

Annual Comprehensive Financial Report

FOR THE YEAR ENDED JUNE 30, 2022

Included as an Enterprise Fund of the State of Connecticut

UConn HEALTH

UConn HEALTH

Annual Comprehensive
Financial Report
For the Year Ended June 30, 2022

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

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

Established in 1961, with a mission of teaching, research, and patient care. UConn Health is Connecticut’s only public academic medical center comprised of UConn School of Medicine, School of Dental Medicine and their associated Education Clinics, a Research Enterprise, John Dempsey Hospital (the Hospital), UConn Medical Group (UMG), and the University of Connecticut Finance Corporation (Finance Corporation) and its subsidiaries 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 will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination, and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

With approximately 4,600 full time employees (FTE’s), UConn Health is one of Connecticut’s largest employers and an important contributor to the local and regional economy. UConn Health’s campus in Farmington is situated on 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 strong foundation in the biomedical sciences, reflected in the dental school's decision to award its graduates the D.M.D. (Doctor of Medical Dentistry). School of Dental Medicine students have a long history of outstanding performance on the National Boards.

UConn Health is Connecticut's No. 1 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 producing 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 cornerstones of UConn Health's mission. The strength of UConn Health's research programs allows it to attract distinguished researchers with expertise in neuroscience, molecular biology and biochemistry, molecular pharmacology, cell physiology, toxicology, and immunology, among other fields. The Alcohol Research Center is one of only twenty-two such federally supported centers in the nation and is the longest-funded center at the National Institute on Alcohol Abuse and Alcoholism (NIAAA). UConn

Health's research program remains strong and diverse. Areas of growth and opportunity include Psychiatry, Neuroscience, the Center on Aging, Genetics and Genome Sciences, Child and Family Studies, and the Calhoun Cardiology Center. These areas account for more than half of the awards made to UConn Health and have doubled research funding over the last 5 years. Awards to UConn Health exceeded \$100.0 million in 3 of the last 4 years, with awards in FY22 totaling more than \$124.0 million.

Health Care Services

Through John Dempsey Hospital (224 certified general acute care beds and 10 bassinets, 186 staffed), UConn Health provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular, cancer, and musculoskeletal services, as well as high risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region's health in other ways. UConn Medical Group, one of the largest medical practices in Greater Hartford, offers primary care and services in more than 50 specialties.

While the hospital and faculty practice continue to grow volumes, the challenges of the health care 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 poor and uninsured by providing better medical care and health education. UConn Health is committed to finding new and effective ways to reach out to the public as part of our ongoing effort to bring a better quality of life to all our citizens.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. 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. UConn Health elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. In fiscal years 2021 and 2022, UConn Health diligently began to navigate a path back to providing full services in a changed world.

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

Due to the continued rapid development and fluidity of this situation, it is difficult to assess the impact that the pandemic will continue to have on UConn Health's financial condition. See note 17 for additional details.

UConn Health has received aid from several governmental agencies along with other sources throughout the pandemic. Notably, UConn Health received federal funding via the American Rescue Relief 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 2022 is shown below:

Funding Source	2022
State ARPA allocation	\$ 73,000,000
CARES Act	8,286,625
Other funds	6,140,952
Total Covid-19 relief revenue	\$ <u>87,427,577</u>

Economic Condition

Connecticut's revenues exceeded expenses at the State level, resulting in a fiscal year 2022 surplus. Connecticut's economy continues to recover from the COVID-19 pandemic. In June 2021, the State's biennial budget for fiscal years 2022 and 2023 were approved by the Special Session Budget Implementer (SB 1202) and

signed into law by the Governor. The approved appropriations for UConn Health were \$133.7 million for both fiscal years 2022 and 2023. In fiscal year 2022, additional appropriations were allotted for salary adjustments related to new union agreements, \$8.5 million for fiscal year 2022 and \$14.3 million for fiscal year 2023. In addition to the appropriations, the State allocated \$30.9 million to cover increases for non-block grant union agreements as well as pension and OPEB legacy costs in fiscal year 2022 and \$37.7 million for fiscal year 2023. For fiscal year 2023, an additional \$5.1 million was allocated for the 27th pay period which occurs once every 10 years. Additional information on this can be found in note 15.

UConn Health's fiscal 2023 budget is projected to be break even. This is reliant upon current State aid in active budget legislation. Changes at the State level may impact State support and UConn Health's overall results. UConn Health remains in constant contact with the State to monitor trends and needs.

No assurance can be made that the State will not change the fiscal year 2023 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, 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. We are also aware of the impact Covid-19 has had on medical providers and support staff. We have made concerted efforts to provide our staff with mental health and other resources to help them through difficult times.

Awards and Acknowledgements

UConn Health is making a difference in the lives of our patients, the advancement of science, the next generation of health care workers we train, and those in the local communities we serve. We are proud of the incredible community impact UConn Health is having on the people of our state.

When it comes to the pandemic, UConn Health, its hospital, and workforce are continuing the fight. It has distributed more than 112,000 vaccinations. UConn Health's COVID-19 Vaccine Program headed into schools to help fight the virus in communities with

vaccines for eligible school-aged children ages 5 and above. Plus, UConn Health doctors, staff, and students, with the City of Hartford and CT Area Health Education Center based at UConn Health, have been going door-to-door to offer COVID-19 vaccinations, knocking on doors where COVID-19 vaccine rates are low and answering any questions residents might have.

The White House's Office of Science and Technology Policy recognized UConn's Indoor Air Quality Initiative fighting COVID-19 in Connecticut's local public elementary schools and beyond. This UConn Health nurse-led cross-campus public health and research project has built and donated hundreds and hundreds of inexpensive do-it-yourself (DIY) "Corsi-Rosenthal Box" air purifiers to improve health inside our communities. Research shows the DIY devices can stop the spread of COVID-19 indoors by 90%.

UConn School of Medical and School of Dental Medicine celebrated their 51st anniversary of producing doctors of medicine and dental medicine. Over the last five decades the School of Medicine has graduated approximately 4,000 physicians and the School of Dental Medicine 2,000 dentists. Many of these practitioners stay in Connecticut to practice. This year the UConn School of Dental Medicine was honored with its highest ranking in the school's history. It now ranks 8th among all 67 dental schools in the United States for overall research funding from the National Institutes of Health (NIH).

The highest honors received by UConn Health included Newsweek naming the Hospital, for the first time, a "2022 World's Best Hospital". The Hospital continued to be recognized for its outstanding care and dedication to quality, earning its fourth consecutive "A" grade in the Leapfrog Groups annual safety ratings. The Hospital was ranked as a high performing hospital for stroke and kidney failure care by U.S. News & World Report Best Hospitals. For the sixth consecutive year, The American Heart Association has recognized the Hospital for its excellence in heart attack and stroke care with gold-level honors. Additionally, the Stroke Center earned gold distinction as an advanced thrombectomy-capable stroke center from The Joint Commission for its high stroke care standards. Also, Newsweek named the Hospital, for the second year in a row, a Best Maternity Care Hospital.

Patient care at UConn Health continues to bustle with several news programs seeing great success. After more

than two years, our new Specialty Pharmacy is exceeding expectations and having tremendous growth. Monthly its services reach more than 900 patients in need, filling over 1,100 prescriptions. The program delivers higher-cost, specialized medications right to a patient's home anywhere in the state with average delivery time two-thirds faster than the national average.

This year, we launched the Transcatheter Aortic Valve Replacement (TAVR) to enhance our comprehensive care of aortic stenosis patients. UConn Health is also, offering minimally invasive TAVR procedures that adds to our growing recruitment of expertise in cardiothoracic surgery and vascular medicine. Next year, the new Brain & Spine Institute will be opening. It will be in a new building with free standing radiology equipment. This is currently in high demand by consumers.

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

- A free two-day dental clinic at UConn School of Dental Medicine's state-of-the-art facilities served over 1,000 patients in need. It was all part of The Connecticut Foundation for Dental Outreach's Connecticut Mission of Mercy. The event occurring for the first time on UConn Health's campus. One hundred and sixty School of Dental Medicine students, faculty, staff, and residents and 30 School of Medicine Urban Service Track students were part of a team of over 800 volunteers powering this major public service event.
- UConn Health has teamed with the National Association for the Advancement of Colored People (NAACP) to improve the lives of the formerly incarcerated. Together we are building a greater pipeline and pathway for the formerly incarcerated, and those with a prior criminal record to access job training to prepare them for employment opportunities at UConn Health. This will help strengthen equity and the economic status of formerly incarcerated individuals. UConn Health has committed to work toward the goal of hiring individuals who have contact with the criminal justice system to fill 5% of entry-level job openings over the next three years.

