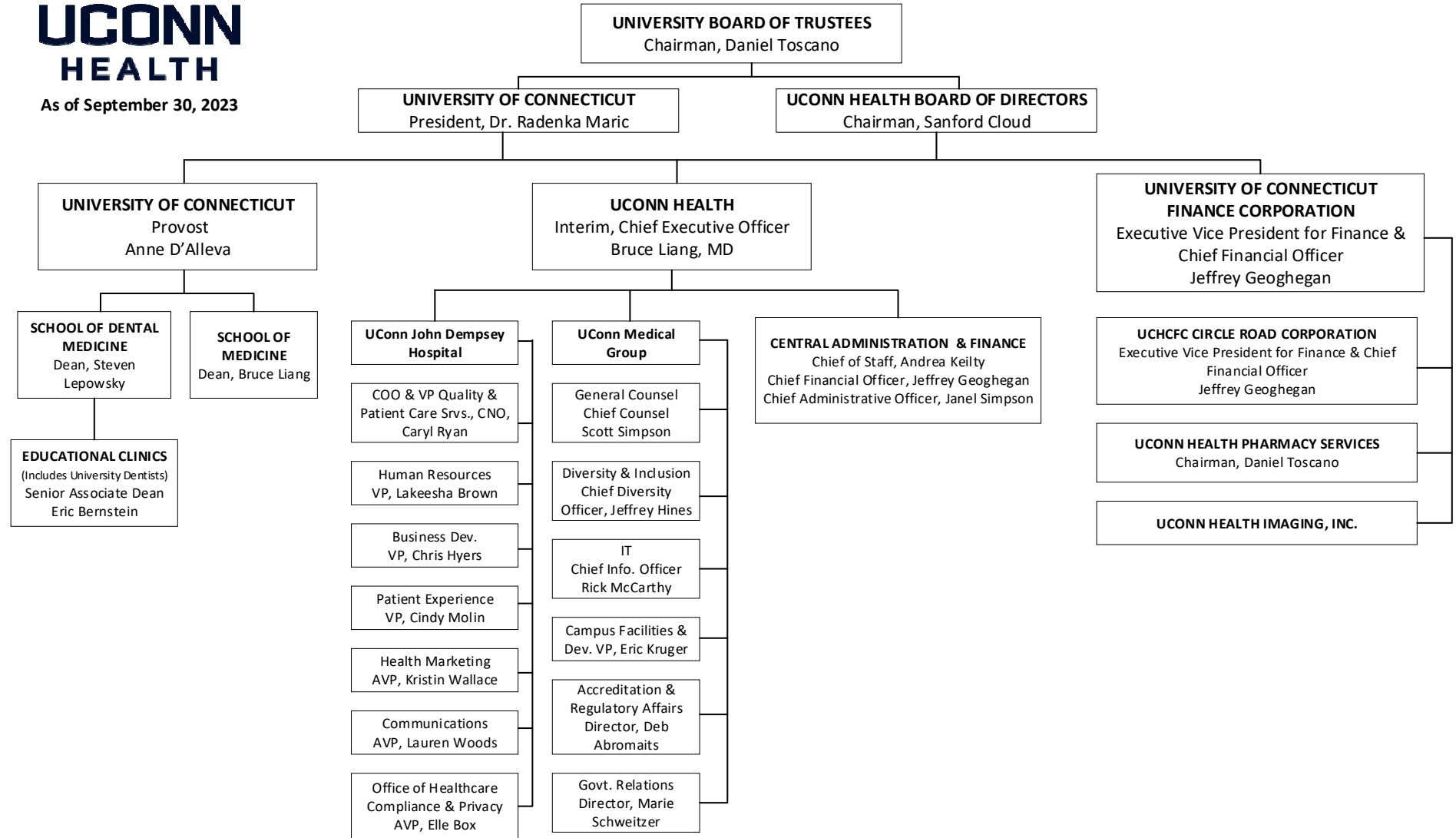
FINANCIAL OFFICERS

Jeffrey P. Geoghegan, CPA, Executive Vice President for Finance and Chief Financial Officer
UConn and UConn Health

Chad A. Bianchi, CPA, Controller UConn Health

UConn HEALTH

As of September 30, 2023



FINANCIAL SECTION

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CLARK J. CHAPIN

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

Opinions

We have audited the accompanying financial statements of the business-type activities of the University of Connecticut Health Center (UConn Health), a component unit of the University of Connecticut system, which includes the University of Connecticut, UConn Health and the University of Connecticut Foundation, Inc., which consist of the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of UConn Health, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit:

- The financial statements of John Dempsey Hospital, which represents 37.1% of the assets and 44.2% of the revenues of UConn Health;
- The financial statements of UConn Medical Group, which represents 9.1% of the assets and 8.7% of the revenues of UConn Health; and
- The financial statements of the Finance Corporation, which represents 17.2% of the assets and 7.8% of the revenues of UConn Health.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the John Dempsey Hospital, UConn Medical Group, and the Finance Corporation, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UConn Health, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of UConn Health's Proportionate Share of Collective Net Pension Liability and related ratios, the Schedule of UConn Health's Pension Contributions, the Schedule of UConn Health's Proportionate Share of the Net OPEB Liability and related ratios, and the Schedule of UConn Health's

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise UConn Health's basic financial statements. The consolidating financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the consolidating financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

December 8, 2023
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 fiscal year ended June 30, 2023. 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 the University of Connecticut Health Center ("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), a Research Enterprise, UConn Medical Group (UMG), the Finance Corporation (and its subsidiaries University of Connecticut Health Finance Corporation Circle Road Corporation (Circle Road Corporation) and UConn Health Pharmacy Services, Inc. (UHPSI), and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2023 was 453 students in the School of Medicine, 202 in the School of Dental Medicine, and 312 Graduate students, taught by over 600 faculty members. UConn Health finished fiscal year 2023 with 5,004 full-time employees. Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. The Hospital has 224 certified general acute care beds and 10 bassinets (205 staffed). In fiscal year 2023, adjusted patient days (a measure of total hospital volume) were 160,059, a 7.2% increase from the prior year. During 2023, UMG had 850,412 unique patient visits, a 3.1% increase.

The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview, and

analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of UConn Health for the fiscal year ended June 30, 2023, 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, statement of cash flows and notes to the financial statements) present the financial position of UConn Health as of June 30, 2023, and the results of operations and financial activities for the fiscal 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, deferred outflows, liabilities, and deferred inflows. The statement of revenues, expenses and changes in net position reflects the fiscal 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 fiscal 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, 2023, consisted of assets of \$1.4 billion and liabilities of \$2.6 billion. Net assets, which represent the residual interest

in UConn Health's assets and deferred outflows after liabilities and deferred inflows are deducted, increased \$250.3 million in fiscal year 2023 after non-operating and other changes in net position (including the impact of change in accounting method). The changes were primarily driven by the recording of UConn Health's proportionate share of State pension and OPEB liabilities and were not representative of normal operations. The change in net assets exclusive of these entries was \$46.5 million.

The financial statements contained herein show an operating loss of \$210.3 million for the year ending June 30, 2023 (fiscal year 2023). 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 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 reported income before other changes in net position of \$210.7 million in fiscal year 2023.

Some sources of recurring operating and non-operating revenues increased in 2023. Net patient revenues increased from the prior year. Increases were attributed to resuming elective procedures, market shifts and unmet demands from the pandemic. Our focus remains on cautiously returning to full patient care, while assuring patients that it is safe to do so. State support, including state-funded capital appropriations, increased 6.5% in fiscal year 2023. The increase is primarily attributed to capital appropriation and the additional appropriations to pay SEBAC increases and a portion of the State's unfunded accrued liabilities assigned to UConn Health. UConn Health received initial appropriation of \$111.6 million for fiscal year 2024.

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 2023 and 2022. 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, including the deferred outflows of resources, of UConn Health decreased by \$139.6 million, or 6.0%, from the prior year. The decrease was primarily attributable to deferred outflows for OPEB.

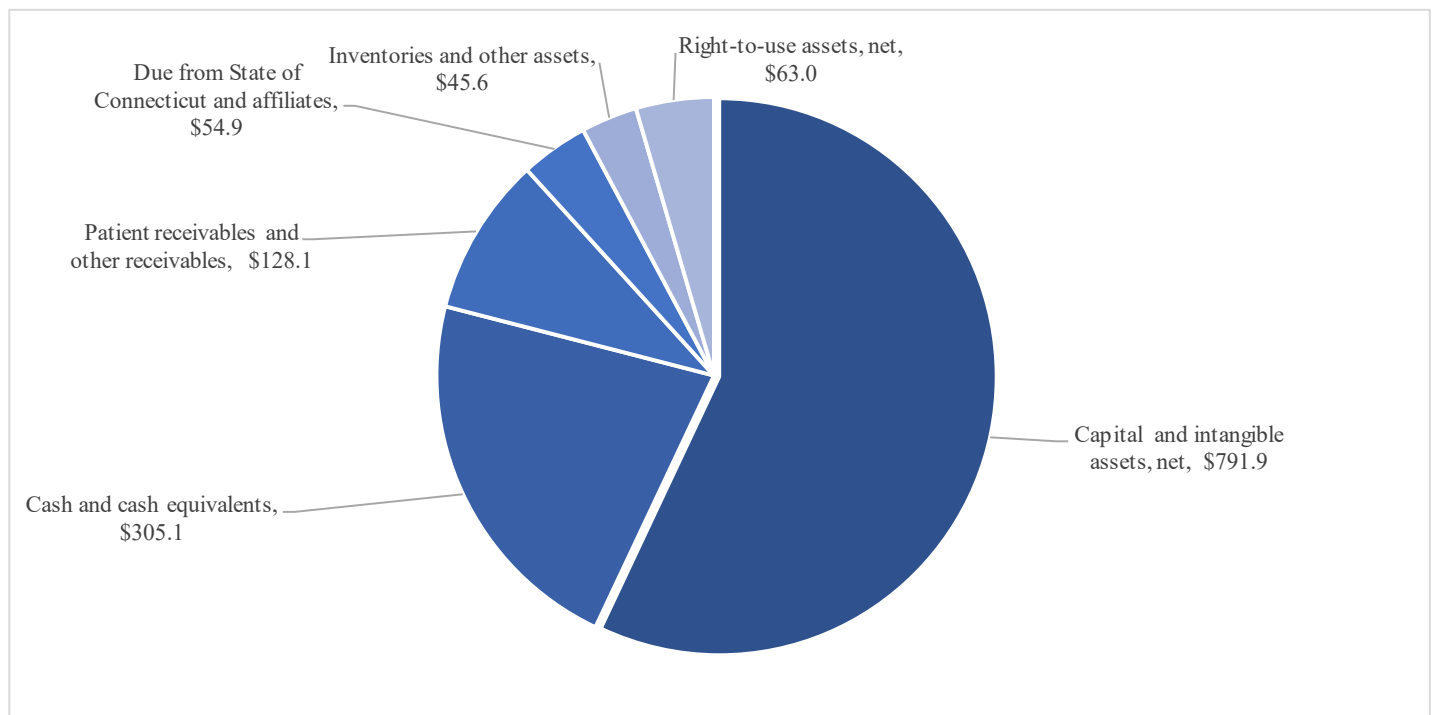
Total liabilities, including the deferred inflow of resources, decreased by \$389.9 million or 10.1% from 2022. The driver of the decrease was the \$325.2 million decrease related to pension and OPEB. Decreases in pension and OPEB expenses reflect both UConn Health's changing percentage of overall plan contributions and changes at the state plan level to underlying assumptions such as discount rates.

Deferred outflows of resources decreased \$121.4 million and deferred inflows of resources increased \$266.8 million. Most of the increase in deferred inflows was from pension and OPEB based on changes to the respective plans as evaluated in the most recent actuary reports.

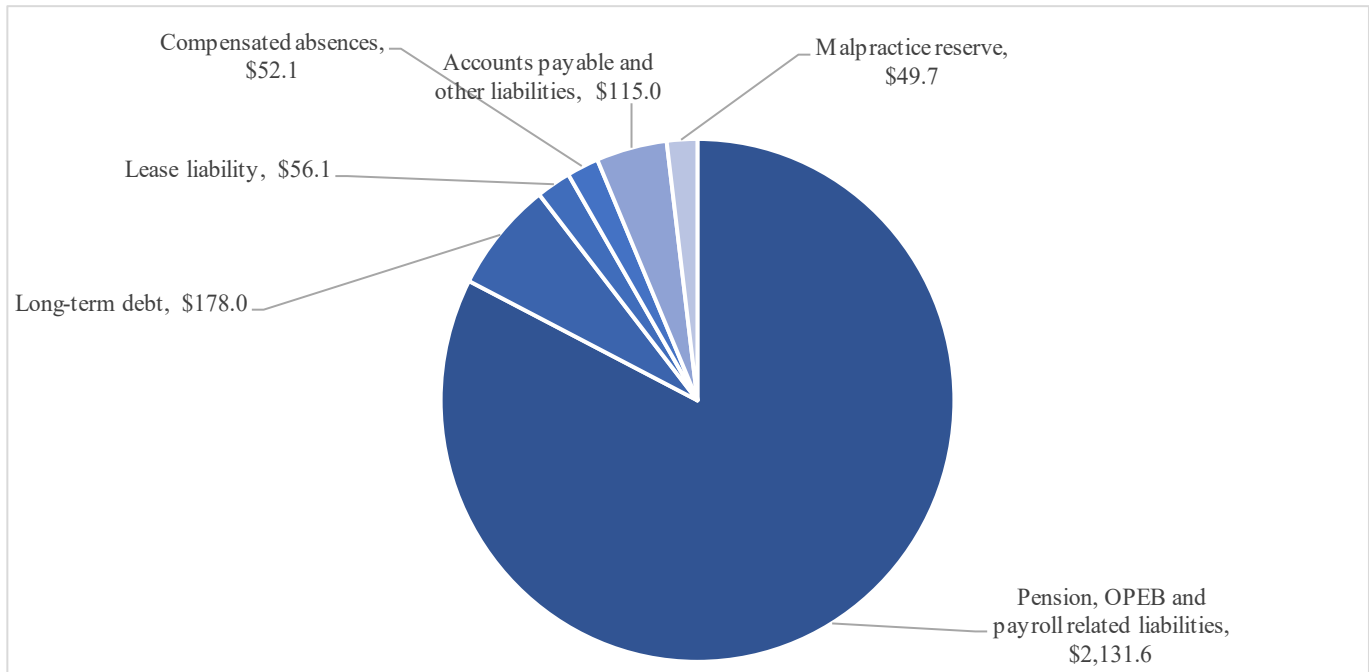
The following table shows a condensed schedule of net position as of June 30, 2023 and 2022:

	2023	2022 (Restated) (\$ in millions)	\$ Change	% Change
Assets:				
Current assets	\$ 464.4	\$ 485.8	\$ (21.4)	-4.4%
Right-to-use assets, net	63.0	59.4	3.6	6.1%
Capital and intangible assets, net	791.9	836.2	(44.3)	-5.3%
Other noncurrent assets	69.3	25.4	43.9	172.8%
Total assets	\$ 1,388.6	\$ 1,406.8	\$ (18.2)	-1.3%
Deferred outflows of resources	\$ 799.9	\$ 921.3	\$ (121.4)	-13.2%
Liabilities:				
Current liabilities	\$ 194.1	\$ 245.6	\$ (51.5)	-21.0%
Noncurrent liabilities	2,388.4	2,993.6	(605.2)	-20.2%
Total liabilities	\$ 2,582.5	\$ 3,239.2	\$ (656.7)	-20.3%
Deferred inflows of resources	\$ 881.6	\$ 614.8	\$ 266.8	43.4%
Net position:				
Net investment in capital assets	\$ 620.8	\$ 646.8	\$ (26.0)	-4.0%
Restricted nonexpendable	0.1	0.1	(0.0)	0.0%
Restricted expendable	55.0	27.6	27.4	99.3%
Unrestricted	(1,951.5)	(2,200.4)	248.9	-11.3%
Total net position	\$ (1,275.6)	\$ (1,525.9)	\$ 250.3	-16.4%

The following graph shows total assets of \$1.4 billion by major category as of June 30, 2023 (\$ in millions):



The following graph shows total liabilities of \$2.6 billion by major category as of June 30, 2023 (\$ 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 expense by the institution. However, it must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to UConn Health for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic, clinical and research programs, capital programs, and auxiliary enterprise activities. The statement of net position presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of UConn Health as of the end of the fiscal year. The statement of net position is a point in time financial statement and is used as a measure of the financial condition of UConn Health. This statement presents a snapshot concerning assets, classified as current (expected to be available for use

within one year) and noncurrent (expected to be available after one year), outflows, liabilities, categorized as current (expected to mature and due within one year), and noncurrent (expected to mature and become due after one year), inflows and net position.