Our researchers continue their impressive cutting-edge clinical trials, high-impact study publications, and innovative breakthroughs. Listed below are a few highlights from this year.

The first patient in the world traveled from Texas to the world-renowned UConn Health Glycogen Storage Disease Program to receive the Moderna messenger RNA (mRNA) infusion for GSD1a. We are testing this single intravenous vaccine in clinical trial to restore the liver's ability to effectively break down glycogen into glucose for this rare disease which causes life-threatening low blood sugar unless cornstarch is consumed every 3-4 hours.

UConn Health researchers have created an innovative 3-D printed breast prosthetic for breast cancer patients in need that is already benefitting cancer survivors. The prosthetics are lightweight, soft, breathable and give a more natural-looking, custom fit to each patient's body. The UConn Center on Aging is the lead institution for a transformative \$13.5 million NIH-funded consortium establishing an NIH Common Fund U54 Tissue Mapping Center. This KAPP-Sen Tissue Mapping

Center is mapping senescent cells found in human tissues to discover why these abnormal cells stop dividing and begin causing aging and chronic disease development. UConn and The Jackson Laboratory are receiving a robust pipeline of tissue samples from nationwide surgery and transplant centers, analyzing, and cataloging them, and posting the results to the NIH databases.

Lastly, our global health research presented findings that show some viruses can make people smell tastier to mosquitoes. In fact, mosquito spread Zika and dengue fever viruses manipulate the skin's microbiota to attract more mosquitoes. UConn Health researchers are now working on promising interventions to curb this major global health issue in the hopes of saving more lives and protecting pregnant women and their unborn babies.

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

Respectfully Submitted,



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



Jeffrey P. Geoghegan
Chief Financial Officer
UConn Health

**DIRECTORS AND FINANCIAL OFFICERS
As of June 30, 2022**

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

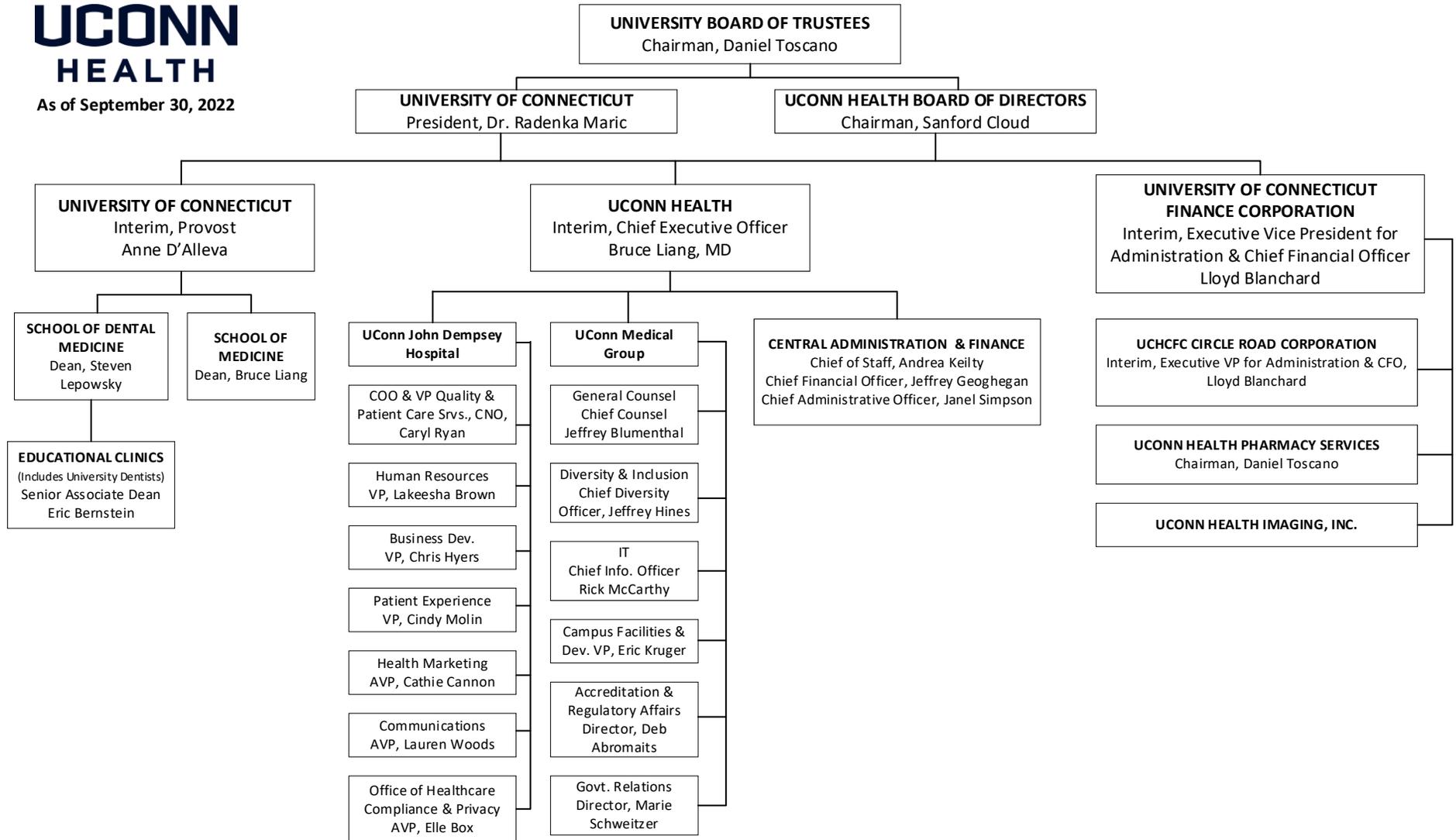
Lloyd Blanchard, UConn, Interim, Vice President for Finance and Chief Financial Officer

Jeffrey P. Geoghegan, UConn Health Chief Financial Officer

Chad A. Bianchi, UConn Health Controller

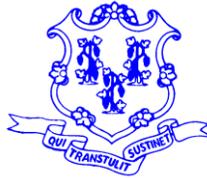
UCONN HEALTH

As of September 30, 2022



**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. The accompanying financial statements, which consist of the statement of net position as of June 30, 2022, 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, which collectively comprise UConn Health's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of UConn Health, as of June 30, 2022, 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 40.7% of the assets and 41.7% of the revenues of UConn Health;
- The financial statements of UConn Medical Group, which represents 9.4% of the assets and 9.7% of the revenues of UConn Health; and
- The financial statements of the Finance Corporation, which represents 16.5% of the assets and 5.9% 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2021, UConn Health adopted new accounting guidance for leases in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Our opinions are not modified with respect to this matter.

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

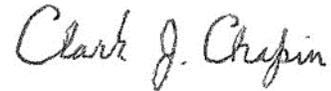
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover 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.

Sincerely,



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor

December 15, 2022

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, 2022. 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), 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 2022 was 452 students in the School of Medicine, 201 in the School of Dental Medicine, and 307 Graduate students, taught by over 600 faculty members. UConn Health finished fiscal year 2022 with 4,599 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 (186 staffed). In fiscal year 2022, adjusted patient days (a measure of total hospital volume) were 149,290, a 16.4% increase from the prior year. During 2022, UMG had 824,560 unique patient visits, a 7.9% 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, 2022, 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, 2022, 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, 2022, consisted of assets of \$1.4 billion and liabilities of \$3.2

billion. Net assets, which represent the residual interest in UConn Health's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased \$17.8 million in fiscal year 2022 after non-operating and other changes in net position. The changes were primarily driven by the recording of UConn Health's proportionate share of State pension and OPEB liabilities and were not representative of normal operations. The change in net assets exclusive of these entries was \$100.0 million.

The financial statements contained herein show an operating loss of \$443.8 million for the year ending June 30, 2022 (fiscal year 2022). The measure more indicative of normal and recurring activities is net income (loss) before other changes in net position, which includes revenue from State appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the State and issuance of UCONN 2000 bond funds (included in the other changes in net position above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income (loss), so a loss under this measurement is expected. UConn Health reported income before other changes in net position of \$4.6 million in fiscal year 2022.

Some sources of recurring operating and non-operating revenues increased in 2022, including federal grants and contracts. 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 7.7% in fiscal year 2022. The increase is primarily attributed 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 \$133.7 million for fiscal year 2023.

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 2022 and 2021. 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 increased by \$40.7 million, or 1.8%, over the prior year. The increase was primarily attributable to ARPA funding and capital appropriations increasing cash and cash equivalents.