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

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

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

	2023	2022		% Change
		(Restated)	\$ Change	
	(\$ in millions)			
Net Position				
Net investment in capital assets	\$ 620.8	\$ 646.8	\$ (26.0)	-4.0%
Restricted nonexpendable	0.1	0.1	(0.0)	0.0%
Restricted expendable	55.0	27.6	27.4	99.3%
Unrestricted	<u>(1,951.5)</u>	<u>(2,200.4)</u>	<u>248.9</u>	<u>-11.3%</u>
Total net position	<u>(1,275.6)</u>	<u>(1,525.9)</u>	<u>250.3</u>	<u>-16.4%</u>
Pension (GASB 68) impact	756.0	928.3	(172.3)	-18.6%
OPEB (GASB 75) impact	<u>1,420.4</u>	<u>1,451.9</u>	<u>(31.5)</u>	<u>-2.2%</u>
Net position, excluding pension and OPEB	<u>\$ 900.8</u>	<u>\$ 854.3</u>	<u>\$ 46.5</u>	<u>5.4%</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

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

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

Other changes in net position are composed of capital appropriations and transfers from affiliates.

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, 2023 and 2022 is presented below:

Operating revenues:	<u>2023</u>	<u>2022</u> <u>(Restated)</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Student tuition and fees (net of scholarship allowances)	\$ 24.9	\$ 23.9	\$ 1.0	4.2%
Patient services and pharmaceutical revenues (net of charity care)	841.9	743.5	98.4	13.2%
Federal grants and contracts	88.6	96.3	(7.7)	-8.0%
Nonfederal grants and contracts	26.5	26.3	0.2	0.8%
Contract and other operating revenues	173.4	158.4	15.0	9.5%
Total operating revenues	<u>1,155.3</u>	<u>1,048.4</u>	<u>106.9</u>	<u>10.2%</u>
Operating expenses:				
Instruction	143.0	175.5	(32.5)	-18.5%
Research	50.7	77.2	(26.5)	-34.3%
Patient services	907.7	970.2	(62.5)	-6.4%
Academic support	14.2	22.1	(7.9)	-35.7%
Institutional support	145.4	141.6	3.8	2.7%
Operations and maintenance of plant	17.8	27.6	(9.8)	-35.5%
Depreciation and amortization	86.4	81.5	4.9	6.0%
Student aid	0.4	0.1	0.3	300.0%
Total operating expenses	<u>1,365.6</u>	<u>1,495.8</u>	<u>(130.2)</u>	<u>-8.7%</u>
Operating Loss	<u>(210.3)</u>	<u>(447.4)</u>	<u>237.1</u>	<u>-53.0%</u>
Nonoperating revenues (expenses):				
State appropriations	340.3	344.0	(3.7)	-1.1%
Transfer from State and outside programs	-	20.0	(20.0)	100.0%
Gifts	5.4	4.4	1.0	22.7%
COVID-19 relief revenue	73.0	87.4	(14.4)	-16.5%
Loss on disposal	(0.1)	(0.8)	0.7	-87.5%
Interest income	0.3	0.4	(0.1)	-25.0%
Lease revenue	2.6	2.9	(0.3)	-10.3%
Investment income (net of investment expense)	10.1	0.1	10.0	10000.0%
Interest on capital asset - related debt	(10.6)	(9.5)	(1.1)	11.6%
Net nonoperating revenues	<u>421.0</u>	<u>448.9</u>	<u>(27.9)</u>	<u>-6.2%</u>
Income before other changes in net position	<u>210.7</u>	<u>1.5</u>	<u>209.2</u>	<u>13946.7%</u>
Other changes in net position:				
Transfer from affiliate	-	0.2	(0.2)	-100.0%
Capital appropriations	40.0	13.0	27.0	207.7%
Net other changes in net position	<u>40.0</u>	<u>13.2</u>	<u>26.8</u>	<u>203.0%</u>
Increase in net position	<u>250.7</u>	<u>14.7</u>	<u>236.0</u>	<u>1605.4%</u>
Net position-beginning of year (as previously stated)	(1,525.9)	(1,539.9)	14.0	-0.9%
Cumulative effect of implementing GASB 87	(0.4)	(0.7)	0.3	-42.9%
Net position-beginning of year (restated)	<u>(1,526.3)</u>	<u>(1,540.6)</u>	<u>14.3</u>	<u>-0.9%</u>
Net position-end of year	<u>\$ (1,275.6)</u>	<u>\$ (1,525.9)</u>	<u>\$ 250.3</u>	<u>-16.4%</u>

Revenue

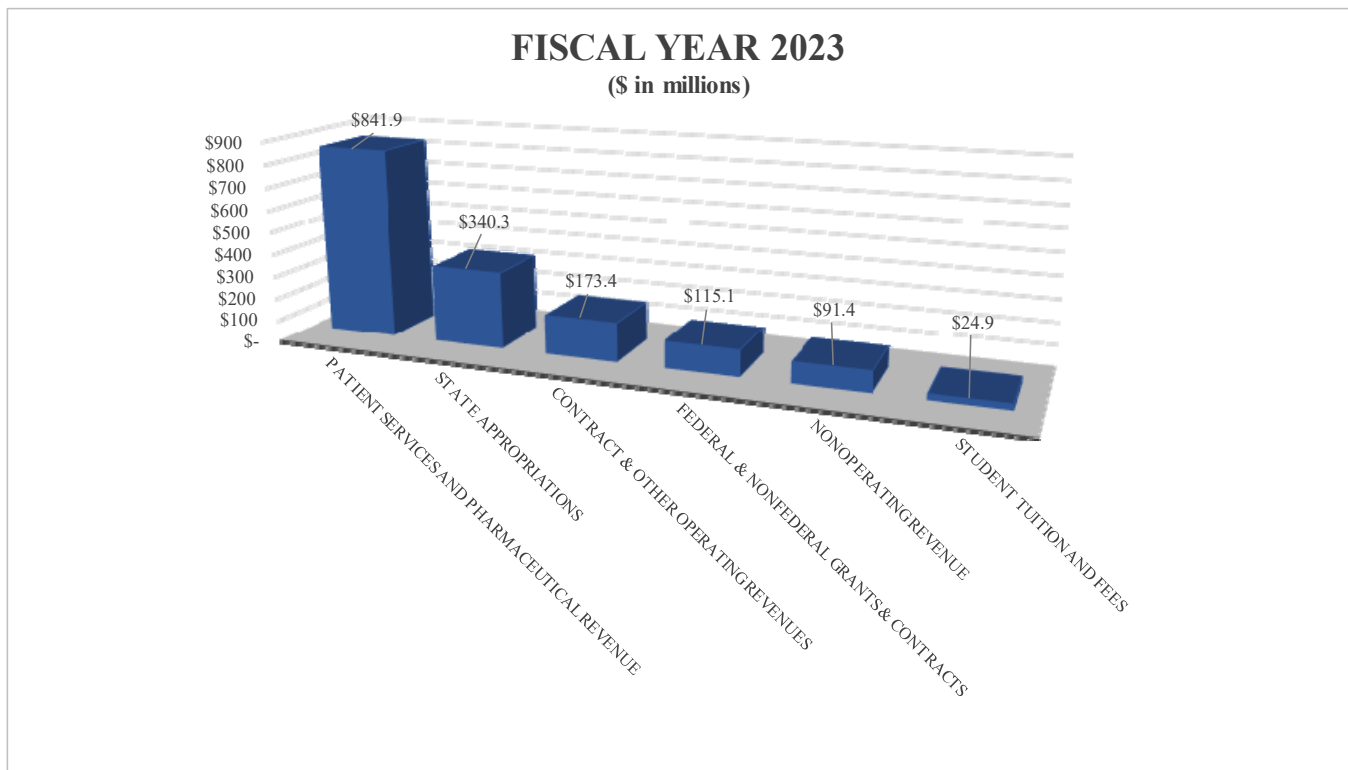
Highlights for the year ending June 30, 2023, including operating and non-operating revenues, presented on the statements of revenues, expenses, and changes in net position are as follows:

The largest source of revenue was patient service and pharmaceutical revenue. UConn Health’s overall net patient service and pharmaceutical revenue increased \$98.4 million or 13.2% from the prior fiscal year.

Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. In fiscal year 2023, UHPSI provided pharmaceuticals to patients primarily from various clinics related to UConn Health for the third year. That service has accounted for approximately \$36.0 million of increased net patient service and pharmaceutical revenue.

The State appropriation (including in-kind fringe benefits), which is included in non-operating revenues, totaled \$340.3 million.

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



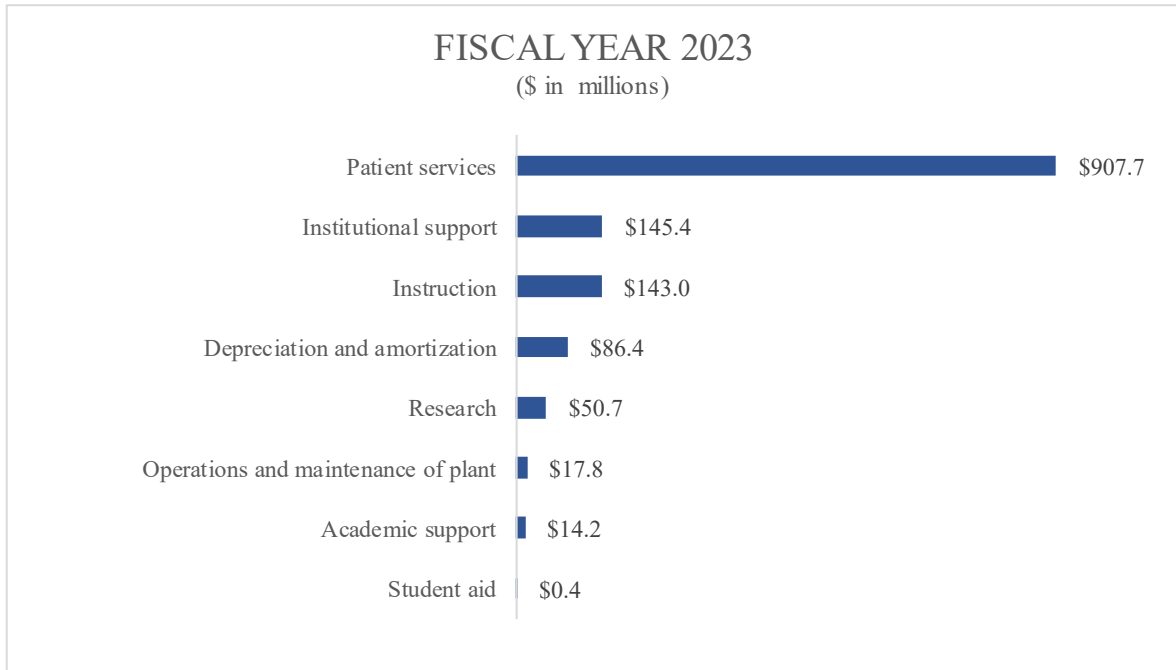
Expenses

Highlights of expenses including operating and non-operating expenses presented on the statements of revenues, expenses and changes in net position are as follows:

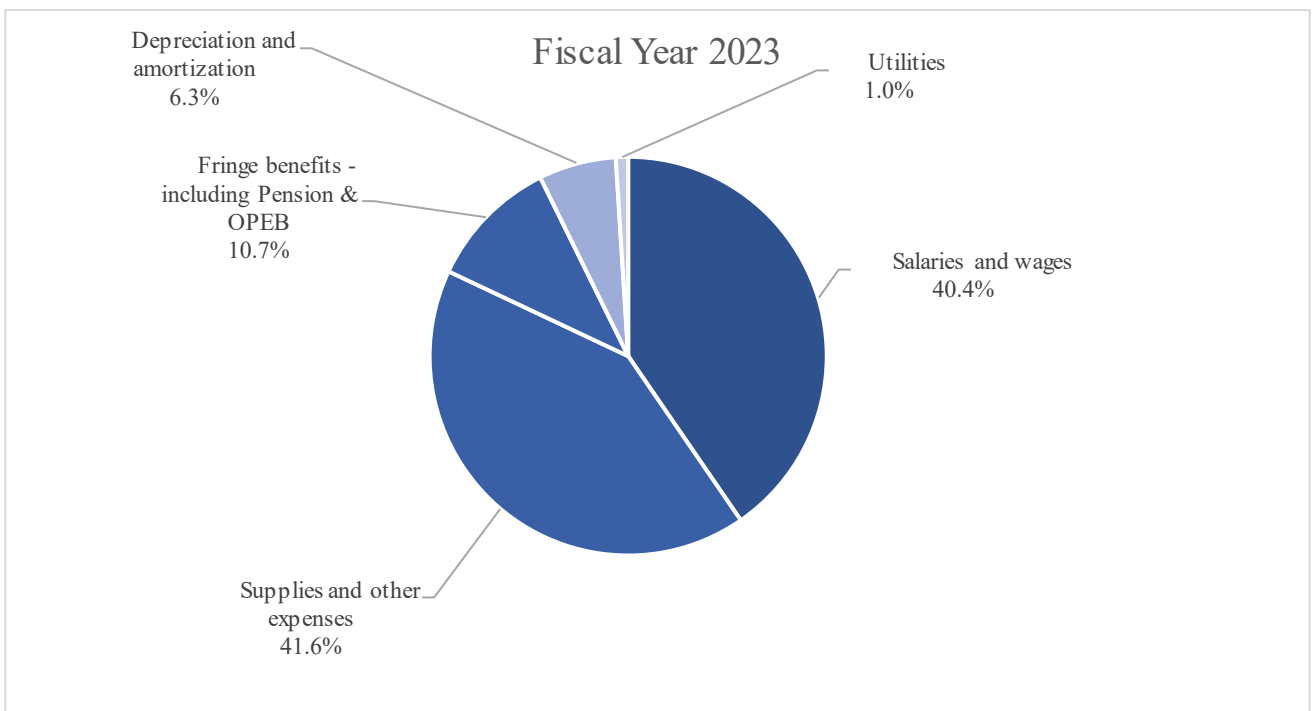
Patient service expense is the largest expense category for UConn Health; accounting for 66.5% of total

operating expenses. It decreased by \$62.5 million or 6.4% from the prior fiscal year. The decrease is attributed to the recognition of decreased pension and OPEB expense under GASB No. 68 and 75. Decreases were driven by decreased percentage allocations under the plans as well as underlying assumption changes such as a higher discount rate for OPEB in the current actuarial analysis.

The following graph shows the functional expenses of UConn Health:



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



STATEMENTS OF CASH FLOWS

The statements of cash flows present detailed information about the cash activity of UConn Health during the fiscal 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 statements of cash flows, on the other hand, shows cash inflows and outflows without regard to accruals.

The Statements 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 appropriations, 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 fiscal years ended June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Cash received from operations	\$ 1,124.9	\$ 1,023.2	\$ 101.7	9.9%
Cash expended for operations	<u>(1,304.5)</u>	<u>(1,123.6)</u>	<u>(180.9)</u>	<u>16.1%</u>
Net cash used in operating activities	(179.6)	(100.4)	(79.2)	78.9%
Net cash provided by investing activities	10.1	0.1	10.0	10000.0%
Net cash provided by noncapital financing activities	227.8	241.1	(13.3)	-5.5%
Net cash used in capital and related financing activities	<u>(60.7)</u>	<u>(25.9)</u>	<u>(34.8)</u>	<u>134.4%</u>
Net (decrease) increase in cash and cash equivalents	(2.4)	114.9	(117.3)	-102.1%
Cash and cash equivalents, beginning of the year	<u>307.5</u>	<u>192.6</u>	<u>114.9</u>	<u>59.7%</u>
Cash and cash equivalents, end of the year	<u>\$ 305.1</u>	<u>\$ 307.5</u>	<u>\$ (2.4)</u>	<u>-0.8%</u>

CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets along with right-to-use assets, net of accumulated depreciation and amortization, consisted of the following as of June 30, 2023 and 2022:

	2023	2022 (Restated)	\$ Change	% Change
	(\$ in millions)			
Land	\$ 13.5	\$ 13.5	\$ -	0.0%
Construction in progress	16.4	18.3	(1.9)	-10.4%
Fine art	1.3	1.3	-	0.0%
Buildings and building improvements	1,266.7	1,261.2	5.5	0.4%
Equipment	268.9	261.6	7.3	2.8%
Computer software	76.7	75.7	1.0	1.3%
Equipment - financed	0.1	0.1	-	0.0%
Less accumulated depreciation	(851.7)	(795.5)	(56.2)	7.1%
Capital assets, net	<u>\$ 791.9</u>	<u>\$ 836.2</u>	<u>\$ (44.3)</u>	<u>-5.3%</u>

	2023	2022 (Restated)	\$ Change	% Change
	(\$ in millions)			
Right-to-use assets building	\$ 35.5	\$ 36.4	\$ (0.9)	-2.5%
Right-to-use assets equipment	38.7	22.6	16.1	71.2%
Right-to-use assets subscriptions	35.0	32.9	2.1	6.4%
Less accumulated amortization	(46.2)	(32.5)	(13.7)	42.2%
Right-to-use assets, net	<u>\$ 63.0</u>	<u>\$ 59.4</u>	<u>\$ 3.6</u>	<u>6.1%</u>

Construction in progress decreased approximately \$1.9 million driven by continued progress on UCONN 2000 construction initiatives and the network upgrade project discussed in further detail in notes 10 and 11 of the financial statements.

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 been allotted \$850.9 million over the life of this program.

UConn Health was authorized \$40.0 million in capital appropriations during fiscal year 2023 from the General Obligation Bonds. The funds are to be used for deferred maintenance on UConn Health's campus.

UConn Health's fiscal year 2024 capital funding requests will be presented to the Capital Prioritization Committee for consideration and are then presented to the CFO and CEO of UConn Health for final approval on an individual basis.

DEBT ACTIVITIES

UConn Health continued to make scheduled debt payments on existing debt in fiscal year 2023. More detailed information about UConn Health's capital assets and debt activities are presented in notes 10 and 11 of the financial statements.

FISCAL YEAR 2024 OUTLOOK

As we look forward to fiscal year 2024, UConn Health faces unique challenges as the world moves beyond the COVID pandemic. UConn Health, like other providers, is grappling with the impact of delayed care, increased demand for services, staffing scarcity, and inflationary pressures. These challenges are on top of existing supply chain and emerging public health threats which providers have dealt with over the past several years. In addition, political focus is shifting towards decreasing healthcare spending at a time when providers are increasingly vulnerable financially. At the same time, an increasing focus on health equity and minimizing the impacts of health disparities in the general population puts additional focus on our ability to fulfill community needs. UConn Health is working diligently to stay abreast of changing clinical and business models as it

navigates these changing operational, social, and regulatory landscapes.

UConn Health continues to adapt to changing healthcare environments including labor and supply shortages, funding challenges, and increased demand through continual re-prioritization, forward-thinking, teamwork, and creativity. Continued and evolving public health challenges including a focus on diversity and equity require new methodologies, partnerships, and treatment options. We remain committed to responding to these needs to serve the people of Connecticut. UConn Health continues to evaluate partnerships with other State agencies and entities to bring additional tools and options to the public.

Research, education, and patient care remain the cornerstones of UConn Health's mission. These pillars remain as fundamental and relevant as ever. UConn Health is focused on maximizing our efforts in these areas, while navigating uncertainty surrounding both State and Federal funding. Federal and State aid are vital in shepherding public institutions through the many current challenges they face. This aid allows us to maintain access to a breadth of services and clinical specialties that might not otherwise be possible. Such aid also allows UConn Health to continue its public mission of protecting and serving the socially or economically disadvantaged. UConn Health benefitted from federal CARES Act support during the pandemic and continues to benefit from the allocation of American Rescue Plan Act (ARPA) funds from the State of Connecticut.

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2023 spending plan. The new biennium

brings its own challenges. As State and Federal government seek to put the pandemic behind them, funding is at the forefront of new concerns. Public sentiment towards healthcare and education has eroded as the focus shifts to affordability, government sustainability, and tax relief.

Clinical volumes have rebounded in most specialties and clinical volumes now often exceed pre-pandemic volumes straining delivery mechanisms that saw significant staffing departures over the past year. Competition for doctors, nurses, and other clinical specialties is intense. Wage and general inflation remain an issue as it continues to outpace payment increases. Supply shortages and inflation provide additional operational challenges. The global supply chain continues to work towards stabilization. Ports, rail transit, and trucking have started to stabilize but remain short of their prior reliability requiring UConn Health to constantly re-evaluate stocking methodologies in hopes of minimizing operational disruptions.

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, 2023

	2023
	(\$ in thousands)
ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	\$ 304,418
Patient receivables, net	68,585
Contract and other receivables	36,015
Funds held in escrow	272
Lease receivable - current portion (Note 5)	2,565
Due from Affiliates (Note 13)	14,150
Due from State of Connecticut	709
Inventories	20,648
Prepaid expenses	17,067
Total current assets	464,429
Noncurrent Assets	
Restricted cash and cash equivalents (Note 2)	634
Deposits with vendors	23,133
Other assets	464
Investment in Subsidiary	1,375
Due from State of Connecticut	40,062
Lease receivable - net of current portion (Note 5)	3,640
Right-to-use assets, net (Note 10)	62,969
Capital and intangible assets, net (Note 10)	791,936
Total noncurrent assets	924,213
Total assets	\$ 1,388,642
Deferred outflows of resources pension (Note 12)	\$ 448,219
Deferred outflows of resources OPEB (Note 12)	\$ 351,615

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

UCONN HEALTH
STATEMENT OF NET POSITION (Continued)
As of June 30, 2023

	2023
	(\$ in thousands)
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 77,023
Due to State of Connecticut	7,427
Accrued salaries	23,409
Compensated absences - current portion (Note 11)	23,103
Due to third party payors	20,148
Due to Affiliates (Note 15)	15,923
Unearned revenue	1,977
Malpractice reserve (Note 11)	2,370
Right-to-use liabilities - current portion (Note 11)	12,258
Long-term debt - current portion (Note 11)	10,494
Total current liabilities	194,132
Noncurrent Liabilities	
Malpractice reserve (Note 11)	47,337
Compensated absences - net of current portion (Note 11)	28,978
Pension liability (Note 12)	902,327
OPEB liability (Note 12)	1,198,412
Right-to-use liabilities - net of current portion (Note 11)	43,876
Long-term debt - net of current portion (Note 11)	167,481
Total noncurrent liabilities	2,388,411
Total liabilities	\$ 2,582,543
Deferred inflows of resources right-to-use assets	\$ 6,079
Deferred inflows of resources pension (Note 12)	\$ 301,927
Deferred inflows of resources OPEB (Note 12)	\$ 573,568
NET POSITION	
Net investment in capital assets	\$ 620,796
Restricted for	
Nonexpendable scholarships	61
Expendable	
Research	224
Loans	333
Capital projects	54,484
Unrestricted	(1,951,539)
Total net position	\$ (1,275,641)

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

UCONN HEALTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023

	2023
	(\$ in thousands)
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$7,796)	\$ 24,934
Patient services and pharmaceutical revenues (net of charity care of \$6,018) (Notes 4 & 6)	841,853
Federal grants and contracts	88,587
Nonfederal grants and contracts	26,463
Contract and other operating revenues	173,418
Total operating revenues	1,155,255
OPERATING EXPENSES	
Educational and General	
Instruction	142,971
Research	50,692
Patient services	907,678
Academic support	14,193
Institutional support	145,407
Operations and maintenance of plant	17,801
Depreciation and amortization (Note 10)	86,362
Student aid	404
Total operating expenses	1,365,508
Operating loss	(210,253)
NONOPERATING REVENUES (EXPENSES)	
State appropriations (Note 15)	340,328
Gifts	5,419
Federal and State aid	72,966
Loss on disposal	(85)
Interest income	279
Lease revenue	2,614
Investment income	10,055
Interest on capital asset - related debt	(10,586)
Net nonoperating revenues	420,990
Income before other changes in net position	210,737
OTHER CHANGES IN NET POSITION	
Capital appropriations (Note 13)	40,000
Net other changes in net position	40,000
Increase in net position	250,737
NET POSITION	
Net position-beginning of year (restated)	(1,525,946)
Cumulative effect of change in accounting method - GASB 87	(432)
Net position-beginning of year	(1,526,378)
Net position-end of year	\$ (1,275,641)

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

	2023
	(\$ in thousands)
Cash flows from operating activities:	
Cash received from patients and third-party payors	\$ 817,125
Cash received from tuition and fees	24,934
Cash received from grants, contracts and other revenue	282,798
Cash paid to employees for personnel services and fringe benefits	(546,918)
Cash paid for other than personal services	<u>(757,542)</u>
Net cash used in operating activities	<u>(179,603)</u>
Cash flows from investing activities:	
Interest received	<u>10,055</u>
Net cash provided by investing activities	<u>10,055</u>
Cash flows from noncapital financing activities:	
State appropriations	149,430
Federal and State aid	72,966
Gifts	<u>5,419</u>
Net cash provided by noncapital financing activities	<u>227,815</u>
Cash flows from capital and related financing activities:	
Additions to property and equipment	(33,589)
Capital appropriations	966
Interest paid	(10,603)
Investment in Subsidiary	(1,375)
Lease revenue	2,611
Payments on right-to-use liabilities, net	(8,667)
Net borrowing from long-term debt	<u>(10,034)</u>
Net cash used in capital and related financing activities	<u>(60,691)</u>
Net decrease in cash and cash equivalents	(2,424)
Cash and cash equivalents at beginning of year	<u>307,476</u>
Cash and cash equivalents at end of year	<u>\$ 305,052</u>

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2023

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

	2023
	(\$ in thousands)
Operating loss	\$ (210,253)
Adjustments to reconcile operating loss to net cash	
Used in operating activities:	
Depreciation and amortization	86,362
Personnel services and fringe benefits in kind from State	149,430
Changes in assets and liabilities:	
Patients receivables, net	(3,859)
Contract and other receivables	(6,963)
Inventories	(923)
Third party payors	(20,868)
Prepaid expenses	(6,099)
Due from State of Connecticut	65,447
Deposits with vendors	(5,497)
Deferred outflows - pension	(78,760)
Deferred outflows - OPEB	72,756
Accounts payable and accrued liabilities	7,182
Due to State of Connecticut	(25,618)
Due to Affiliates	11,161
Accrued salaries	(28,017)
Compensated absences	4,094
Unearned revenue	1,292
Deferred inflows - pension	(60,408)
Deferred inflows - OPEB	(134,945)
Pension liability	(33,051)
OPEB liability	30,685
Malpractice reserve	7,249
Net cash used in operating activities	\$ (179,603)

Schedule of Non-Cash Financing Transactions

Acquisition of right-to-use lease assets	\$ 1,223
Acquisition of right-to-use subscription assets	\$ 2,677
Loss on disposal of capital and intangible assets	\$ (85)
Funds held in escrow	\$ (10,486)

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

**NOTES TO
FINANCIAL STATEMENTS**

UCONN HEALTH
Notes to Financial Statements
For the Years Ended June 30, 2023

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 fiscal year ended June 30, 2023, which includes the School of Medicine, School of Dental Medicine, a Research Enterprise, UConn Medical Group (UMG), Finance Corporation and its subsidiaries including UConn Health Pharmacy Services, Inc. (UHPSI), Educational Clinics (the “Primary Institution”) and John Dempsey Hospital (the “Hospital”). UConn Health offers medical and dentistry degrees as well as Ph.D.’s in the biomedical sciences and operates physician/dentist practices in a teaching and research hospital. There is also an affiliated entity that supports the mission of UConn Health: The University of Connecticut Foundation Inc. (the “Foundation”). The Foundation raises funds to promote, encourage, and assist education, research, and clinical care at the University, including UConn Health.

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

Basis of Presentation

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

Proprietary Fund Accounting

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources, and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of significant estimates consist primarily of the allowances for uncollectible accounts, contractual allowances, malpractice reserves, right-to-use assets, lease liabilities, subscription liabilities, third-party reimbursement reserves, compensated absences, and pension and OPEB liabilities.

Recently Adopted Accounting Pronouncements

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

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This

standard requires the recognition of subscription assets and liabilities that were previously accounted for as inflows of resources and outflows of resources recognized based on the payment provisions of the related agreement. Under this standard, the end user is required to recognize a subscription liability and an intangible right-to-use asset.

UConn Health adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the earliest comparative period presented.

Additionally, while preparing for the implementation of GASB No. 96, a change in software vendors was made to accommodate current and future needs of tracking and accounting for both leases (GASB No 87) and subscription-based information technology arrangements (GASB No 96). During the implementation of the new software, differences in methodology used for calculating right-to-use assets and liabilities were noted. As a result, the beginning year balances have been restated.

UConn Health adopted the requirements of GASB No. 96 effective July 1, 2022 and adjustments were calculated using facts and circumstances that existed at that date. There were also accounting changes for right-to-use assets and liabilities. The impact on select accounts on UConn Health’s beginning net position is summarized below (in thousands):

	2023
Net position - beginning of year (as previously stated)	\$ (1,522,039)
Lease receivables	(90)
Prepaid expense	(31)
Right-to-use assets, net	23,004
Accounts payable and accrued liabilities	253
Right-to-use liabilities	(26,893)
Deferred inflows of resources right-to-use assets	(150)
Net position - beginning of year (Restated)	\$ (1,525,946)

Upcoming Accounting Pronouncement

UConn Health is still evaluating the impact on its financial statements of the following upcoming GASB accounting pronouncements: Paragraphs 4 through 10

of GASB Statement No. 99, Omnibus 2022 (GASB 99) effective for fiscal years beginning after June 15, 2023 and all reporting periods thereafter; and GASB Statement No. 101, Compensated Absences (GASB 101) effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

Cash and Cash Equivalent:

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

Investments and Investment Income

The State of Connecticut has established various funds to account for the operations of UConn Health. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the UConn Health Malpractice Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Fund accounts for assets set aside annually as part of the Health Center’s self-insurance for malpractice claims. The Hospital Fund processes the majority of the cash transactions for the Hospital. The Operating Fund acts as a "General Fund" for UConn Health, accounting for all operations not accounted for elsewhere.

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

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

Though Operating Fund participation in STIF is not significant, UConn Health earns interest on Operating Fund cash balances through the State Treasurer's

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

Investment income also includes amounts received from endowments.

Accounts Receivable and Net Patient Services and Pharmaceutical 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 healthcare coverage and other collection indicators.

Beginning in fiscal year 2021, UHPSI, a subsidiary of the Finance Corporation, expanded its business operations to include filling patient prescriptions to outpatients primarily from UConn Health related clinics.

A uniform pricing structure is used for billing to Pharmacy Benefit Managers (PBMs) subject to contractual allowances as negotiated by the Pharmacy Services Administrative Organization (PSAO). Contractual allowances will reduce the amount received and will vary based on rates, such as Medicare, Medicaid, and commercial contracts. Pharmaceutical revenues, net of contractual allowances and direct and indirect remuneration (DIR) fees, are recognized on the accrual basis of accounting when prescriptions are filled. Accounts receivable from patients, third-party payers, and others for pharmaceutical purchases

represent the net amounts owed to UHPSI for which payment had not been received as of June 30, 2023.

Contract and Other Receivables

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

Due from/to Affiliate

Due from affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University of Connecticut. Due to affiliate includes payables to the University of Connecticut resulting from cost-reimbursement arrangements for shared operating activities. Additional information on these can be found in notes 13 and 15.

Due from/to State

The 2023 Due from State of Connecticut reported on the statement of net position includes a receivable from the State for certain defined contribution retirement plans. Effective July 1, 2023, the State has transferred responsibility for payment of retirement fringe benefit costs from UConn Health and its related entities to the Comptroller. As such, year-end amounts accrued related to UConn Health's Alternate Retirement Program (ARP) have been offset with a corresponding receivable as the State is expected to provide the funding. The prior year Due from State of Connecticut reported on the statement of net position represented a receivable from the General Fund of the State (General Fund) for certain salaries that were able to be charged to the General Fund. UConn Health has recorded the related revenues on the statement of revenues, expenses, and changes in net position.

The State also administers certain non-retirement employee benefits and is responsible for payroll and other taxes. The State then charges UConn Health for its portion of these costs. Due to State of Connecticut reported on the statements of net position represents the respective UConn Health borne fringe benefit costs owed at the end of the fiscal year related to accrued salaries.

Leases and SBITA

UConn Health routinely engages in lease agreements to meet operational needs. UConn Health's lease contracts generally relate to buildings and associated facilities, such as parking, machinery, and equipment. For short-term leases with a maximum possible term of twelve months or less at commencement, UConn Health recognizes revenue or expense based on the provisions of the lease contract.

For contracts exceeding twelve months where UConn Health is the lessee, UConn Health recognizes the lease liability and an intangible right-to-use (RTU) lease asset based on the present value of future lease payments over the contracted term of the lease. RTU lease assets are amortized over the term of the lease.

On a more limited basis, UConn Health serves as a lessor providing leases of buildings. The financial statements recognize the lease receivable and a deferred inflow of resources, based on the present value of future lease payments expected to be received during the contracted lease term. The deferred inflow of resources is amortized evenly over the life of the lease.

In addition, UConn Health has entered various subscription-based information technology arrangements (SBITA) to support its services. Information on the types of arrangements entered into and their financial impact on UConn Health can be found in Note 10.

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

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.

Funds held in escrow

In March 2022, UConn Health entered into a lease agreement with NWN Corporation, De Lage Landen Financial Services, Inc and Western Alliance Bank to develop and implement new campus network architecture. This project is expected to span over a period of thirty months. The funds related to this project are held in escrow and will be disbursed based on the progression of the project. Additional information on this can be found in note 11.