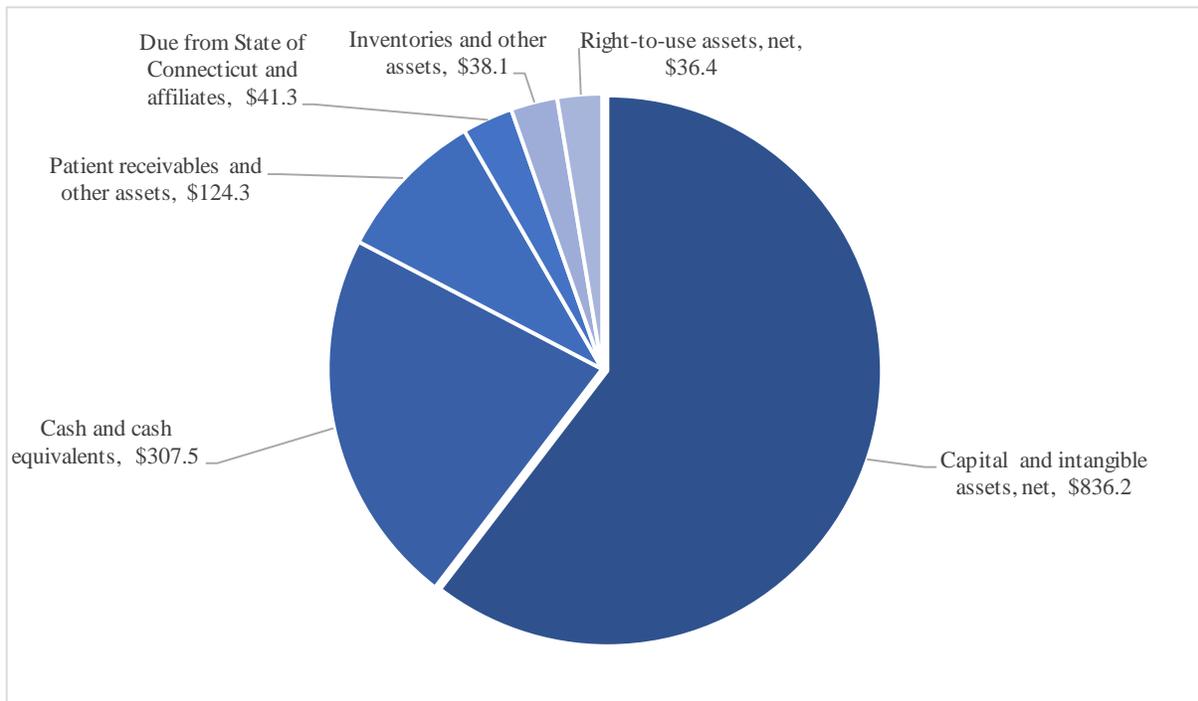
Total liabilities, including the deferred inflow of resources, increased by \$22.9 million or .6% from 2021. The driver of the increase was the \$285.5 million increases related to pension and OPEB liabilities. Increases in pension and OPEB expenses reflect both UConn Health's changing percentage of overall plan contributions and changes at the state plan level to underlying assumptions such as discount rates.

Deferred outflows of resources decreased \$88.6 million and deferred inflows of resources increased \$276.2 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.

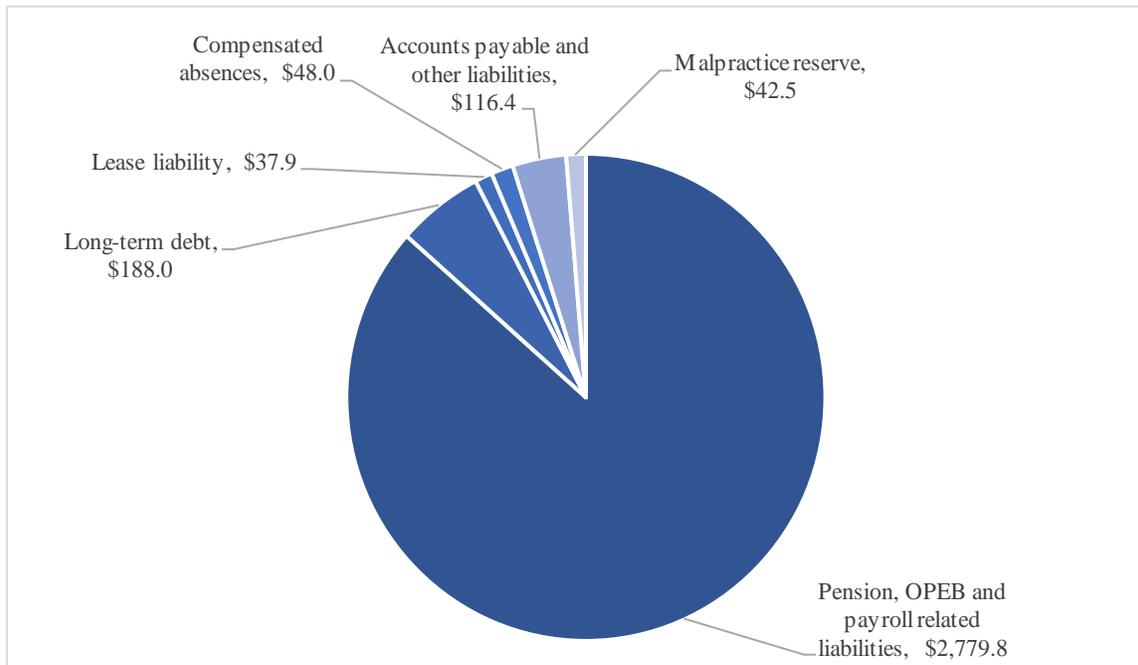
The following table shows a condensed schedule of net position as of June 30, 2022:

	2022	2021 (Restated) (\$ in millions)	\$ Change	% Change
Assets:				
Current assets	\$ 485.7	\$ 322.1	\$ 163.6	50.8%
Right-to-use assets, net	36.4	41.9	(5.5)	-13.1%
Capital and intangible assets, net	836.2	869.0	(32.8)	-3.8%
Other noncurrent assets	25.5	21.5	4.0	18.6%
Total assets	\$ 1,383.8	\$ 1,254.5	\$ 129.3	10.3%
Deferred outflows of resources	\$ 921.4	\$ 1,010.0	\$ (88.6)	-8.8%
Liabilities:				
Current liabilities	\$ 239.1	\$ 207.7	\$ 31.4	15.1%
Noncurrent liabilities	2,973.5	3,258.2	(284.7)	-8.7%
Total liabilities	\$ 3,212.6	\$ 3,465.9	\$ (253.3)	-7.3%
Deferred inflows of resources	\$ 614.6	\$ 338.4	\$ 276.2	81.6%
Net position:				
Net investment in capital assets	\$ 646.6	\$ 690.0	\$ (43.4)	-6.3%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	27.6	4.8	22.8	475.0%
Unrestricted	(2,196.3)	(2,234.7)	38.4	-1.7%
Total net position	\$ (1,522.0)	\$ (1,539.8)	\$ 17.8	-1.2%

The following graph shows total assets of \$1.4 billion by major category as of June 30, 2022 (\$ in millions):



The following graph shows total liabilities of \$3.2 billion by major category as of June 30, 2022 (\$ 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:

	<u>2022</u>	<u>2021</u>		<u>% Change</u>
		<u>(Restated)</u>	<u>\$ Change</u>	
		(\$ in millions)		
Net Position				
Net investment in capital assets	\$ 646.6	\$ 690.0	\$ (43.4)	-6.3%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	27.6	4.8	22.8	475.0%
Unrestricted	(2,196.3)	(2,234.7)	38.4	-1.7%
Total net position	(1,522.0)	(1,539.8)	17.8	-1.2%
Pension (GASB 68) impact	928.3	929.4	(1.1)	-0.1%
OPEB (GASB 75) impact	1,451.9	1,368.6	83.3	6.1%
Net position, excluding pension and OPEB	<u>\$ 858.2</u>	<u>\$ 758.2</u>	<u>\$ 100.0</u>	<u>13.2%</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.