Prepaid Expense

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

Deposits with Vendors

Deposits with vendors are required payments based on certain contractual arrangements. Over 95% of the current balance is for deposits held with AmerisourceBergen. This is the primary pharmaceutical vendor used by UConn Health. As part of its contract UConn Health is required to maintain a deposit with the vendor based on a percentage of the prior quarter's purchases in order to access preferred pricing. These deposits are non-interest bearing and are considered subject to the credit risk of the vendor. We do not expect a return of these funds within the next twelve months.

Capital and Intangible Assets

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

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

Intangible assets consist of capitalized computer software costs, including software internally developed, that do not meet the definition of SBITA. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they were incurred in the primary project stage, application development state, or post-implementation stage, and the nature of the costs.

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

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

Impairment of Long-Lived Assets

UConn Health records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During 2023, UConn Health disposed of an anatomage table, cryostat machine, and an ultralow freezer. The combined value of these assets was \$95,000 and the combined loss on disposal was approximately \$50,500. UConn Health disposed of smaller items leading to a loss on disposal of \$34,000. The total loss was \$84,500, none of these items were individually significant.

Medical Malpractice

Healthcare 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 fiscal year ended June 30, 2023, 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 UConn Health may convert accumulated sick leave to termination payments at varying rates, depending on the employee’s contract. Amounts recorded on the statements of net position are based on historical experience.

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

Third-Party Payors

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

Pension Liabilities

In accordance with GASB 68, UConn Health records its proportionate share of the collective net pension liability and collective pension expense for each defined-benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability less the amount of the pension plan’s fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefits payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan’s fiduciary net position have been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

OPEB Liabilities

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

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods and will not be recognized as an outflow of resources (expense) until then. These amounts are reported in the statement of net position in a separate section, after total assets. UConn Health has two items that meet this criterion, pension deferrals and OPEB deferrals.

Deferred inflows of resources are defined as an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are reported in the statement of net position in a separate section, after total liabilities. UConn Health has three items that meet this criterion, pension deferrals, OPEB deferrals, and right-to-use deferrals.

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.

UConn Health also has lessor arrangements. The deferred inflow of resources recorded at the initial measurement of the lease receivable is recognized as lease revenue on a straight-line basis over the lease term.

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

UConn Health's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred is based on a variety of factors. These factors include consideration of prior or future revenue sources,

the type of expense incurred, UConn Health's budgetary policies surrounding the various revenue sources, and whether the expense is a recurring cost.

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

Revenues and Expenses

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

UConn Health uses the criteria listed below:

- Operating revenues and expenses: Operating revenues consist of tuition and fees, patient services and pharmaceutical revenues, grants, contracts, other operating revenues. Operating expenses include all expense transactions incurred other than those related to investing or financing. These expenses are reported using functional classification. See Note 16 for operating expenses presented by natural classification.
- Non-operating revenues and expenses: All other revenues and expenses for UConn Health are reported as non-operating revenues and expenses including State appropriations, including capital, noncapital gifts, investment income, lease revenue and COVID-19 relief revenue. Interest expense and loss on disposal of property and equipment, net, are also reported as non-operating.

Scholarship Discounts and Allowances

GASB requires that revenues be reported net of scholarship discounts and allowances, representing the difference between the stated charge for goods and services provided by UConn Health and the amount that

is ultimately paid by the students or on their behalf. Any aid applied directly to the student accounts in payment of tuition and fees is reflected as a scholarship allowance deducted from UConn Health's operating revenues. Student aid expense in the accompanying statement of revenues, expenses, and changes in net position includes financial aid payments made directly to the students.

University of Connecticut MOUs

The University of Connecticut manages certain operations for UConn Health in exchange for payment. These payments cover operating expenses related to public safety, marketing, library services, technology commercialization and other miscellaneous services. The terms of these arrangements are set forth in formal MOUs that are reviewed and agreed upon by both parties on an annual basis. The expenses from these MOUs are recorded as part of operating expenses in the accompanying statement of revenues, expenses, and changes in net position. See Note 15 for further details.

Regulatory Matters

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

Home Office Allocation

The Home Office allocation allocates substantially all central administrative costs to its separate business units. The amount charged to the separate business units may not necessarily result in the net costs that are to be incurred by the business units on a standalone basis. The Home Office expenses are allocated based on several different methodologies depending on cost type. The Home Office allocation amounts are charged to business units each month based on operational results. Allocated expenses are grouped in their functional classification category for financial reporting purposes. The natural classification can be found in Note 16.

2. CASH DEPOSITS AND INVESTMENTS

GASB Statement No. 40 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 \$305,051,926 as of June 30, 2023 and included the following:

	<u>2023</u>
Cash maintained by State of Treasurer	\$ 234,948,231
Invested in State of Connecticut Short-Term Investment Fund	69,544,053
Deposits with Financial Institutions and Other Currency (Change Funds)	552,697 <u>6,945</u>
Total cash and cash equivalents	305,051,926
Less: current balance	304,418,049
Total noncurrent balance	\$ <u><u>633,877</u></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 \$69,544,053 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 2023.

Funds Held by Outside Fiscal Agents

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 \$2,585,537 as of June 30, 2023. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income earned from those sources was \$72,586 for the year ended June 30, 2023.

Funds Held in Escrow

In fiscal year 2022, UConn Health established an escrow account with Western Alliance Bank and DeLage Landen Financial Services, Inc. The escrow balance was \$271,638 as of June 30, 2023. Interest income earned was \$9,848 for the year ended June 30, 2023. Additional information regarding this account can be found in Note 11.

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, 2023, the Hospital and UMG had the following draws and availability under the State statute:

	<u>2023</u>	
	<u>John Dempsey Hospital</u>	<u>UConn Medical Group</u>
Amount drawn under hypothecation	\$ -	\$ -
Remaining amounts available under hypothecation	\$ 53,433,549	\$ 10,982,533

4. NET PATIENT SERVICE AND PHARMACEUTICAL REVENUE

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

Patient service revenues are reported net of allowances and provisions for bad debt. UHPSI also reports pharmaceutical revenue net of DIR fees. DIR refers to the compensation received by Medicare Part D sponsors or their Pharmacy Benefits Manager (PBM) after point-of-sale. Net patient service and pharmaceutical revenue for UConn Health is as follows:

	<u>2023</u>	
John Dempsey Hospital		
Gross patient services revenue	\$ 1,767,999,827	
Less contractual allowances and provision for bad debt	<u>1,177,741,653</u>	
		\$ 590,258,174
UConn Medical Group		
Gross patient services revenue	288,840,538	
Less contractual allowances and provision for bad debt	<u>159,283,288</u>	
		129,557,250
UHPSI		
Gross pharmaceutical revenue	164,415,813	
Less contractual allowances, Direct and Indirect Remuneration (DIR) fees and provision for bad debt	<u>53,086,214</u>	
		111,329,599
All other		<u>10,707,612</u>
Total net patient services and pharmaceutical revenue		\$ <u>841,852,635</u>

Significant Concentrations

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of total net patient revenues and

associated year-end receivables for these programs are shown in the table below as of June 30, 2023.

	<u>Medicare</u>	<u>Medicaid</u>
John Dempsey Hospital		
Net revenue	37%	20%
Accounts receivable	33%	9%
UConn Medical Group		
Net revenue	32%	15%
Accounts receivable	23%	8%
UHPSI		
Net revenue	25%	56%
Accounts receivable	37%	28%

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 material 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.

In fiscal year 2023, JDH and UMG recorded \$10.7 million and \$21.3 million, respectively in supplemental revenue from the Department of Social Services (DSS), which is included in net patient service revenues in the statement of revenues, expenses, and changes in net position.

5. LEASE RECEIVABLE

As described in Note 1, UConn Health leases building space to external parties. Lease receivable is as follows:

	June 30, 2022			June 30, 2023	
	Balance (Restated)	Additions	Reductions	Balance	Amounts due within 1 year
Lease receivable	\$ 8,825,342	\$ -	\$ (2,620,163)	\$ 6,205,179	\$ 2,565,350
Total	\$ 8,825,342	\$ -	\$ (2,620,163)	\$ 6,205,179	\$ 2,565,350

For the fiscal year ended June 30, 2023, the statement of revenues, expenses, and changes in net position includes lease revenue and interest income of \$2,613,772 and \$279,220, respectively. There was also additional revenue for variable and other payments not included in the measurement of the lease receivable in the amount of \$633,109.

Future lease payments are summarized in the table below:

Fiscal Year Ending June 30	Lease Receivable	
	Principal	Interest
2024	\$ 2,565,350	\$ 188,236
2025	2,421,472	97,063
2026	235,711	50,566
2027	235,711	41,847
2028	235,711	32,580
2029-2033	305,682	86,436
2034-2038	87,465	61,152
2039-2043	87,465	32,518
2044-2048	30,612	2,657
Total lease receivable	\$ 6,205,179	\$ 593,055

6. CHARITY CARE

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

Listed below, by entity, are the significant charity care services provided along with the associated cost for the

fiscal year ended June 30, 2023. UHPSI by nature of its business does not engage in significant charity care activity.

	2023	
	Charity Care Services	Cost of Services
John Dempsey Hospital	\$ 4,980,776	\$ 1,441,935
UConn Medical Group	873,387	281,143
Educational Clinics	163,339	148,639
Total	\$ 6,017,502	\$ 1,871,717

7. ENDOWMENTS

UConn Health has designated the Foundation as its manager of endowment funds. The Foundation makes spending allocation distributions to UConn Health for each participating endowment. Distributions are spent by UConn Health in accordance with the respective purposes of the endowments and in accordance with the policies and procedures of UConn Health. Additional information is presented in note 15.

8. RESIDENCY TRAINING PROGRAMS

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, related fringe benefits and certain program expenses for 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.

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. Dental Residency costs will be funded by the School of Dental Medicine.

9. CONTINGENCIES

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

On June 29, 2021, a judge decided for the plaintiffs in the case *Monroe Lynch, et al v. State of Connecticut*.

The original judgment awarded the plaintiffs \$37.6 million. Based on UConn Health's post-trial motions, the amount was reduced to \$34.6 million. UConn Health has accrued a liability based on the initial judgment as adjusted. UConn Health appealed the ruling in September 2021 and the case remains before the Connecticut Supreme Court. Additional information is presented in note 11.

10. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2023, consisted of the following:

	<u>2023</u>
Land	\$ 13,537,051
Construction in progress	16,522,692
Fine art	1,336,762
Buildings	1,266,663,840
Equipment	268,853,514
Computer software	76,650,728
Equipment- Financed	<u>71,009</u>
	1,643,635,596
Less accumulated depreciation	<u>851,699,423</u>
Capital and intangible assets, net	<u>\$ 791,936,173</u>
Right-to-use assets building	\$ 35,495,930
Right-to-use assets equipment	38,680,024
Right-to-use assets subscriptions	<u>35,036,840</u>
	109,212,794
Less accumulated amortization	<u>46,243,976</u>
Right-to-use assets, net	<u>\$ 62,968,818</u>

Construction in progress at June 30, 2023, represents accumulated costs for various UConn Health construction projects. UConn Health has entered into various contractual arrangements related to these projects. Upon completion, the cost of the project is transferred to the appropriate investment in property and equipment category and depreciation will commence.

Plant and equipment activity and related information on accumulated depreciation for UConn Health for the fiscal year ended June 30, 2023 was as follows:

	2022				2023
	(Restated)	Additions	Deletions		2023
<u>Capital assets not being depreciated</u>					
Land	\$ 13,537,051	\$ -	\$ -		\$ 13,537,051
Construction in progress	18,266,806	6,173,944	(7,918,058)		16,522,692
Fine art	1,283,362	53,400	-		1,336,762
Total capital assets not being depreciated	<u>33,087,219</u>	<u>6,227,344</u>	<u>(7,918,058)</u>		<u>31,396,505</u>
<u>Depreciable capital assets</u>					
Buildings and building improvements	1,261,176,075	5,487,765	-		1,266,663,840
Equipment	261,567,331	15,189,116	(7,902,933)		268,853,514
Computer software	75,719,346	1,195,129	(263,747)		76,650,728
Equipment- financed	71,009	-	-		71,009
Total depreciable capital assets	<u>1,598,533,761</u>	<u>21,872,010</u>	<u>(8,166,680)</u>		<u>1,612,239,091</u>
<u>Less accumulated depreciation:</u>					
Buildings and building improvements	545,896,912	41,825,409	-		587,722,321
Equipment	211,918,206	15,065,365	(7,822,231)		219,161,340
Computer software	37,631,833	7,390,608	(259,936)		44,762,505
Equipment - financed	17,752	35,505	-		53,257
Total accumulated depreciation	<u>795,464,703</u>	<u>64,316,887</u>	<u>(8,082,167)</u>		<u>851,699,423</u>
<u>Depreciable capital assets, net</u>					
Buildings and building improvements	715,279,163	(36,337,644)	-		678,941,519
Equipment	49,649,125	123,751	(80,702)		49,692,174
Computer software	38,087,513	(6,195,479)	(3,811)		31,888,223
Equipment- financed	53,257	(35,505)	-		17,752
Total depreciable capital assets, net	<u>803,069,058</u>	<u>(42,444,877)</u>	<u>(84,513)</u>		<u>760,539,668</u>
Capital and intangible assets, net	<u>\$ 836,156,277</u>	<u>\$ (36,217,533)</u>	<u>\$ (8,002,571)</u>		<u>\$ 791,936,173</u>
	2022				2023
	(Restated)	Additions	Deletions		2023
<u>Right-to-use assets</u>					
Right-to-use assets building	\$ 36,381,136	\$ -	\$ (885,206)		\$ 35,495,930
Right-to-use assets equipment	22,606,292	23,222,295	(7,148,563)		38,680,024
Right-to-use assets subscriptions	32,886,949	2,676,824	(526,933)		35,036,840
Total right-to-use assets	<u>91,874,377</u>	<u>25,899,119</u>	<u>(8,560,702)</u>		<u>109,212,794</u>
<u>Right-to-use assets amortization</u>					
Right-to-use assets building	6,884,531	3,444,761	(158,590)		10,170,702
Right-to-use assets equipment	15,105,869	6,368,329	(7,594,788)		13,879,410
Right-to-use assets subscriptions	10,488,887	12,231,910	(526,933)		22,193,864
Total accumulated amortization	<u>32,479,287</u>	<u>22,045,000</u>	<u>(8,280,311)</u>		<u>46,243,976</u>
<u>Right-to-use assets, net</u>					
Right-to-use building	29,496,605	(3,444,761)	(726,616)		25,325,228
Right-to-use equipment	7,500,423	16,853,966	446,225		24,800,614
Right-to-use SBITA	22,398,062	(9,555,086)	-		12,842,976
Right-to-use assets, net	<u>\$ 59,395,090</u>	<u>\$ 3,854,119</u>	<u>\$ (280,391)</u>		<u>\$ 62,968,818</u>

11. LONG-TERM LIABILITIES, LEASES AND SUBSCRIPTIONS

Activity related to notes payable, leases, subscriptions and other long-term liabilities for the fiscal year ended June 30, 2023, was as follows:

	June 30, 2022 Balance (Restated)	Additions	Reductions	June 30, 2023 Balance	Amounts due within 1 year
Long-Term Liabilities:					
Right-to-use subscription liabilities	\$ 27,463,673	\$ 1,687,187	\$ (7,480,673)	\$ 21,670,187	\$ 7,033,085
Right-to-use lease liabilities	37,337,230	2,393,586	(5,267,245)	34,463,571	5,225,028
Total right-to-use liabilities	<u>64,800,903</u>	<u>4,080,773</u>	<u>(12,747,918)</u>	<u>56,133,758</u>	<u>12,258,113</u>
Business-type activities:					
Notes from Direct Borrowings -					
Secured note - Leasing Associated of Barrington, Inc., principal and interest payments began January 2022 and continue until December 2023, with interest at 11.10%	54,688	-	(51,771)	2,917	2,917
Secured note - De Lage Landen Financial Services, Inc, principal and interest payments begin August 2022 and continue until August 2028, with interest at 4.42%	16,873,426	-	(2,109,134)	14,764,292	2,202,400
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 2004 and continue until November 2024, with interest at 6.34%	4,502,061	-	(1,779,887)	2,722,174	1,896,069
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040	<u>166,579,044</u>	<u>-</u>	<u>(6,093,203)</u>	<u>160,485,841</u>	<u>6,392,772</u>
Total notes from direct borrowing	<u>188,009,219</u>	<u>-</u>	<u>(10,033,995)</u>	<u>177,975,224</u>	<u>10,494,158</u>
Other long-term liabilities:					
Malpractice reserve	42,457,800	14,097,258	(6,848,258)	49,706,800	2,370,000
Compensated absences	47,986,540	38,113,464	(34,019,381)	52,080,623	23,102,964
Pension liability	1,193,055,001	176,059,124	(466,786,844)	902,327,281	-
OPEB liability	<u>1,502,317,836</u>	<u>64,928,163</u>	<u>(368,834,448)</u>	<u>1,198,411,551</u>	<u>-</u>
Total other long-term liabilities	<u>2,785,817,177</u>	<u>293,198,009</u>	<u>(876,488,931)</u>	<u>2,202,526,255</u>	<u>25,472,964</u>
Total long-term liabilities	<u>\$ 3,038,627,299</u>	<u>\$ 297,278,782</u>	<u>\$ (899,270,844)</u>	<u>\$ 2,436,635,237</u>	<u>\$ 48,225,235</u>

UConn Health routinely leases various facilities and equipment instead of purchasing the assets. The contracts at times, include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2023, UConn Health recognized expense for lease variable payments related to common area maintenance and

property taxes of \$473,864 and \$159,245, respectively. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2023.

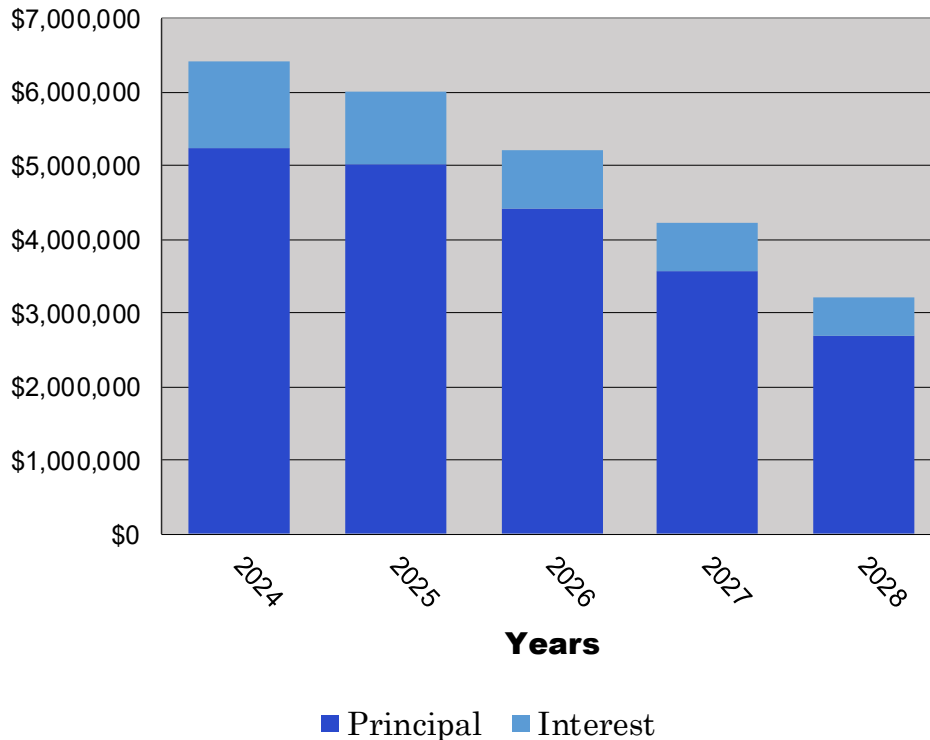
In fiscal year 2023, UConn Health recorded interest expense in the statement of revenues, expenses, and net position of \$2,190,454 related to lease liabilities.

The following is a schedule by fiscal year future minimum payments due for leases, together with the

present value of the net minimum lease payments as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Lease Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 5,225,028	\$ 1,198,305
2025	5,024,683	989,877
2026	4,416,934	799,991
2027	3,576,025	644,039
2028	2,690,712	517,931
2029-2033	8,899,851	1,469,635
2034-2038	4,325,656	383,188
2039-2043	304,682	2,656
Total lease liabilities	\$ 34,463,571	\$ 6,005,622

Debt Service - Lease Liabilities Fiscal 2024 - 2028



Outstanding notes from direct borrowings related to business-type activities as of June 30, 2023, were \$177,975,224. The mortgages, which account for approximately \$163.2 million of the debt, 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. 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.

Additionally, UConn Health has approximately \$14.8 million debt secured by equipment. The

Finance Corporation entered into a lease agreement with NWN Corporation, De Lage Landen Financial Services Inc., and Western Alliance Bank, on behalf of UConn Health, to develop and implement a new campus network architecture. This project is expected to span over a period of up to 30 months, with software and support services expected to span over seven years. Outstanding notes from direct borrowings related to this business-type activity of \$14,764,292 was of June 30, 2023. UConn Health is

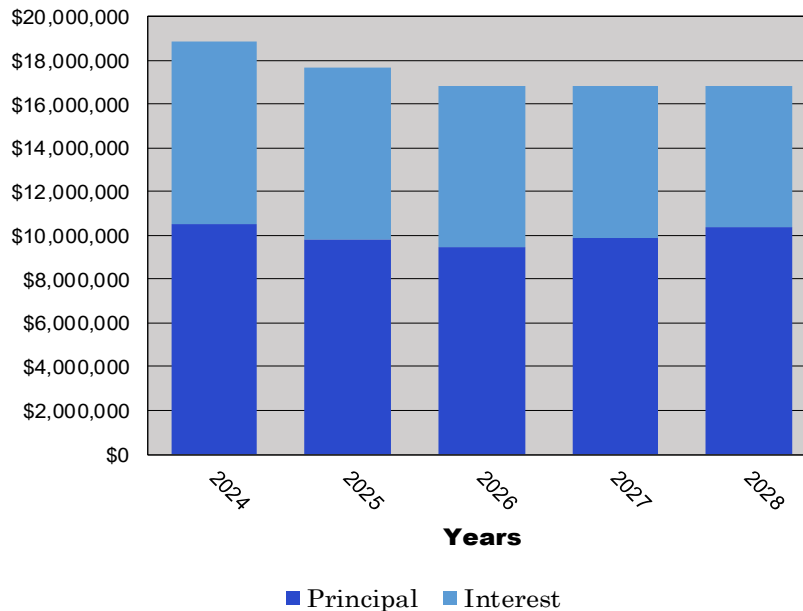
treating this as a financed purchase over time. Additionally, that portion of the agreement does not fall within the scope of GASB 87 due to the purchase option at the expiration of the agreement, which UConn Health plans to exercise.

In fiscal year 2023, UConn Health recorded interest expense of \$8,093,470 related to note borrowings.

Estimated cash basis interest and principal requirements for notes from direct borrowings for the remaining years of the notes as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Notes from Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 10,494,158	\$ 8,349,076
2025	9,832,961	7,832,410
2026	9,438,302	7,387,827
2027	9,890,456	6,935,672
2028	10,364,314	6,461,815
2029-2033	47,563,816	25,145,721
2034-2038	56,987,664	12,866,595
2039-2043	<u>23,403,553</u>	<u>1,045,440</u>
Total notes from direct borrowing	<u>\$ 177,975,224</u>	<u>\$ 76,024,556</u>

**Debt Service - Direct Borrowings
Fiscal 2024 - 2028**



UConn Health has various subscription-based information technology arrangements (SBITAs) to support its services. SBITAs entered into, or in place, during the fiscal year ended June 2023 include:

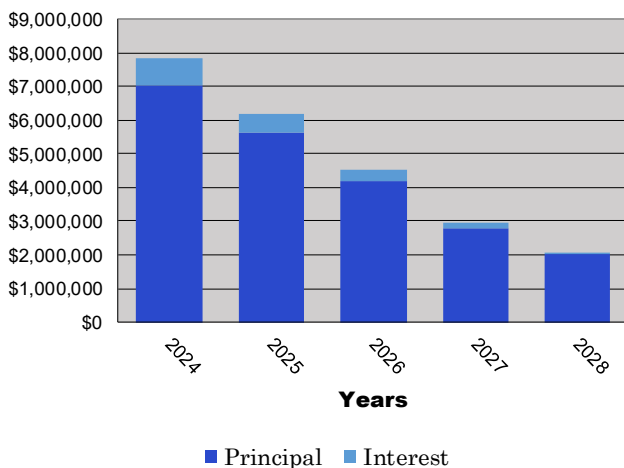
- Various desktop and server software subscriptions
- Electronic workflow software
- Budgeting, accounting, and information system software
- Performance measurements/benchmarking software
- Document management software
- Payroll and human resources services software
- Information technology security software

In fiscal year 2023, UConn Health recorded interest expense of \$302,302 related to SBITAs.

The following is a schedule by fiscal year of future minimum SBITA payments due as of June 30, 2023:

Year Ending June 30.	Subscription Liabilities	
	Principal	Interest
2024	\$ 7,033,085	\$ 791,185
2025	5,648,809	523,534
2026	4,204,778	307,900
2027	2,778,650	157,754
2028	2,004,865	38,610
Total subscription liabilities	<u>\$ 21,670,187</u>	<u>\$ 1,818,983</u>

**Debt Service - Subscription Liabilities
Fiscal 2024-2028**



UConn Health had no other outflow of resources in relation to these subscriptions during the fiscal year June

30, 2023 that were not included in the measurement of the subscription liability.

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.

At June 30, 2021, UConn Health accrued for a verdict, as adjusted, rendered in June 2021, which UConn Health intends to vigorously appeal. Appeal documents were filed in September 2021. As of September 2023, all briefings are complete, and the case remains before the Connecticut Supreme Court.

To the extent that claims for cases exceed current year premiums charged by UConn Health, UConn Health may petition the State to make up the difference. Operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health’s malpractice program.

At June 30, 2023, UConn Health Malpractice Fund had actuarial reserves of approximately \$49.7 million and assets of approximately \$42.8 million.

12. RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS

State Retirement Systems

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

Effective July 1, 2017, the State legislature approved the State Employees’ Bargaining Agent Coalition (SEBAC) 2017 agreement, which amended certain provisions under collective bargaining agreements for existing SERS plans by revising certain factors including employee contribution rates, annual cost-of-living adjustments (COLAs) for plan members retiring after July 1, 2022, and disability retirement requirements.

Subsequent to the June 30, 2022 measurement date, new legislation was passed changing UConn Health’s funding structure with regard to employer contributions (see note 15). These changes are expected to affect UConn Health’s proportionate share of the collective net pension and OPEB liabilities, deferred inflows and deferred outflows of resources, and related pension and OPEB expenses in subsequent reporting periods. The effects of these changes are still being evaluated as of the reporting date.

State Employees’ Retirement System

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, 2023, 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 68.2% in fiscal year 2023. 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, 2023 were as follows:

- 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

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.

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.

During fiscal year 2023, UConn Health contributed to both plans on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. The rates of actual UConn Health contributions as a percentage of covered payroll during fiscal year 2023 were 45.0% and 39.8%

for SERS and TRS, respectively. 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 for fiscal year 2023 were approximately \$136.2 million and \$572,000 for SERS and TRS, respectively.

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, 2022. 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 4.07% which was a decrease of 1.52% from its proportion measured as of June 30, 2021.

At June 30, 2023, UConn Health reported liabilities of \$896.7 million for its proportionate share of the SERS collective NPL.

SERS Expense - For the year ended June 30, 2023, UConn Health recognized a SERS pension expense of (\$36.3) million.

Actuarial assumptions - For SERS, the Pub-2010 Mortality Tables projected generationally with scale MP-2020.

Non-Hazardous

- Service Retirees: General, above-median, healthy retiree
- Disabled Retirees: General, disabled retiree
- Beneficiaries: General, above-median contingent annuitant
- Active Employees: General, above-median, employee

Hazardous

- Service Retirees: Public safety, above-median, healthy retiree
- Disabled Retirees: Public safety, disabled retiree

- Beneficiaries: Public safety, above-median contingent annuitant
- Active Employees: Public safety, above-median, employee

The TPL was based on actuarial study for the period July 1, 2015–June 30, 2020 for SERS using the following key assumptions:

Inflation	2.50 %
Salary increases	3.00% - 11.50%, including inflation
Investment rate of return	6.9%, net of pension plan investment expense, including inflation

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

The target assets allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2022 measurement date is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Fund	20.00%	5.4%
Developed Market Intl. Stock Fund	11.00%	6.4%
Emerging Market Intl. Stock Fund	9.00%	8.6%
Core Fixed Income Fund	13.00%	0.8%
Emerging Market Debt Fund	5.00%	3.8%
High Yield Bond Fund	3.00%	3.4%
Real Estate Fund	19.00%	5.2%
Private Equity	10.00%	9.4%
Private Credit	5.00%	6.5%
Alternative Investments	3.00%	3.1%
Liquidity Fund	2.00%	-0.4%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL at June 30, 2022 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 2125.

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%)
\$ 1,094,251	\$ 896,735	\$ 732,116

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS pension plan is available in the State’s ACFR for the fiscal year ended June 30, 2022.

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 made 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, 2023, was \$572,266.

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, 2022. UConn Health’s proportion of the collective NPL was based on UConn Health’s share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health’s proportion of the TRS was .031% at the measurement date of June 30, 2022.

TRS Expense - For the year ended June 30, 2023, UConn Health recognized a TRS pension expense of \$953,831.

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

generationally with MP-2019 was used for active members.

The TPL was based on an actuarial study for the period July 1, 2014 – June 30, 2019 for TRS, using the following key actuarial assumptions:

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2022, measurement date is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Fund	20.00%	5.4%
Developed Market Intl. Stock Fund	11.00%	6.4%
Emerging Market Intl. Stock Fund	9.00%	8.6%
Core Fixed Income Fund	13.00%	0.8%
Emerging Market Debt Fund	5.00%	3.8%
High Yield Bond Fund	3.00%	3.4%
Real Estate Fund	19.00%	5.2%
Private Equity	10.00%	9.4%
Private Credit	5.00%	6.5%
Alternative Investments	3.00%	3.1%
Liquidity Fund	2.00%	-0.4%
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%)
\$ 7,138	\$ 5,592	\$ 4,308

Pension plan fiduciary net position - Detailed information about the fiduciary net position of the TRS pension plan is available in the State's ACFR for the fiscal year ended June 30, 2022.

Deferred outflows and deferred inflows of resources related to pensions - At June 30, 2023, 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	\$ -	\$ 611	\$ 611
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	171,991	964	172,955
UConn Health contributions subsequent to the measurement date	136,225	572	136,797
Difference between expected and actual experience	96,958	203	97,161
Net differences between projected and actual earnings on pension plan investments	40,156	406	40,562
Difference between expected and actual contributions	-	133	133
Total Deferred Outflows	<u>\$ 445,330</u>	<u>\$ 2,889</u>	<u>\$ 448,219</u>
<u>Deferred Inflows of Resources</u>			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	\$ 298,936	\$ 282	\$ 299,218
Changes in assumptions	1,225	-	1,225
Difference between expected and actual experience	1,409	75	1,484
Total Deferred Inflows	<u>\$ 301,570</u>	<u>\$ 357</u>	<u>\$ 301,927</u>

The \$136.8 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, 2023. 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
2024	\$ 10,542	\$ 648	\$ 11,190
2025	33,304	545	33,849
2026	(10,270)	336	(9,934)
2027	(17,858)	361	(17,497)
2028	(8,183)	55	(8,128)
Thereafter	-	15	15
Total	\$ 7,535	\$ 1,960	\$ 9,495

Alternate Retirement Plan

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

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

ARP contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. Participants hired prior to July 1, 2017, must contribute 6% of their eligible compensation, except for participants who elected the one-time option to remain at the previous employee contribution rate of 5%, and their employer must contribute 7% of eligible compensation. Participants hired on or after July 1, 2017, have the option to contribute 6.5% or 5% of their eligible compensation and their employer must contribute 6.5% of eligible

compensation. There is no minimum vesting period for ARP. Other ARP provisions are described in Chapter 66 of the State General Statutes, State Employees Retirement Act.

UConn Health contributes its employer share through a fringe benefit charge assessed by the State; which includes OPEB. UConn Health contributed 14.60% during the year ended June 30, 2023, a decrease from the contribution rate of 14.96% in the prior year. For fiscal year 2022, UConn Health's employer contributions to ARP were \$32.1 million. Participant and employer contributions are both 100% vested immediately. The commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

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

Post-Employment Benefits other than Pension

In addition to the pension benefits, the State provides post-retirement health care and life insurance benefits to UConn Health employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) based on the plan chosen by the employee. In addition, the State pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement.