Revenue

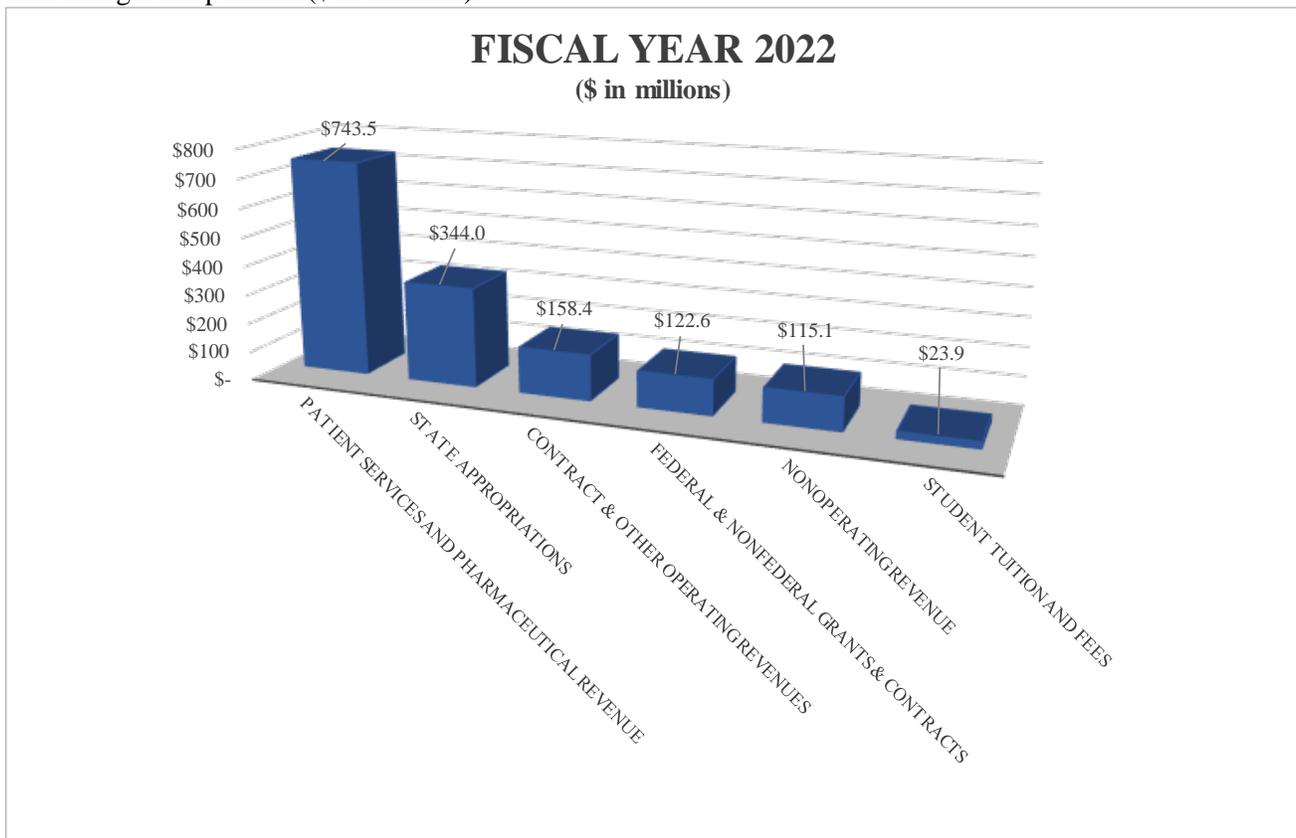
Highlights for the year ending June 30, 2022, including operating and non-operating revenues, presented on the statements of revenues, expenses, and changes in net position are as follows:

The largest source of revenue was patient service revenue. UConn Health’s overall net patient service and pharmaceutical revenue increased \$114.6 million or 18.2% from the prior fiscal year. Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. In fiscal year 2022, UHPSI provided pharmaceuticals to patients primarily from

various clinics related to UConn Health for the second year. That service has accounted for approximately \$38.0 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 \$344.0 million. This represents an 4.0% increase from the prior year. The increase was attributed to the funding from the State Comptroller to pay a portion of the SEBAC wage increases as well as the State’s unfunded accrued liabilities charged to UConn Health and increased in-kind fringe benefits recognized as the result of higher overall fringe benefit costs.

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



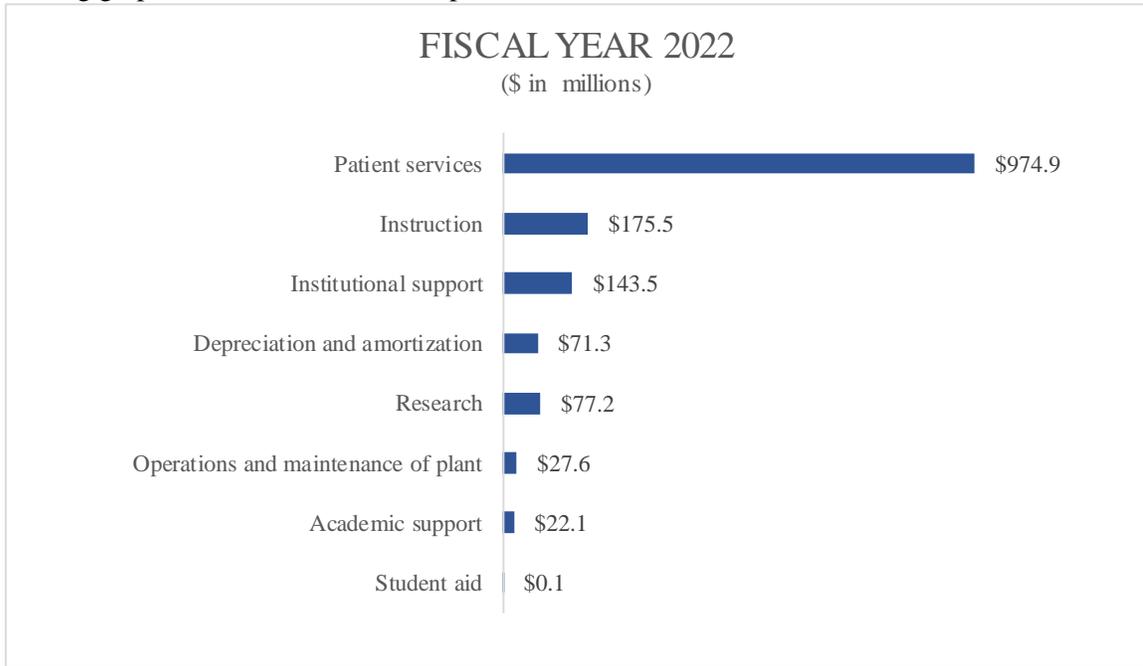
Expenses

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

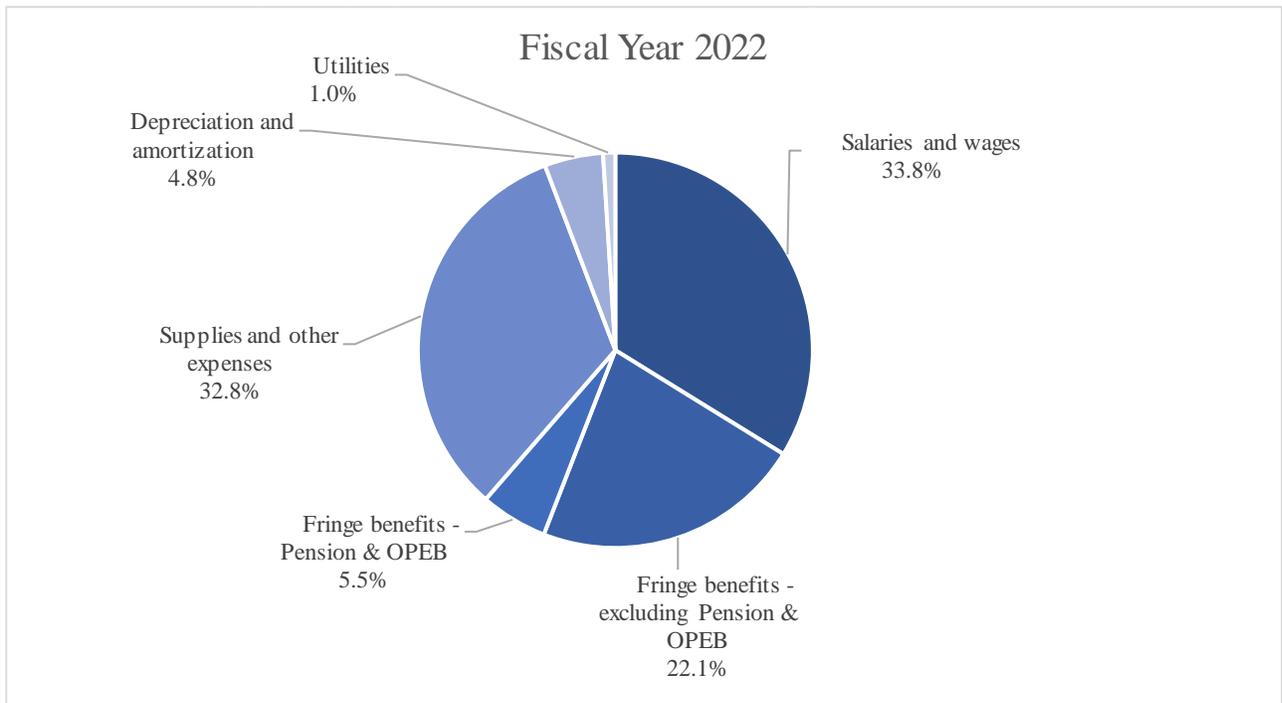
Patient service expense is the largest expense category for UConn Health; accounting for 65.3% of total

operating expenses. It increased by \$10.7 million or 1.1% from the prior fiscal year. The increase is attributed to increased pharmaceutical volume for specialty drugs costs in UHPSI and medical supplies for the Hospital from surgical volumes in fiscal year 2022.