General Information about the SEOPEBP

Plan description - The State's defined benefit OPEB plan, State of Connecticut State Employee OPEB Plan (SEOPEBP), provides OPEB benefits for employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is

administered by the State Comptroller’s Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

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

Employees covered by benefit terms - Demographic data for individual State entities in the OPEB plan are not readily available. At June 30, 2021, SEOPEBP in total covered the following:

Inactive employees or beneficiaries currently receiving benefit payments	79,870
Inactive employees entitled to but not yet receiving benefit payments	385
Active employees	<u>49,927</u>
Total covered employees	<u><u>130,182</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 18.0% and the total amount contributed to the plan was \$81.7 million for the fiscal year ended June 30, 2023.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The TOL measured since the prior measurement date of June 30, 2022, reflects changes in actuarial assumptions, including an increase in the discount rate. The demographic assumptions (mortality, disability, retirement, withdrawal, and salary scale) were updated to be consistent with the corresponding retirement system assumptions. In addition, per capita health costs, administrative costs, and retiree contributions were updated for recent experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

At June 30, 2023, UConn Health reported a liability of \$1,198.4 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 7.7%, which was an increase of 0.04% from its proportion measured as of June 30, 2021.

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate - The discount rate changed to 3.90% as of June 30, 2023, from 2.31% as of June 30, 2022. The projection of cash flows used in calculating the discount rate included employer contributions actuarially determined in accordance with GASB 75 and employee contributions made in accordance with the current SEBAC agreements. The discount rate used is a blend of the long-term expected rate of return on OPEB trust assets and the municipal bond rate. The municipal bond rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.54% as of June 30, 2022). The blending is based on sufficiency of projected assets to make projected benefits.

Mortality rates for healthy personnel were based on the Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020 for disabled employees, Pub-2010 General, Disabled Retiree Headcount-weighted Mortality table projected generationally using Scale MP-2020.

The actuarial assumptions used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the period July 1, 2015—June 30, 2020.

Payroll growth rate:	3.0%
Inflation	2.5%
Salary increase:	3.00% to 11.50%
Discount rate:	3.90 % as of June 30, 2022

Healthcare cost trend 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%

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 (2.90%) or 1-percentage-point higher (4.90%) than the current discount rate:

	Discount		
	1% Decrease	Rate	1% Increase
	2.90%	3.90%	4.90%
	(\$ in thousands)		
Net OPEB Liability	\$ 1,401,171	\$ 1,198,412	\$ 1,034,409

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	\$ 1,011,639	\$ 1,198,412	\$ 1,435,504

OPEB plan fiduciary net position – Detailed information about SEOPEBP’s fiduciary net position is available in the State’s ACFR for the fiscal year ending June 30, 2022.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2023, UConn Health recognized an OPEB expense of \$50.2 million. At June 30, 2023, 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	\$ 105,402	\$ 20,393
Changes in assumptions or other inputs	81,655	-
Net difference between projected and actual earnings	134,960	516,291
Changes in expected and actual experience on Total OPEB Liability	11,164	-
Total	\$ 18,434	\$ 36,884
	\$ 351,615	\$ 573,568

UConn Health contributions subsequent to the measurement date totaling \$81.7 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
	(\$ in thousands)
2024	\$ (23,814)
2025	(71,583)
2026	(122,504)
2027	(74,514)
2028	(11,193)
Total	\$ <u>(303,608)</u>

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity fund	20.00%	5.4%
Developed Market Intl. Stock Fund	11.00%	6.4%
Emerging Markets Intl. Stock Fund	9.00%	8.6%
Core Fixed Income	13.00%	0.8%
Emerging Market Debt Fund	5.00%	3.8%
High Yield Bond Fund	3.00%	3.4%
Real Estate Fund	19.00%	5.2%
Private Equity	10.00%	9.4%
Private Credit	5.00%	6.5%
Alternate Investment	3.00%	3.1%
Liquidity Fund	2.00%	-0.4%
<u>Total</u>	<u>100.00%</u>	

13. BOND FINANCED ALLOTMENTS

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

In fiscal year 2002, the General Assembly of the State of Connecticut enacted, and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act). The Act authorized additional projects for the University and for the first time UConn Health for what is called Phase III of UCONN 2000. This Act amended PA No. 95-230 and extended the UCONN 2000 financing program.

The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a \$25.0 million reallocation from existing UCONN

2000 UConn Health allocations, and a \$207.0 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018.

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

In the June 2015 Special Session, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act 15-01 (June Spec. Sess.), *An Act Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation, and Other Purposes*. The bill introduced language effective July 1, 2015, that allows the University to revise, delete or add particular projects to finance the 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, 2023, approved projects receiving bond funding from UConn General Obligation Bonds secured by the State’s Debt Service Commitment had an allocated total of \$850.9 million. The Act also requires UConn Health to contribute not less than \$69.0 million through operations, eligible gifts, or other sources towards new UConn Health construction.

In April 2022, the University issued 2022 Series A General Obligation bonds at a face value of \$227.2 million. The total bonds were issued at a premium of \$34.3 million. The net proceeds realized from the 2022 Series A Bonds were \$260.0 million after the payment of issuance costs and underwriter fees. Of this amount, \$13.0 million was allocated to finance projects at UConn Health. There were no general obligation bonds issued or refunded in fiscal year 2023.

UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, the current Phase III commitment to fund projects totals \$850.9 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, \$14.2 million, at June 30, 2023, in the statement of net position.

On December 8, 2022, the State Bond Commission voted under Section 307(d) of Public Act No. 22-118 of the General Assembly of the State of Connecticut to approve a state bond allocation to UConn Health in the amount of \$40.0 million. These funds will be used to finance deferred maintenance. The deferred maintenance includes but is not limited to boiler replacement, elevator maintenance, window repairs, and other necessary improvements. UConn Health's unspent portion of the State bond Issuances at June 30, 2023 was \$40.0 million. This is included in Due from State of Connecticut on its Statement of Net Position.

On January, 2023, the General Assembly approved legislation under Bill No. 6942 authorizing \$43.0 million to UConn Health. The Bill outlines how the funds should be spent. \$30.0 million to be spent on deferred maintenance, code compliance and infrastructure improvements. The remaining \$13.0 million to be spent on equipment, library collections and telecommunications.

14. COMMITMENTS

On June 30, 2023, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$17,575,343. Portions of this amount were included in the June 30, 2023, accounts payable and due to related parties. Commitments above do not

include any commitments arising from the administration of UCONN 2000 funds by the University on UConn Health's behalf. Such obligations are paid directly from proceeds of bond issuances and are included in the University's financial statements.

UConn Health agreed to pay \$70,313,805 during the 2023-2024 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.

15. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the "Foundation") is a tax-exempt organization whose objective is the betterment of the University, including UConn Health. UConn Health has an agreement through the University to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse UConn Health for certain services performed and for operating expenses of the Foundation. The following material transactions occurred between UConn Health and the Foundation during the year ended June 30, 2023:

	<u>2023</u>
Amount expensed to University for Foundation services	\$ <u>945,000</u>
Amount received from Foundation for personnel services and operating expenses	\$ <u>3,633,229</u>
Amount received from Foundation from endowments and gifts	\$ <u>1,866,206</u>

In addition, UConn Health directly engages in transactions with the University. The terms of material arrangements are set forth in formal Memorandum of Understanding's (MOU) that are reviewed and agreed upon by both parties on an annual basis. In fiscal year 2023, UConn Health recorded expenses of approximately \$18.8 million to the University related to those MOU's. UConn Health also paid the University for other expenses related to grants and contracts, services of educational departments, auxiliary enterprises and for miscellaneous goods and services.

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 13.

	2023
	(\$ in thousands)
<u>Agreements under an MOU</u>	
University safety	\$ 11,697
Library services	1,514
Technology commercialization services	1,039
Communications (marketing)	1,032
Audit, compliance and privacy	1,013
Information technology	597
Ombudsman and institutional equity	519
Document production	484
Government relations and other	340
Diversity and inclusion	280
Human resources	244
Total MOUs with University of Connecticut ^	<u>\$ 18,759</u>

^ A portion of this was included in due to Affiliate in the accompanying statement of net position

UConn Health recorded a payable to the University for \$15.9 million related to these agreements.

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 and received from DOC \$6.3 million in fiscal year 2023 for services.

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

For the fiscal year ended June 30, 2023, the amounts of the benefits recognized were as follows:

	2023
State of Connecticut appropriations	\$ 190,897,809
Fringe benefit differential Sec 3-123i	<u>13,500,000</u>
General fund appropriations from State of Connecticut	\$ 204,397,809
In-kind fringe benefits from State of Connecticut:	<u>\$ 135,929,853</u>
Total appropriations and in-kind fringe benefits received from State of Connecticut	<u>\$ 340,327,662</u>

In fiscal year 2023, the State allotted \$72.7 million to UConn Health for one-time funding under the American Rescue Plan Act (ARPA) allocation, which was designated for temporary operating support. These amounts were recognized as federal and state aid under nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023.

In fiscal year 2023, UConn Health was allotted \$40.0 million in capital appropriations from General Obligation Bonds for capital projects. Additional information is presented in note 13.

In June 2023, Public Act No 23-204 was passed by the General Assembly and signed by the Governor. The act includes the State budget for 2024 and 2025 biennium and amendments to the State’s funding structure for constituent units of the state system of higher education. Under the new legislation, beginning in fiscal year 2024, the State will fund all UConn Health’s employee retirement costs related to the State’s pension plans and Alternate Retirement Plan. UConn Health will be responsible for funding all non-retirement employee fringe benefit costs. To achieve a budget-neutral effect, the State reduced the General fund appropriation to UConn Health and no longer provide funding for salaries and fringe benefits via the State’s General Fund.

16. OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

The table below details UConn Health's operating expenses by natural and functional classification for the fiscal year ended June 30, 2023 (amounts in thousands).

Functional Classification	Natural Classification					Total
	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	
Instruction	\$ 91,949	\$ (7,349)	\$ 56,810	\$ 1,561	\$ -	\$ 142,971
Research	28,863	(4,649)	22,686	3,792	-	50,692
Patient services	371,444	180,043	350,309	5,882	-	907,678
Academic support	11,079	(1,871)	4,985	-	-	14,193
Institutional support	34,805	(17,129)	127,731	-	-	145,407
Operations and maintenance of plant	12,027	(2,520)	5,686	2,608	-	17,801
Depreciation and amortization	-	-	-	-	86,362	86,362
Student aid	16	2	386	-	-	404
Total	\$ 550,183	\$ 146,527	\$ 568,593	\$ 13,843	\$ 86,362	\$ 1,365,508

17. COVID-19 RELIEF REVENUE

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated \$175 billion to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). GASB issued the Technical Bulletin 2020-1, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Coronavirus Diseases*. UConn Health qualified for funding from various programs and received a total of \$41.1 million.

UConn Health received funding from four 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. In fiscal year 2020, UConn Health also received approximately \$7.2 million via the Safety Net distribution.

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

received approximately \$2.1 million for Phase 3 which was based on lost revenue.

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

In fiscal year 2022, UConn Health received additional CARES Act funding through Phase 4, based on COVID-19 related changes in operating revenues and expenses from June 1, 2020 to March 31, 2021 of approximately \$6.9 million. UConn Health received funds from the American Rescue Plan Act (ARPA) of approximately \$1.4 million. ARPA funds were distributed based on Medicare and Medicaid services for rural areas. UConn Health also received \$73.0 million in one-time funding through the State's ARPA allocation.

For the year ending June 30, 2023, UConn Health received \$72.7 million in one-time through the State's ARPA allocation. These funds were designated as temporary operating support. The table below summarizes the significant funding including in the statement of revenues, expenses, and changes in net position.

Funding Source	<u>2023</u>
State ARPA allocation	\$ 72,700,000
Other funds	266,090
Total Covid-19 relief revenue	<u>\$ 72,966,090</u>

ARPA funds are subject to federal audit including but not limited to the Federal Single Audit Act. UConn Health believes it has met all associated criteria related to these funds and therefore recognized the associated revenues as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023.

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

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

On September 17, 2020, the Hospital received approximately \$45.3 million under the Medicare Advance program. This program allowed the Hospital to take an advance on future expected Medicare payments as a means of enhancing provider liquidity. Medicare then recoups these funds via withholding 25% of Medicare payments for the first eleven months and 50% of payments for the remaining six months. The advance was interest-free; however, if amounts are not fully recouped using this methodology, there will be a 4% interest rate charged on any outstanding advances not repaid at the end of the recoupment period. As of June 30, 2022, this amount was included in due to third-party payors on the statement of net position. As of June

30, 2022, the Hospital had repaid \$23.5 million with a remaining balance of \$21.8 million. During Fiscal Year 2023, the Hospital repaid the remaining portion of the advance without any interest being applied.

18. SUBSEQUENT EVENTS

UConn Health has evaluated subsequent events through December 8, 2023, which represents the date the financial statements were available to be issued.

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

UCONN HEALTH
Required Supplementary Information
State Employees' Retirement System (SERS)

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

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

Fiscal Year Ended June 30	<i>SERS</i> (\$ in thousands)								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	4.07%	5.59%	5.01%	4.45%	3.62% *	5.50%	5.36%	5.29%	4.99%
Proportionate share of the collective NPL	\$ 896,735	\$ 1,188,398	\$ 1,188,704	\$ 1,014,303	\$ 784,023	\$ 1,159,362	\$ 1,230,753	\$ 873,351	\$ 799,061
UConn Health's covered payroll	\$ 255,874	\$ 237,938	\$ 222,553	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762	\$ 167,523
Proportionate share of the collective NPL as a percentage of covered payroll	350.46%	499.46%	534.12%	576.93%	521.17%	565.02%	615.22%	472.69%	476.99%
Plan fiduciary net position as a percentage of the total pension liability	45.76%	44.55%	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%

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

Schedule of UConn Health's Pension Contributions

Based on contributions for the Fiscal Year Ended June 30,

For the year ended June 30	<i>SERS</i> (\$ in thousands)								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 136,225	\$ 115,854	\$ 99,867	\$ 80,994	\$ 70,177	\$ 52,170	\$ 84,860	\$ 80,493	\$ 72,496
Actual UConn Health contribution	136,225	115,854	99,867	80,994	70,177	52,170	84,860	80,493	72,496
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UConn Health's covered payroll	\$ 302,495	\$ 255,874	\$ 237,938	\$ 222,553	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762
Actual UConn Health contributions as a percentage of covered payroll	45.03%	45.28%	41.97%	36.39%	39.92%	34.68%	41.36%	40.24%	39.24%

NOTES TO REQUIRED SCHEDULES

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

Changes in Benefit Terms

2018 – 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 Hybrid Plan.

Changes in Assumptions

2022 - Wage inflation assumed rate changed from 3.5% to 3.0%; assumed salary scale changed to reflect experience in wage inflation rates of mortality have been revised to the Pub-2010 above median mortality tables (amount-weighted) projected generationally with MP-2020 improvement scale; assumed rates of withdrawal, disability, and retirement have been adjusted to reflect experience more closely.

UCONN HEALTH
Required Supplementary Information
Connecticut Teachers' Retirement System (TRS)

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

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

Fiscal Year Ended June 30	<i>TRS</i> (\$ in thousands)								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	0.031%	0.031%	0.031%	0.026%	0.026%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	\$ 5,592	\$ 4,657	\$ 5,877	\$ 4,469	\$ 3,447	\$ 2,508	\$ 2,646	\$ 1,042	\$ 963
UConn Health's covered payroll	\$ 1,290	\$ 1,429	\$ 1,138	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573	\$ 384
Proportionate share of the collective NPL as a percentage of covered payroll	433.49%	325.89%	516.43%	392.71%	312.51%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.56%

Schedule of UConn Health's Pension Contributions

Based on contributions for the Fiscal Year Ended June 30,

For the year ended June 30	<i>TRS</i> (\$ in thousands)								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 572	\$ 574	\$ 491	\$ 397	\$ 448	\$ 280	\$ 239	\$ 181	\$ 93
Actual UConn Health contribution	572	574	491	397	448	280	239	237	201
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ (108)
UConn Health's covered payroll	\$ 1,439	\$ 1,290	\$ 1,429	\$ 1,263	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573
Actual UConn Health contributions as a percentage of covered payroll	39.75%	44.50%	34.36%	31.43%	39.37%	25.39%	28.66%	31.10%	35.08%

NOTES TO REQUIRED SCHEDULES

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

Changes in Benefit Terms

2023 - Legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019.

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

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

Changes in Assumptions

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

2021, 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.

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 into a level amortization method for the June 30, 2024 valuation.