The following graph shows the functional expenses of UConn Health:



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



STATEMENT OF CASH FLOWS

The statement of cash flows presents 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 statement of cash flows, on the other hand, shows cash inflows and outflows without regard to accruals.

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

from investing activities showing the purchases, proceeds, and interest provided from investing activities. The third section reflects cash flows from non-capital financing activities including state appropriation, debt transactions, gifts, and other non-operating revenues and expenses. The fourth section shows cash flows from capital and related financing activities. The final section is a reconciliation of the operating loss shown on the statement of revenues, expenses, and changes in net position to net cash used in operating activities.

The statement 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, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Cash received from operations	\$ 1,023.2	\$ 931.2	\$ 92.0	9.9%
Cash expended for operations	(1,123.6)	(1,055.6)	(68.0)	6.4%
Net cash used in operating activities	(100.4)	(124.4)	24.0	-19.3%
Net cash provided by investing activities	0.1	0.1	-	0.0%
Net cash provided by noncapital financing activities	241.1	220.7	20.4	9.2%
Net cash used in capital and related financing activities	(25.9)	(32.9)	7.0	-21.3%
Net increase in cash and cash equivalents	114.9	63.5	51.4	80.9%
Cash and cash equivalents, beginning of the year	192.6	129.1	63.5	49.2%
Cash and cash equivalents, end of the year	<u>\$ 307.5</u>	<u>\$ 192.6</u>	<u>\$ 114.9</u>	<u>59.7%</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:

	2022	2021 (Restated)	\$ Change	% Change
		(\$ in millions)		
Land	\$ 13.5	\$ 13.5	\$ -	0.0%
Construction in progress	18.2	6.8	11.4	167.6%
Fine art	1.3	1.2	0.1	8.3%
Buildings and building improvements	1,261.2	1,261.0	0.2	0.0%
Equipment	261.6	262.0	(0.4)	-0.2%
Computer software	75.7	77.6	(1.9)	-2.4%
Equipment - financed	0.1	-	0.1	100.0%
Less accumulated depreciation	(795.4)	(753.1)	(42.3)	5.6%
Capital assets, net	<u>\$ 836.2</u>	<u>\$ 869.0</u>	<u>\$ (32.8)</u>	<u>-3.8%</u>

	2022	2021 (Restated)	\$ Change	% Change
		(\$ in millions)		
Right-to-use building	\$ 36.1	\$ 36.0	\$ 0.1	0.3%
Right-to-use equipment	22.8	25.8	(3.0)	-11.6%
Less accumulated amortization	(22.5)	(19.9)	(2.6)	13.1%
Right-to-use assets, net	<u>\$ 36.4</u>	<u>\$ 41.9</u>	<u>\$ (5.5)</u>	<u>-13.0%</u>

Construction in progress increased approximately \$11.4 million driven by continued progress on UCONN 2000 construction initiatives and the IT 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 allotted \$850.9 million over the life of this program. UConn Health received approximately \$13.0 million in capital appropriations during fiscal year 2022 from the UCONN 2000 program.

UConn Health's fiscal year 2023 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 2022. A new purchase agreement was entered into by UConn Health

with NWN Corporation and De Lage Landen Financial Services, Inc. in 2022 to finance the implementation of new campus network architecture. More detailed information about UConn Health's capital assets and debt activities are presented in notes 10 and 11 of the financial statements.

BIOSCIENCE CONNECTICUT

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

FISCAL YEAR 2023 OUTLOOK

As we look forward to fiscal year 2023, UConn Health continues to adapt its business models to changing landscapes: operational, pandemic, and regulatory. UConn Health continues to work and plan for new operational realities, including labor and supply shortages, through continual reprioritization, forward thinking, teamwork, and creativity. The COVID-19 pandemic continues to evolve creating new community needs and challenges. UConn Health continues to respond to these new needs, such as for vaccine boosters and community resources, and to serve the people of Connecticut. Healthcare, already a high oversight

industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds will continue to be a focus for UConn Health moving forward.

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

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2022 spending plan. UConn Health approaches fiscal year 2023 cautiously optimistic. While vaccines have helped stem some of the impact of COVID-19, the Omicron variant provided a cautionary reminder that providers need to remain vigilant.

While clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic volumes, a new spike in cases could impact UConn Health's ability to perform elective surgeries, which are essential for the continued fiscal health of the institution. This is especially true due to the supply chain and labor shortages prevalent in the healthcare sector.

The Hospital will complete the refunding of advances under the Medicare Advance program in fiscal year 2023. Completion of repayment efforts will increase operating liquidity during the second half of fiscal 2023.

Clinically, the focus remains on safely returning to patient care. Significant concerns nationally about

patients putting off care due to COVID-19 have lent greater urgency to handling future COVID-19 and other viruses effectively and safely. UConn Health has worked continually throughout the pandemic to strengthen its supply lines and broaden its access to supplies including PPE. We constantly monitor treatment protocols and have proactively taken steps to ensure patient and staff safety across all our clinical units.

UConn Health continues to work at leveraging its electronic medical record system (EPIC system). In the current year, our EPIC system allowed us to facilitate vaccine roll outs for staff and the public. We also expanded our MyChart functionality and access to streamline the patient experience.

The State, lifted in part by federal aid, reported a surplus for fiscal year 2022, and is anticipating a stable 2023. The State's Rainy-Day fund is fully funded, and the State has made additional payments on existing unfunded pension and OPEB liabilities increasing its fiscal health. The State's financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State's economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care.

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

CONTACTING UCONN HEALTH'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of UConn Health's finances and operations. If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer, UConn Health, Farmington, Connecticut 06030.

FINANCIAL STATEMENTS

UCONN HEALTH
STATEMENT OF NET POSITION
As of June 30, 2022

	2022
	(\$ in thousands)
ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	\$ 306,660
Patient receivables, net	64,725
Contract and other receivables	29,052
Funds held in escrow	10,757
Lease receivable - current portion (Note 5)	2,539
Due from Affiliates (Note 13)	15,116
Due from State of Connecticut	26,156
Inventories	19,726
Prepaid expenses	11,000
Total current assets	485,731
Noncurrent Assets	
Restricted cash and cash equivalents (Note 2)	816
Deposits with vendors	17,635
Other assets	464
Assets limited as to use	250
Due from State of Connecticut	62
Lease receivable - net of current portion (Note 5)	6,376
Right-to-use assets, net (Note 10)	36,391
Capital and intangible assets, net (Note 10)	836,156
Total noncurrent assets	898,150
Total assets	\$ 1,383,881
Deferred outflows of resources pension (Note 12)	\$ 450,684
Deferred outflows of resources OPEB (Note 12)	\$ 470,645

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

UCONN HEALTH
STATEMENT OF NET POSITION (Continued)
As of June 30, 2022

	2022
	(\$ in thousands)
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 69,942
Due to State of Connecticut	33,045
Accrued salaries	51,426
Compensated absences - current portion (Note 11)	19,612
Due to third party payors	41,015
Due to Affiliates (Note 15)	4,762
Unearned revenue	685
Malpractice reserve (Note 11)	2,642
Lease liability - current portion (Note 11)	5,991
Long-term debt - current portion (Note 11)	10,018
Total current liabilities	239,138
Noncurrent Liabilities	
Malpractice reserve (Note 11)	39,816
Compensated absences - net of current portion (Note 11)	28,374
Pension liability (Note 12)	1,193,055
OPEB liability (Note 12)	1,502,318
Lease liability - net of current portion (Note 11)	31,916
Long-term debt - net of current portion (Note 11)	177,992
Total noncurrent liabilities	2,973,471
Total liabilities	\$ 3,212,609
Deferred inflows of resources right-to-use assets	\$ 8,560
Deferred inflows of resources pension (Note 12)	\$ 185,883
Deferred inflows of resources OPEB (Note 12)	\$ 420,196
NET POSITION	
Net investment in capital assets	\$ 646,631
Restricted for	
Nonexpendable scholarships	61
Expendable	
Research	1,093
Loans	283
Capital projects	26,185
Unrestricted	(2,196,292)
Total net position	\$ (1,522,039)

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, 2022

	2022
	(\$ in thousands)
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$7,219)	\$ 23,871
Patient services and pharmaceutical revenues (net of charity care of \$4,295) (Notes 4 & 6)	743,493
Federal grants and contracts	96,326
Nonfederal grants and contracts	26,357
Contract and other operating revenues	158,365
Total operating revenues	1,048,412
OPERATING EXPENSES	
Educational and General	
Instruction	175,456
Research	77,186
Patient services	974,933
Academic support	22,124
Institutional support	143,483
Operations and maintenance of plant	27,616
Depreciation and amortization (Note 10)	71,283
Student aid	98
Total operating expenses	1,492,179
Operating loss	(443,767)
NONOPERATING REVENUES (EXPENSES)	
State appropriations (Note 15)	344,029
Transfer from State and outside programs	20,000
Gifts	4,417
COVID-19 relief revenue (Note 17)	87,427
Loss on disposal	(779)
Interest income	358
Lease revenue	2,712
Investment income	129
Interest on capital asset - related debt	(9,935)
Net nonoperating revenues	448,358
Income before other changes in net position	4,591
OTHER CHANGES IN NET POSITION	
Transfer from Affiliate (Note 15)	228
Capital appropriations (Note 13)	13,000
Net other changes in net position	13,228
Increase in net position	17,819
NET POSITION	
Net position-beginning of year (restated)	(1,539,858)
Net position-end of year	\$ (1,522,039)

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	<u>2022</u>
	(\$ in thousands)
Cash flows from operating activities:	
Cash received from patients and third-party payors	\$ 724,670
Cash received from tuition and fees	23,871
Cash received from grants, contracts and other revenue	274,663
Cash paid to employees for personal services and fringe benefits	(610,460)
Cash paid for other than personal services	<u>(513,190)</u>
Net cash used in operating activities	<u>(100,446)</u>
Cash flows from investing activities:	
Interest received	<u>129</u>
Net cash provided by investing activities	<u>129</u>
Cash flows from noncapital financing activities:	
State appropriations	149,273
COVID-19 relief revenue (Note 17)	87,427
Gifts	<u>4,418</u>
Net cash provided by noncapital financing activities	<u>241,118</u>
Cash flows from capital and related financing activities:	
Additions to property and equipment	(27,425)
Capital appropriations	1,266
Interest paid	(10,011)
Loan issued (repaid) to/from Affiliate	(1,572)
Transfers from State	20,000
Transfer from Affiliate	228
Lease revenue	2,712
Payments on capital leases, net	(9,601)
Net borrowing from long-term debt	<u>(1,558)</u>
Net cash used in capital and related financing activities	<u>(25,961)</u>
Net increase in cash and cash equivalents	114,840
Cash and cash equivalents at beginning of year	<u>192,636</u>
Cash and cash equivalents at end of year	<u><u>\$ 307,476</u></u>

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2022

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

	2022
	(\$ in thousands)
Operating loss	\$ (443,767)
Adjustments to reconcile operating loss to net cash	
Used in operating activities:	
Depreciation and amortization	71,283
Personal services and fringe benefits in kind from State	194,756
Non-cash portion of pension expense	(1,141)
Non-cash portion of OPEB	83,313
Changes in assets and liabilities:	
Patients receivables, net	(3,468)
Contract and other receivables	(6,340)
Due from DOC	21
Inventories	(840)
Third party payors	(15,377)
Prepaid expenses	(3,844)
Due from State of Connecticut	(11,167)
Deposits with vendors	(6,469)
Other assets	19
Accounts payable and accrued liabilities	16,719
Due to State of Connecticut	9,836
Due to Affiliates	398
Accrued salaries	16,784
Compensated absences	(1,904)
Unearned revenue	(46)
Malpractice reserve	788
	788
Net cash used in operating activities	\$ (100,446)
Schedule of Non-Cash Financing Transactions	
Loss on disposal of capital and intangible assets	\$ (779)
Funds held in escrow	\$ 11,007

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, 2022

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, 2022, which includes the School of Medicine, School of Dental Medicine, 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 net patient services and pharmaceutical revenue, malpractice reserves, right-to-use assets, lease liabilities, third-party reimbursement reserves, compensated absences, and pension and OPEB liabilities.

Recently Adopted Accounting Pronouncements

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of the Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Among other effective dates, the Statement extended the effective date of GASB Statement 92: paragraphs 6, 7. These areas specifically cover intra entity transfers regarding pensions and OPEB plans, as well as reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet certain criteria. Paragraphs 8, 9 and 12 cover the applicability of GASB No. 84 to post employment benefit arrangements and nonrecurring fair value measurements to reporting periods beginning after June 15, 2021. Paragraph 10 relates to government acquisitions occurring in reporting periods beginning after June 15, 2021. UConn Health has evaluated these paragraphs and

believes they do not materially impact its consolidated financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and inflows of resources or outflows of resources recognized based on the payment provisions of the contracts. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right-to-use underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use assets. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The original effective date of this statements was for reporting periods after December 15, 2019. However, GASB Statement No. 95 postponed the effective date to fiscal years beginning after June 15, 2021 and all reporting period thereafter.

UConn Health adopted the requirements of GASB No. 87 effective July 1, 2021 and adjustments were calculated using facts and circumstances that existed at that date. The impact on select accounts of adopting GASB No. 87 on UConn Health’s beginning net position is summarized below (in thousands):

	<u>2022</u>
Net position - beginning of year (as previously stated)	\$ (1,539,246)
Lease receivables	11,271
Right-to-use assets, net	41,860
Capital assets, net	(3,102)
Lease liabilities	(38,793)
Deferred inflows of resources right-to-use assets	(11,285)
Cumulative effect of implementing GASB 87	<u>(563)</u>
Net position - beginning of year (Restated)	<u>\$ (1,539,858)</u>

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in

which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this Statement are effective for the reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 extended the effective dates to reporting periods beginning after December 15, 2020. UConn Health evaluated the impact of this Statement and determined there are no such transactions at the present time and therefore this Statement does not materially impact the consolidated financial statements.

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

In January 2020, GASB issued Statement No. 92, *Omnibus 2020 (GASB 92)*. The objectives of this Statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during

implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing, and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments.

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

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

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

defined benefit OPEB plans that are administered through trusts that meet certain criteria.

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

Upcoming Accounting Pronouncement

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

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

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and*

Availability Payment Arrangements. Public-private and public-public partnerships collectively referred to hereinafter as PPPs comprise a wide variety of arrangements between a government and another party that are engaged in providing services to a government's constituents. Availability payment arrangements (APAs) also have been used in practice to procure government services.

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

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 processed the majority of the cash transaction 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 health care 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, 2022.

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

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

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

Leases

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.

UConn Health uses an estimated incremental borrowing rate as the discount rate for leases unless the rate the lessor charges is known. The incremental borrowing rate is based on the weighted-average interest rate and capital lease obligations. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease, the present value is remeasured, and corresponding adjustments made. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indexes, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but are recognized as revenue or expenses in the period performed. Residual value guarantees and exercise options 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. 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 2022, UConn Health disposed of IT equipment, medical equipment, and research equipment. The combined loss on disposal was approximately \$779,000. None of these items were individually significant.

Medical Malpractice

Health care providers and support staff of UConn Health are fully protected by State statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (“statutory immunity”). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity have been charged against UConn Health’s malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital, UMG, and Dental practices. For the fiscal year ended June 30, 2022, 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 Payers

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 lease 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 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.

Other Significant Events

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. UConn Health’s clinical operations elected to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. UConn Health continues to diligently navigate the pandemic and its many associated business challenges including PPE shortages, supply chain disruption, aid application, and reporting requirements, variant waves, and staffing shortages. Management remains focused on providing exceptional, reliable, and safe patient care to our community. Due to the continued rapid development and fluidity of these situations, including and especially variant spread, it is difficult to assess the full impact that the pandemic will have on UConn Health’s financial condition or results of operations as of the date of this report.