UCONN HEALTH
Required Supplementary Information

State Employee Other Post-Employment Benefits (OPEB) Plan

	2023	2022	2021	2020	2019	2018	2017
	<i>(\$ in Thousands)</i>						
UConn Health's proportion of the net OPEB liability	7.73%	7.69%	7.59%	7.31%	6.00%	6.96%	6.67%
UConn Health's proportion of the net OPEB liability	\$ 1,198,412	\$ 1,502,318	\$ 1,786,265	\$ 1,511,626	\$ 1,036,300	\$ 1,208,427	\$ 1,149,638
UConn Health's covered payroll	\$ 453,445	\$ 425,047	\$ 405,433	\$ 375,680	\$ 366,593	\$ 424,734	\$ 423,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered payroll	264.29%	353.45%	440.58%	402.37%	282.68%	284.51%	271.31%
Plan fiduciary net position as a percentage of the total OPEB liability	12.63%	10.12%	6.13%	5.47%	4.69%	3.03%	1.94%

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

	2023	2022	2021	2020	2019	2018	2017
	<i>(\$ in Thousands)</i>						
Contractually required contribution	\$ 81,655	\$ 65,567	\$ 66,784	\$ 65,804	\$ 55,031	\$ 48,134	\$ 46,451
Contributions in relation to the contractually required contribution	\$ 81,655	\$ 65,567	\$ 66,784	\$ 65,804	\$ 55,031	\$ 48,134	\$ 46,451
Contribution deficiency (excess)	-	-	-	-	-	-	-
UConn Health's covered payroll	\$ 526,044	\$ 453,445	\$ 425,047	\$ 405,433	\$ 375,680	\$ 366,593	\$ 366,593
Contributions as a percentage of covered payroll	15.52%	14.46%	15.71%	16.23%	14.65%	13.13%	12.67%

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.

2023-2018 – 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 3.90%, 2.31%, 2.38%, 3.58%, 3.95%, and 3.68% for the fiscal reporting years 2023, 2022, 2021, 2020, 2019, and 2018, respectively.

2022 - The demographic assumptions (mortality, disability, retirement, withdrawal and salary scale), were updated to be consistent with the corresponding retirement system assumptions. In addition, per capita health costs, administrative costs, and retiree contributions were updated for recent experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

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

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

**OTHER
SUPPLEMENTARY
INFORMATION**

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2023

	2023			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 296,240,559	\$ 8,177,490	\$ -	\$ 304,418,049
Patient receivables, net	14,071,755	54,512,073	-	68,583,828
Contract and other receivables	31,162,169	4,858,538	(5,877)	36,014,830
Funds held in escrow	271,638	-	-	271,638
Lease receivable - current portion	350,264	2,215,086	-	2,565,350
Due from Affiliates (Note 13)	14,150,314	-	-	14,150,314
Due from State of Connecticut	486,610	222,603	-	709,213
Due from Primary Institution	-	15,572,876	(15,572,876)	-
Inventories	5,327,240	15,320,803	-	20,648,043
Prepaid expenses	15,214,737	1,852,657	-	17,067,394
Total current assets	<u>377,275,286</u>	<u>102,732,126</u>	<u>(15,578,753)</u>	<u>464,428,659</u>
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	633,877	-	-	633,877
Deposits with vendors	12,007,648	11,125,119	-	23,132,767
Other assets	346,673	117,543	-	464,216
Investment in Subsidiary	1,375,000	-	-	1,375,000
Due from State of Connecticut	40,061,887	-	-	40,061,887
Lease receivable - net of current portion	1,609,334	2,030,495	-	3,639,829
Right-to-use assets, net (Note 9)	37,876,542	93,083,090	(67,990,814)	62,968,818
Capital and intangible assets, net (Note 10)	485,664,561	306,271,612	-	791,936,173
Total noncurrent assets	<u>579,575,522</u>	<u>412,627,859</u>	<u>(67,990,814)</u>	<u>924,212,567</u>
Total assets	<u>\$ 956,850,808</u>	<u>\$ 515,359,985</u>	<u>\$ (83,569,567)</u>	<u>\$ 1,388,641,226</u>
Deferred outflows of resources pension (Note 12)	\$ 279,425,485	\$ 168,793,761	\$ -	\$ 448,219,246
Deferred outflows of resources OPEB (Note 12)	\$ 222,878,617	\$ 128,736,254	\$ -	\$ 351,614,871

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION(Continued)
As of June 30, 2023

	2023			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 54,078,486	\$ 22,944,901	\$ -	\$ 77,023,387
Due to State of Connecticut	4,829,323	2,597,889	-	7,427,212
Accrued salaries	14,560,960	8,848,291	-	23,409,251
Compensated absences - current portion (Note 11)	13,945,570	9,157,394	-	23,102,964
Due to John Dempsey Hospital	15,572,876	-	(15,572,876)	-
Due to third party payors	(3,279,166)	23,426,706	-	20,147,540
Due to Affiliates (Note 15)	15,923,349	-	-	15,923,349
Unearned revenue	1,972,527	4,419	-	1,976,946
Malpractice reserve (Note 11)	2,370,000	-	-	2,370,000
Right-to-use liabilities - current portion (Note 11)	4,802,799	11,181,983	(3,726,669)	12,258,113
Long-term debt - current portion (Note 11)	10,491,241	2,917	-	10,494,158
Total current liabilities	<u>135,267,965</u>	<u>78,164,500</u>	<u>(19,299,545)</u>	<u>194,132,920</u>
Noncurrent Liabilities				
Malpractice reserve (Note 11)	47,336,800	-	-	47,336,800
Compensated absences - net of current portion (Note 11)	17,491,694	11,485,965	-	28,977,659
Pension liability (Note 12)	561,768,418	340,558,863	-	902,327,281
OPEB liability (Note 12)	767,991,274	430,420,277	-	1,198,411,551
Right-to-use liabilities - net of current portion (Note 11)	19,094,815	93,003,766	(68,222,936)	43,875,645
Long-term debt - net of current portion (Note 11)	167,481,066	-	-	167,481,066
Total noncurrent liabilities	<u>1,581,164,067</u>	<u>875,468,871</u>	<u>(68,222,936)</u>	<u>2,388,410,002</u>
Total liabilities	<u>\$ 1,716,432,032</u>	<u>\$ 953,633,371</u>	<u>\$ (87,522,481)</u>	<u>\$ 2,582,542,922</u>
Deferred inflows of resources right-to-use assets	\$ 1,833,244	\$ 4,245,581	\$ -	\$ 6,078,825
Deferred inflows of resources pension (Note 12)	\$ 210,644,841	\$ 91,281,759	\$ -	\$ 301,926,600
Deferred inflows of resources OPEB (Note 12)	\$ 374,890,605	\$ 198,677,634	\$ -	\$ 573,568,239
NET POSITION				
Net investment in capital assets	\$ 321,677,058	\$ 295,166,036	\$ 3,952,914	\$ 620,796,008
Restricted for				
Nonexpendable scholarships	61,451	-	-	61,451
Expendable				
Research	223,610	-	-	223,610
Loans	332,939	-	-	332,939
Capital projects	54,483,839	-	-	54,483,839
Unrestricted	(1,221,424,709)	(730,114,381)	-	(1,951,539,090)
Total net position	<u>\$ (844,645,812)</u>	<u>\$ (434,948,345)</u>	<u>\$ 3,952,914</u>	<u>\$ (1,275,641,243)</u>

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

For the Year Ended June 30, 2023

	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowances of \$7,796)	\$ 24,934,279	\$ -	\$ 24,934,279	\$ -	\$ 24,934,279
Patient services and pharmaceutical revenues (net of charity care of \$6,018) (Notes 4 & 6)	251,594,461	590,258,174	841,852,635	-	841,852,635
Federal grants and contracts	88,587,496	-	88,587,496	-	88,587,496
Nonfederal grants and contracts	26,462,759	-	26,462,759	-	26,462,759
Contract and other operating revenues	115,259,351	108,858,424	224,117,775	(50,699,822)	173,417,953
Total operating revenues	<u>506,838,346</u>	<u>699,116,598</u>	<u>1,205,954,944</u>	<u>(50,699,822)</u>	<u>1,155,255,122</u>
OPERATING EXPENSES					
Educational and General					
Instruction	172,548,183	-	172,548,183	(29,576,784)	142,971,399
Research	50,691,496	-	50,691,496	-	50,691,496
Patient services	224,743,705	695,263,947	920,007,652	(12,329,861)	907,677,791
Academic support	14,193,207	-	14,193,207	-	14,193,207
Institutional support	147,829,977	-	147,829,977	(2,422,940)	145,407,037
Operations and maintenance of plant	17,052,409	-	17,052,409	748,848	17,801,257
Depreciation and amortization (Note 10)	54,654,848	36,651,469	91,306,317	(4,944,430)	86,361,887
Student aid	404,218	-	404,218	-	404,218
Total operating expenses	<u>682,118,043</u>	<u>731,915,416</u>	<u>1,414,033,459</u>	<u>(48,525,167)</u>	<u>1,365,508,292</u>
Operating loss	<u>(175,279,697)</u>	<u>(32,798,818)</u>	<u>(208,078,515)</u>	<u>(2,174,655)</u>	<u>(210,253,170)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations (Note 15)	340,327,662	-	340,327,662	-	340,327,662
Gifts	5,324,042	95,000	5,419,042	-	5,419,042
Federal and State aid	72,769,397	196,693	72,966,090	-	72,966,090
Hospital transfer	(68,629,528)	68,629,528	-	-	-
Loss on disposal	(48,933)	(35,580)	(84,513)	-	(84,513)
Interest income	82,008	197,212	279,220	-	279,220
Lease revenue	398,686	2,215,086	2,613,772	-	2,613,772
Investment income, net	10,055,322	-	10,055,322	-	10,055,322
Interest on capital asset - related debt	(9,072,168)	(4,981,464)	(14,053,632)	3,467,406	(10,586,226)
Net nonoperating revenues	<u>351,206,488</u>	<u>66,316,475</u>	<u>417,522,963</u>	<u>3,467,406</u>	<u>420,990,369</u>
Income before other revenues, expenses, gains or losses	<u>175,926,791</u>	<u>33,517,657</u>	<u>209,444,448</u>	<u>1,292,751</u>	<u>210,737,199</u>
OTHER CHANGES IN NET POSITION					
Capital appropriations (Note 13)	40,000,000	-	40,000,000	-	40,000,000
Net other changes in net position	40,000,000	-	40,000,000	-	40,000,000
Increase in net position	215,926,791	33,517,657	249,444,448	1,292,751	250,737,199
NET POSITION					
Net position-beginning of year (restated)	(1,060,572,603)	(468,466,002)	(1,529,038,605)	3,092,176	(1,525,946,429)
Cumulative effect of change in accounting method - GASB 87	-	-	-	(432,013)	(432,013)
Net position-beginning of year	<u>(1,060,572,603)</u>	<u>(468,466,002)</u>	<u>(1,529,038,605)</u>	<u>2,660,163</u>	<u>(1,526,378,442)</u>
Net position-end of year	<u>\$ (844,645,812)</u>	<u>\$ (434,948,345)</u>	<u>\$ (1,279,594,157)</u>	<u>\$ 3,952,914</u>	<u>\$ (1,275,641,243)</u>

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30,									
	(amounts in thousands)									
	2023	2022 (Restated)	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 24,934	\$ 23,871	\$ 23,475	\$ 21,636	\$ 20,655	\$ 18,613	\$ 17,499	\$ 15,728	\$ 16,557	\$ 15,794
Patient services and pharmaceutical revenues*	841,853	743,493	628,899	513,608	534,494	580,697	539,777	532,876	512,960	450,315
Federal grants and contracts	88,587	96,326	68,185	58,055	58,196	50,748	58,148	59,529	57,920	62,527
Nonfederal grants and contracts	26,463	26,357	24,977	27,872	30,016	29,337	29,009	27,116	24,407	23,803
Contract and other operating revenues	173,418	158,365	152,990	162,725	159,745	127,188	114,284	108,017	109,324	106,771
Total operating revenues	<u>1,155,255</u>	<u>1,048,412</u>	<u>898,526</u>	<u>783,896</u>	<u>803,106</u>	<u>806,583</u>	<u>758,717</u>	<u>743,266</u>	<u>721,168</u>	<u>659,210</u>
State appropriations	340,328	344,029	330,872	296,520	250,846	279,513	278,211	289,287	280,645	266,139
Transfer from/(to) State and outside programs	-	20,000	-	-	-	-	-	-	-	-
Gifts	5,419	4,417	3,496	6,950	6,146	5,706	4,079	6,865	7,175	7,300
COVID-19 relief funding	72,966	87,428	15,598	22,518	-	-	-	-	-	-
Interest income	279	351	340	-	-	-	-	-	-	-
Lease revenue	2,614	2,837	2,249	-	-	-	-	-	-	-
Investment income (net of investment expense)	10,055	129	31	600	1,385	654	104	141	176	93
Net nonoperating revenues	<u>431,661</u>	<u>459,191</u>	<u>352,586</u>	<u>326,588</u>	<u>258,377</u>	<u>285,873</u>	<u>282,394</u>	<u>296,293</u>	<u>287,996</u>	<u>273,532</u>
Total Revenues	<u>\$ 1,586,916</u>	<u>\$ 1,507,603</u>	<u>\$ 1,251,112</u>	<u>\$ 1,110,484</u>	<u>\$ 1,061,483</u>	<u>\$ 1,092,456</u>	<u>\$ 1,041,111</u>	<u>\$ 1,039,559</u>	<u>\$ 1,009,164</u>	<u>\$ 932,742</u>

	For the Year Ended June 30,									
	(percent of total revenues)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Student tuition and fees (net of scholarship allowances)	1.6%	1.7%	1.9%	1.9%	1.9%	1.7%	1.7%	1.5%	1.6%	1.7%
Patient services and pharmaceutical revenues*	53.1%	49.3%	50.3%	46.3%	50.4%	53.1%	51.8%	51.3%	50.8%	48.3%
Federal grants and contracts	5.6%	6.4%	5.4%	5.2%	5.5%	4.6%	5.6%	5.7%	5.7%	6.7%
Nonfederal grants and contracts	1.7%	1.7%	2.0%	2.5%	2.8%	2.7%	2.8%	2.6%	2.4%	2.6%
Contract and other operating revenues	10.9%	10.5%	12.2%	14.6%	15.0%	11.6%	11.0%	10.4%	10.8%	11.4%
Total operating revenues	<u>72.9%</u>	<u>69.6%</u>	<u>71.8%</u>	<u>70.5%</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>
State appropriations	21.4%	22.8%	26.5%	26.7%	23.6%	25.6%	26.7%	27.8%	27.8%	28.5%
Transfer from/(to) State and outside programs	0.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gifts	0.3%	0.3%	0.3%	0.6%	0.6%	0.5%	0.4%	0.7%	0.7%	0.8%
COVID-19 relief funding	4.6%	5.8%	1.2%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lease revenue	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income (net of investment expense)	0.6%	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Net nonoperating revenues	<u>27.1%</u>	<u>30.4%</u>	<u>28.2%</u>	<u>29.5%</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>
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>

* Pharmaceutical revenues partial year fiscal year 2020 and first complete year in fiscal year 2021

SCHEDULE OF EXPENSES BY FUNCTION

For the Year Ended June 30,

(amounts in thousands)

	2023	2022 (Restated)	2021	2020	2019	2018	2017	2016	2015	2014
Expenses:										
Instruction	\$ 142,971	\$ 175,456	\$ 178,910	\$ 170,526	\$ 157,396	\$ 179,948	\$ 169,130	\$ 168,299	\$ 163,703	\$ 152,618
Research	50,692	77,186	57,554	55,173	52,832	56,102	59,400	58,233	56,961	59,518
Patient services	907,678	970,226	964,236	846,526	663,701	747,637	713,342	648,071	607,435	581,558
Academic support	14,193	22,124	24,986	20,087	15,173	19,322	19,186	18,070	22,458	20,824
Institutional support	145,407	141,613	159,055	89,592	126,922	112,126	82,233	80,638	83,260	66,416
Operations and maintenance of plant	17,801	27,616	26,886	25,112	37,659	38,223	37,295	38,714	35,363	31,548
Depreciation and amortization	86,362	81,543	72,487	72,893	72,575	52,637	52,046	41,469	37,830	32,780
Student aid	404	98	39	25	71	364	194	84	32	50
Total operating expenses	<u>1,365,508</u>	<u>1,495,862</u>	<u>1,484,153</u>	<u>1,279,934</u>	<u>1,126,329</u>	<u>1,206,359</u>	<u>1,132,826</u>	<u>1,053,578</u>	<u>1,007,042</u>	<u>945,312</u>
Transfer to State and outside programs	-	-	-	-	1,991	-	-	-	-	-
Interest on capital asset - related debt	10,586	9,547	9,424	9,354	9,619	9,909	10,214	10,487	3,820	1,007
Total nonoperating expenses	<u>10,586</u>	<u>9,547</u>	<u>9,424</u>	<u>9,354</u>	<u>11,610</u>	<u>9,909</u>	<u>10,214</u>	<u>10,487</u>	<u>3,820</u>	<u>1,007</u>
Total Expenses	<u>\$ 1,376,094</u>	<u>\$ 1,505,409</u>	<u>\$ 1,493,577</u>	<u>\$ 1,289,288</u>	<u>\$ 1,137,939</u>	<u>\$ 1,216,268</u>	<u>\$ 1,143,040</u>	<u>\$ 1,064,065</u>	<u>\$ 1,010,862</u>	<u>\$ 946,319</u>

For the Year Ended June 30,

(percent of total expenses)

	2023	2022 (Restated)	2021	2020	2019	2018	2017	2016	2015	2014
Expenses:										
Instruction	10.4%	11.7%	12.0%	13.2%	13.8%	14.8%	14.8%	15.8%	16.2%	16.1%
Research	3.7%	5.1%	3.9%	4.3%	4.6%	4.6%	5.2%	5.5%	5.6%	6.3%
Patient services	66.0%	64.5%	64.6%	65.7%	58.3%	61.5%	62.4%	60.9%	60.1%	61.5%
Academic support	1.0%	1.5%	1.7%	1.6%	1.3%	1.6%	1.7%	1.7%	2.2%	2.2%
Institutional support	10.6%	9.4%	10.6%	6.9%	11.2%	9.2%	7.2%	7.6%	8.2%	7.0%
Operations and maintenance of plant	1.2%	1.8%	1.8%	1.9%	3.3%	3.1%	3.3%	3.6%	3.5%	3.3%
Depreciation and amortization	6.3%	5.4%	4.9%	5.7%	6.4%	4.4%	4.6%	3.9%	3.7%	3.5%
Student aid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total operating expenses	<u>99.2%</u>	<u>99.4%</u>	<u>99.4%</u>	<u>99.3%</u>	<u>99.0%</u>	<u>99.2%</u>	<u>99.1%</u>	<u>99.0%</u>	<u>99.6%</u>	<u>99.9%</u>
Transfer to State and outside programs	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.8%	0.6%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%
Total nonoperating expenses	<u>0.8%</u>	<u>0.6%</u>	<u>0.6%</u>	<u>0.7%</u>	<u>1.0%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>1.0%</u>	<u>0.4%</u>	<u>0.1%</u>
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>

Notes to a not required schedule

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

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

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

	<u>2023</u>	<u>2022 (Restated)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses:										
Salaries and wages	\$ 550,183	\$ 504,575	\$ 465,759	\$ 443,132	\$ 418,558	\$ 438,122	\$ 444,948	\$ 452,363	\$ 430,988	\$ 418,305
Fringe benefits	146,527	412,259	509,160	396,019	254,030	369,185	331,533	264,911	239,288	223,850
Supplies and other expenses	568,593	483,364	428,553	353,870	368,279	333,986	291,166	282,218	286,170	258,778
Utilities	13,843	14,121	8,194	14,020	12,887	12,429	13,133	12,617	12,766	11,599
Depreciation and amortization	86,362	81,543	72,487	72,893	72,575	52,637	52,046	41,469	37,830	32,780
Total operating expenses	<u>1,365,508</u>	<u>1,495,862</u>	<u>1,484,153</u>	<u>1,279,934</u>	<u>1,126,329</u>	<u>1,206,359</u>	<u>1,132,826</u>	<u>1,053,578</u>	<u>1,007,042</u>	<u>945,312</u>
Transfer to State and outside programs	-	-	-	-	1,991	-	-	-	-	-
Interest on capital asset - related debt	10,586	9,547	9,424	9,354	9,619	9,909	10,214	10,487	3,820	1,007
Total nonoperating expenses	<u>10,586</u>	<u>9,547</u>	<u>9,424</u>	<u>9,354</u>	<u>11,610</u>	<u>9,909</u>	<u>10,214</u>	<u>10,487</u>	<u>3,820</u>	<u>1,007</u>
Total Expenses	<u>\$ 1,376,094</u>	<u>\$ 1,505,409</u>	<u>\$ 1,493,577</u>	<u>\$ 1,289,288</u>	<u>\$ 1,137,939</u>	<u>\$ 1,216,268</u>	<u>\$ 1,143,040</u>	<u>\$ 1,064,065</u>	<u>\$ 1,010,862</u>	<u>\$ 946,319</u>

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

	<u>2023</u>	<u>2022 (Restated)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses:										
Salaries and wages	40.0%	33.5%	31.2%	34.4%	36.8%	36.0%	38.9%	42.5%	42.6%	44.2%
Fringe benefits	10.6%	27.4%	34.1%	30.7%	22.3%	30.4%	29.0%	24.9%	23.7%	23.7%
Supplies and other expenses	41.2%	32.1%	28.7%	27.4%	32.4%	27.5%	25.5%	26.5%	28.3%	27.4%
Utilities	1.0%	0.9%	0.5%	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%	1.2%
Depreciation and amortization	6.3%	5.4%	4.9%	5.7%	6.4%	4.3%	4.6%	3.9%	3.7%	3.5%
Total operating expenses	<u>99.2%</u>	<u>99.4%</u>	<u>99.4%</u>	<u>99.3%</u>	<u>99.0%</u>	<u>99.2%</u>	<u>99.1%</u>	<u>99.0%</u>	<u>99.6%</u>	<u>99.9%</u>
Transfer to State and outside programs	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on capital asset - related debt	0.8%	0.6%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%
Total nonoperating expenses	<u>0.8%</u>	<u>0.6%</u>	<u>0.6%</u>	<u>0.7%</u>	<u>1.0%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>1.0%</u>	<u>0.4%</u>	<u>0.1%</u>
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)

	2023	2022 (Restated)	2021	2020	2019	2018	2017	2016	2015	2014
Total revenues (from schedule of revenues by source)	\$ 1,586,916	\$ 1,507,603	\$ 1,251,112	\$ 1,110,484	\$ 1,061,483	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164	\$ 932,742
Total expenses (from schedule of expenses by natural classification and function)	1,376,094	1,505,409	1,493,577	1,289,288	1,137,939	1,216,268	1,143,040	1,064,065	1,010,862	946,319
Income (Loss) before other changes in net position	210,822	2,194	(242,465)	(178,804)	(76,456)	(123,812)	(101,929)	(24,506)	(1,698)	(13,577)
Transfer from affiliate	-	228	2,000	-	-	-	-	-	-	-
Capital appropriations	40,000	13,000	680	-	13,000	88,806	43,479	175,000	159,810	193,214
Loss on disposal	(85)	(779)	(196)	(332)	(1,898)	(3,092)	(989)	(695)	(3,902)	(573)
Net other changes in net position	39,915	12,449	2,484	(332)	11,102	85,714	42,490	174,305	155,908	192,641
Total changes in net position	250,737	14,643	(239,981)	(179,136)	(65,354)	(38,098)	(59,439)	149,799	154,210	179,064
Net position-beginning of year (as previously stated)	(1,525,946)	(1,539,857)	(1,299,314)	(1,120,178)	(1,014,953)	126,332	185,771	35,972	576,794	397,730
Cumulative effect of implementing GASB 68 and 71	-	-	-	-	-	-	-	-	(695,032)	-
Cumulative effect of implementing GASB 75	-	-	-	-	-	(1,103,187)	-	-	-	-
Cumulative effect of implementing GASB 87 and 96	(432)	(732)	(563)	-	-	-	-	-	-	-
Cumulative effect of accounting changes and error corrections	-	-	-	-	(39,871)	-	-	-	-	-
Net position-beginning of year as restated	(1,526,378)	(1,540,589)	(1,299,877)	(1,120,178)	(1,054,824)	(976,855)	185,771	35,972	(118,238)	397,730
Net position, ending	\$ (1,275,641)	\$ (1,525,946)	\$ (1,539,858)	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794
Net investment in capital assets	\$ 620,796	\$ 646,777	\$ 690,037	\$ 731,730	\$ 784,280	\$ 867,913	\$ 823,325	\$ 734,480	\$ 579,241	\$ 405,672
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	224	1,093	1,107	1,792	1,588	(127)	(8)	(876)	(139)	547
Loans	333	283	244	283	589	523	31	953	1,348	104
Capital projects	54,484	26,185	3,444	4,363	7,881	37,660	37,061	117,466	104,082	152,707
Unrestricted	(1,951,539)	(2,200,345)	(2,234,751)	(2,037,543)	(1,914,577)	(1,920,983)	(734,138)	(666,313)	(648,621)	17,703
Total net position	\$ (1,275,641)	\$ (1,525,946)	\$ (1,539,857)	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794

SCHEDULE OF LONG-TERM DEBT

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

	2023	2022 (Restated)	2021	2020	2019	2018	2017	2016	2015	2014
Loans payable	\$ 14,767	\$ 16,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Right-to-use liabilities	56,134	64,801	42,383	-	-	-	-	-	-	-
Capital leases	-	-	-	4,289	3,275	1,701	2,187	-	-	-
Mortgage agreement	163,208	171,081	178,560	185,664	192,412	198,823	204,914	210,700	216,198	168,024
Total long-term debt	\$ 234,109	\$ 252,810	\$ 220,943	\$ 189,953	\$ 195,687	\$ 200,524	\$ 207,101	\$ 210,700	\$ 216,198	\$ 168,024

FACULTY AND STAFF

For the Year Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
BARGAINING UNIT										
Faculty	607.1	592.7	579.2	566.8	565.6	539.6	529.4	517.6	507.8	512.8
University Health Professionals	2,938.1	2,680.2	2,681.0	2,630.0	2,558.9	2,526.6	2,477.0	2,462.8	2,420.4	2,457.9
All other	798.9	719.3	728.2	747.1	730.7	1,299.0	1,356.0	1,404.6	1,422.1	1,437.9
Total FTE's	4,344.1	3,992.2	3,988.4	3,943.9	3,855.2	4,365.2	4,362.4	4,385.0	4,350.3	4,408.6
EXEMPT										
Faculty	60.3	60.0	60.0	54.9	54.3	55.2	56.2	56.8	60.6	61.5
Managerial	161.6	143.0	139.0	133.0	131.8	139.1	153.9	160.6	159.3	158.3
All other	438.1	403.6	367.8	350.2	334.9	340.7	335.1	329.3	353.2	392.7
Total FTE's	660.0	606.6	566.8	538.1	521.0	535.0	545.2	546.7	573.1	612.5
TOTAL FTE's	5,004.1	4,598.8	4,555.2	4,482.0	4,376.2	4,900.2	4,907.6	4,931.7	4,923.4	5,021.1

Notes to a not required schedule

The FTE information prior to 2019 includes CMHC

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

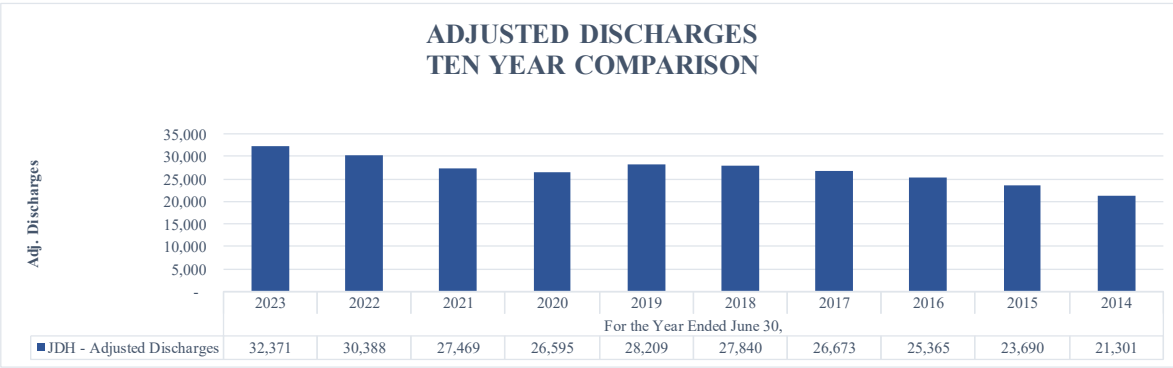
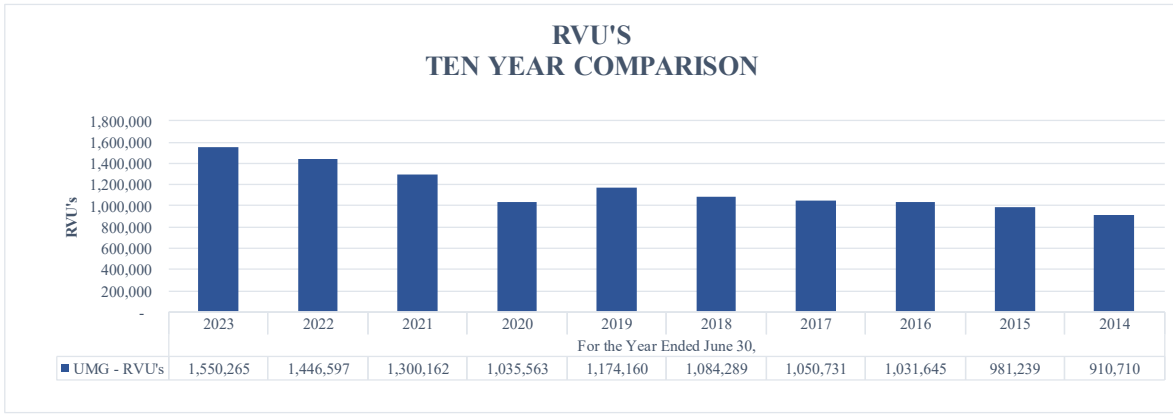
	For the Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Academic										
Net assignable square feet (in thousands)	84	84	84	84	84	82	82	74	74	74
Number of buildings/major areas of Main Building*	2	2	2	2	2	2	2	1	1	1
Research buildings										
Net assignable square feet (in thousands)	478	478	478	478	478	456	456	456	435	435
Number of buildings/major areas of Main Building*	7	7	7	7	7	6	6	6	6	6
Patient care buildings										
Net assignable square feet (in thousands)	873	873	873	868	868	885	885	885	662	529
Number of buildings/major areas of Main Building*	6	6	6	6	6	6	6	6	6	8
Administrative and support buildings										
Net assignable square feet (in thousands)	985	985	985	985	985	865	865	873	769	769
Number of buildings/major areas of Main Building*	11	11	11	11	11	11	11	12	11	11
Total net assignable square feet (in thousands)	<u>2420</u>	<u>2420</u>	<u>2420</u>	<u>2415</u>	<u>2415</u>	<u>2288</u>	<u>2288</u>	<u>2288</u>	<u>1940</u>	<u>1807</u>
Number of buildings/major areas of Main Building*	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>24</u>	<u>26</u>

*** Notes to not a required schedule**

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

RVU'S AND DISCHARGES

	For the Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
UMG - RVU's	1,550,265	1,446,597	1,300,162	1,035,563	1,174,160	1,084,289	1,050,731	1,031,645	981,239	910,710
	For the Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
JDH - Adjusted Discharges	32,371	30,388	27,469	26,595	28,209	27,840	26,673	25,365	23,690	21,301



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)
2023	\$ 314,865,500,000	3,632,752	\$ 86,674	3.9%
2022	\$ 307,116,000,000	3,614,683	\$ 84,963	5.1%
2021	\$ 290,146,700,000	3,544,930	\$ 81,848	8.5%
2020	\$ 290,641,600,000	3,561,513	\$ 81,606	5.1%
2019	\$ 284,136,600,000	3,570,160	\$ 79,587	3.8%
2018	\$ 265,636,709,000	3,588,236	\$ 74,030	4.5%
2017	\$ 251,389,254,000	3,568,714	\$ 70,443	4.8%
2016	\$ 252,249,206,000	3,586,640	\$ 70,330	5.5%
2015	\$ 240,602,679,000	3,591,282	\$ 66,996	6.1%
2014	\$ 232,600,172,000	3,596,922	\$ 64,666	7.1%

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(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

<u>Name</u>	2023		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
Yale New Haven Health System	29,486	1.6%	1
Hartford Healthcare	27,804	1.5%	2
Raytheon Technologies	16,600	0.9%	3 (1)
Yale University	15,652	0.9%	4
General Dynamics Electric Boat	13,049	0.7%	5
CVS Health	9,724	0.5%	6
Wal-Mart Stores, Inc.	8,454	0.5%	7
Sikorsky, a Lockheed Martin Co.	7,900	0.4%	8
The Travelers Cos. Inc.	7,400	0.4%	9
UnitedHealth Group, United Healthcare of New England	5,779	0.3%	10
Total	141,848	7.7%	

<u>Name</u>	2014		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
United Technologies Corp.	25,000	1.5%	1
Yale New Haven Health System	18,869	1.1%	2
Hartford Healthcare	18,597	1.1%	3
Yale University	14,887	0.9%	4
Wal-Mart Stores, Inc.	9,289	0.6%	5
General Dynamics Electric Boat	8,896	0.5%	6
Foxwoods Resort Casino	7,600	0.5%	7
The Travelers Cos. Inc.	7,400	0.4%	8
Mohegan Sun	7,300	0.4%	9 (2)
The Hartford Financial Services Group Inc.	7,000	0.4%	10
Total	124,838	7.4%	

Source: *Hartford Business Journal*

(1) Established in 2020 with the merger of Raytheon Co., based on Waltham, Mass., and Farmington's United Technologies Corp.

(2) Company did not provide full data in 2014 survey response. Data is from 2013.

UConn
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