During fiscal year 2022, clinical operations received \$87.4 million via the ARPA, and CARES Act General Distribution Phase 3 based on lost revenue. Funds

received under these programs carry reporting and other requirements outlined by the federal government, which began September 30, 2021. UConn Health has met these requirements.

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

UConn Health also received funding under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health is eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration and was allotted funding under the State of Connecticut’s CRF to assist with eligible pandemic related expenses not reimbursed by FEMA. See note 17 for additional details.

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 \$307,476,173 as of June 30, 2022 and included the following:

	<u>2022</u>
Cash maintained by State of Treasurer	\$ 258,230,184
Invested in State of Connecticut Short-Term Investment Fund	48,568,609
Deposits with Financial Institutions and Other Currency (Change Funds)	669,605 <u>7,775</u>
Total cash and cash equivalents	307,476,173
Less: current balance	<u>306,660,222</u>
Total noncurrent balance	<u>\$ 815,951</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 \$48,568,609 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 2022.

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 \$2,556,048 as of June 30, 2022. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income earned from those sources was \$2,668 for the year ended June 30, 2022.

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 \$11,007,172 as of June 30, 2022. Interest income earned was \$4,053 for the year ended June 30, 2022.

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, 2022, the Hospital and UMG had the following draws and availability under the State statute:

	2022	
	<u>John Dempsey Hospital</u>	<u>UConn Medical Group</u>
Amount drawn under hypothecation	\$ -	\$ 9,677,060
Remaining amounts available under hypothecation	\$ 53,123,006	\$ 667,972

4. NET PATIENT SERVICE AND PHARMACEUTICAL REVENUE

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

Patient service revenues reported net of allowances and provisions for bad debt. UHPSI 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>2022</u>	
John Dempsey Hospital		
Gross patient services revenue	\$ 1,587,939,341	
Less contractual allowances and provision for bad debt	<u>1,054,054,709</u>	
	\$ 533,884,632	
UConn Medical Group		
Gross patient services revenue	270,535,594	
Less contractual allowances and provision for bad debt	<u>146,760,744</u>	
	123,774,850	
UHPSI		
Gross pharmaceutical revenue	108,654,478	
Less contractual allowances, Direct and Indirect Remuneration (DIR) fees and provision for bad debt	<u>33,285,913</u>	
	75,368,565	
All other	<u>10,465,270</u>	
Total net patient services and pharmaceutical revenue	<u>\$ 743,493,317</u>	

Significant Concentrations

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of net patient revenues and associated year-end receivables for these programs are shown in the table below as of June 30, 2022.

	<u>Medicare</u>	<u>Medicaid</u>
John Dempsey Hospital		
Net revenue	34%	20%
Accounts receivable	31%	12%
UConn Medical Group		
Net revenue	30%	16%
Accounts receivable	22%	11%
UHPSI		
Net revenue	25%	57%
Accounts receivable	34%	43%

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 2022, JDH and UMG recorded \$8.2 million and \$20.9 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, 2021			June 30, 2022		
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts due within 1 year</u>	
Lease receivable	\$ 11,486,909	\$ -	\$ (2,571,752)	\$ 8,915,157	\$ 2,539,103	
Total	<u>\$ 11,486,909</u>	<u>\$ -</u>	<u>\$ (2,571,752)</u>	<u>\$ 8,915,157</u>	<u>\$ 2,539,103</u>	

For the fiscal year ended June 30, 2022, the statement of revenues, expenses, and changes in net position includes lease revenue and interest income of \$2,711,653 and \$357,631, respectively. There was also additional revenue for variable and other payments not included in the measurement of the lease receivable in the amount of \$94,156.

Future lease payments are summarized in the table below:

<u>Fiscal Year Ending June 30</u>	<u>Lease Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,539,103	\$ 268,424
2024	2,569,736	179,524
2025	2,394,978	90,129
2026	239,832	4,893
2027	255,090	41,132
2028-2032	600,448	102,560
2033-2037	93,011	65,448
2038-2042	131,666	38,567
2043-2047	91,293	6,013
	<u>\$ 8,915,157</u>	<u>\$ 796,690</u>

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.

	2022	
	<u>Charity Care Services</u>	<u>Cost of Services</u>
John Dempsey Hospital	\$ 3,513,099	\$ 1,005,800
UConn Medical Group	638,963	201,465
Educational Clinics	143,328	130,429
Total	<u>\$ 4,295,390</u>	<u>\$ 1,337,694</u>

Listed below, by entity, are the significant charity care services provided along with the associated cost for the fiscal year ended June 30, 2022. UHPSI by nature of its business does not engage in significant charity care activity.

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 and the provision of related fringe benefits to the interns and residents, under a contractual arrangement. Amounts remitted or owed by participating hospitals for payments made to interns and residents, and amounts paid or due under contract to the Capital Area Health Consortium, Inc., are reflected in the accompanying financial statements.

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.

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

believes there are substantial grounds for appeal. Appeal documents were filed in September 2021. As of September 2022, all briefings are complete, 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, 2022, consisted of the following:

	<u>2022</u>
Land	\$ 13,537,051
Construction in progress	18,266,806
Fine art	1,283,362
Buildings	1,261,176,075
Equipment	261,567,331
Computer software	75,719,346
Equipment- Financed	<u>71,009</u>
	1,631,620,980
Less accumulated depreciation	<u>795,464,703</u>
Capital and intangible assets, net	<u>\$ 836,156,277</u>
Right-to-use Building	\$ 36,065,563
Right-to-use Equipment	<u>22,847,086</u>
	58,912,649
Less accumulated amortization	<u>22,521,778</u>
Right- to-use assets, net	<u>\$ 36,390,871</u>

Construction in progress at June 30, 2022, 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, 2022 was as follows:

	2021				2022
	(Restated)	Additions	Deletions		2022
<u>Capital assets not being depreciated</u>					
Land	\$ 13,537,051	\$ -	\$ -	\$	13,537,051
Construction in progress	6,776,894	17,285,336	(5,795,424)		18,266,806
Fine art	1,240,302	43,330	(270)		1,283,362
Total capital assets not being depreciated	<u>21,554,247</u>	<u>17,328,666</u>	<u>(5,795,694)</u>		<u>33,087,219</u>
<u>Depreciable capital assets</u>					
Buildings and building improvements	1,260,979,707	5,761,333	(5,564,965)		1,261,176,075
Equipment	261,999,129	14,350,470	(14,782,268)		261,567,331
Computer software	77,556,034	497,932	(2,334,620)		75,719,346
Equipment- financed	-	71,009	-		71,009
Total depreciable capital assets	<u>1,600,534,870</u>	<u>20,680,744</u>	<u>(22,681,853)</u>		<u>1,598,533,761</u>
<u>Less accumulated depreciation:</u>					
Buildings and building improvements	509,186,080	42,048,677	(5,337,845)		545,896,912
Equipment	211,154,611	14,994,584	(14,230,989)		211,918,206
Computer software	32,789,144	7,177,309	(2,334,620)		37,631,833
Equipment - financed	-	17,752	-		17,752
Total accumulated depreciation	<u>753,129,835</u>	<u>64,238,322</u>	<u>(21,903,454)</u>		<u>795,464,703</u>
<u>Depreciable capital assets, net</u>					
Buildings and building improvements	751,793,627	(36,287,344)	(227,120)		715,279,163
Equipment	50,844,518	(644,114)	(551,279)		49,649,125
Computer software	44,766,890	(6,679,377)	-		38,087,513
Equipment- financed	-	53,257	-		53,257
Total depreciable capital assets, net	<u>847,405,035</u>	<u>(43,557,578)</u>	<u>(778,399)</u>		<u>803,069,058</u>
Capital and intangible assets, net	<u>\$ 868,959,282</u>	<u>\$ (26,228,912)</u>	<u>\$ (6,574,093)</u>	<u>\$</u>	<u>836,156,277</u>
	2021				2022
	(Restated)	Additions	Deletions		2022
<u>Right-to-use assets</u>					
Right-to-use assets building	\$ 35,977,876	\$ 87,687	\$ -	\$	36,065,563
Right-to-use assets equipment	25,807,533	1,474,725	(4,435,172)		22,847,086
Total right-to-use assets	<u>61,785,409</u>	<u>1,562,412</u>	<u>(4,435,172)</u>		<u>58,912,649</u>
<u>Right-to-use assets amortization</u>					
Right-to-use assets building	3,297,037	3,895,596	-		7,192,633
Right-to-use assets equipment	16,615,638	3,148,679	(4,435,172)		15,329,145
Total accumulated amortization	<u>19,912,675</u>	<u>7,044,275</u>	<u>(4,435,172)</u>		<u>22,521,778</u>
<u>Right-to-use assets, net</u>					
Right-to-use building	32,680,839	(3,807,909)	-		28,872,930
Right-to-use equipment	9,191,895	(1,673,954)	-		7,517,941
Right-to-use assets, net	<u>\$ 41,872,734</u>	<u>\$ (5,481,863)</u>	<u>\$ -</u>	<u>\$</u>	<u>36,390,871</u>

11. LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2022 was as follows:

	June 30, 2021 Balance (Restated)	Additions	Reductions	June 30, 2022 Balance	Amounts due within 1 year
Long-Term Liabilities:					
Lease liabilities	\$ 42,382,912	\$ 1,585,795	\$ (6,061,270)	\$ 37,907,437	\$ 5,991,232
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 2024, with interest at 11.10%	-	71,009	(16,321)	54,688	35,451
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	-	16,873,426	2,109,134
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 2004 and continue until November 2024, with interest at 6.34%	6,172,885	-	(1,670,824)	4,502,061	1,779,887
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040	172,386,718	-	(5,807,674)	166,579,044	6,093,205
Total Notes From Direct Borrowing	<u>178,559,603</u>	<u>16,944,435</u>	<u>(7,494,819)</u>	<u>188,009,219</u>	<u>10,017,677</u>
Other long-term liabilities:					
Malpractice reserve	41,669,800	2,424,436	(1,636,436)	42,457,800	2,642,000
Compensated absences	49,890,823	29,774,753	(31,679,036)	47,986,540	19,612,100
Pension liability	1,194,580,232	260,099,095	(261,624,326)	1,193,055,001	-
OPEB liability	1,786,265,189	105,302,145	(389,249,498)	1,502,317,836	-
Total other long-term liabilities	<u>3,072,406,044</u>	<u>397,600,429</u>	<u>(684,189,296)</u>	<u>2,785,817,177</u>	<u>22,254,100</u>
Total Long - Term Liabilities	<u>\$ 3,293,348,559</u>	<u>\$ 416,130,659</u>	<u>\$ (697,745,385)</u>	<u>\$ 3,011,733,833</u>	<u>\$ 38,263,009</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, 2022, UConn Health recognized expense for lease variable payments related to common area maintenance and property taxes of \$248,926 and \$132,309, respectively. There were no termination penalties or

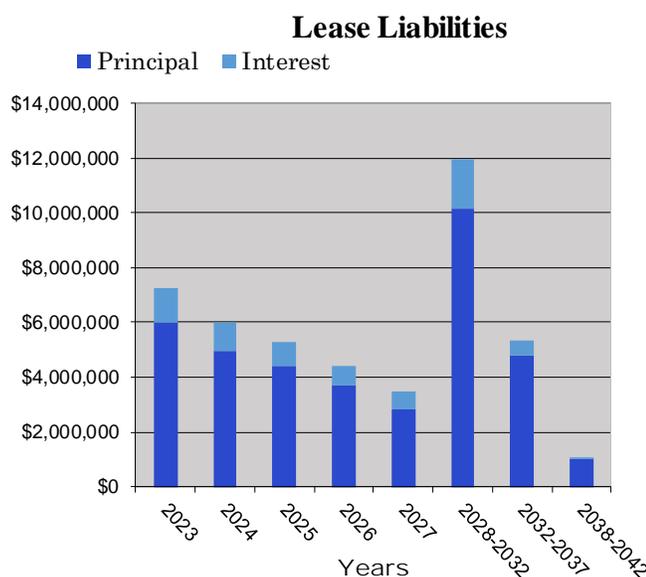
residual guarantee payments expensed for the fiscal year ended June 30, 2022.

In fiscal year 2022, UConn Health recorded interest expense in the statement of revenues, expenses, and net position of \$1,446,017 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, 2022:

<u>Year Ending June 30,</u>	<u>Lease Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 5,991,232	\$ 1,247,258
2024	4,972,413	1,049,578
2025	4,395,524	874,790
2026	3,707,561	723,088
2027	2,848,965	608,114
2028-2032	10,174,826	1,802,732
2032-2037	4,803,289	541,999
2038-2042	1,013,627	26,410
Total lease liabilities	\$ 37,907,437	\$ 6,873,969



Outstanding notes from direct borrowings related to business-type activities as of June 30, 2022 were \$188,009,219. The mortgages, which account for approximately \$171.1 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.

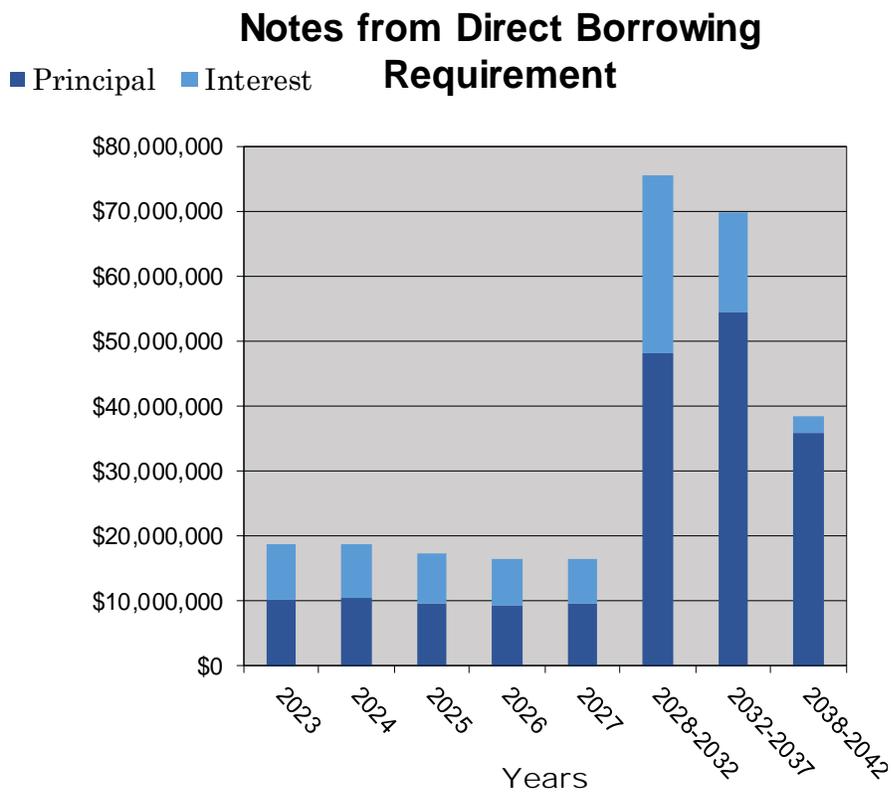
Additionally, UConn Health has approximately \$16.9 million debt secured by equipment. In March 2022, the Finance Corporation entered into a lease

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 \$16,873,426 was of June 30, 2022. 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 2022, UConn Health recorded interest expense of \$8,489,020 related to note borrowings.

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

<u>Year Ending June 30,</u>	<u>Notes from Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 10,359,969	\$ 8,329,878
2024	10,455,818	8,237,731
2025	9,755,459	7,737,502
2026	9,338,612	7,308,937
2027	9,765,717	6,875,537
2028-2032	48,095,960	27,425,974
2032-2037	54,317,200	15,537,059
2038-2042	<u>35,920,484</u>	<u>2,499,358</u>
Total notes from direct borrowing	<u>\$ 188,009,219</u>	<u>\$ 83,951,976</u>



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 2022, all briefings are complete, and the case remains before the Connecticut Supreme Court.

During fiscal year 2022, the State of Connecticut General Assembly passed Bill No. 5506. Section 16. of the Bill states "(Effective from passage) Notwithstanding the provisions of section 10a-256 of the general statutes, the sum of \$20.0 million shall be transferred from the resources of the General Fund to The University of Connecticut Health Center Medical Malpractice Trust Fund and credited to such trust fund for the fiscal year ending June 30, 2022". These amounts represent a return of capital originally transferred to the General Fund during fiscal years ending June 30, 2011 and 2012.

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, 2022, UConn Health Malpractice Fund had actuarial reserves of approximately \$42.5 million and assets of approximately \$41.2 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.

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, 2022, 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 66.3% in

fiscal year 2022. 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, 2022 were:

- Tier I Hazardous – 6.0% of earnings up to Social Security Taxable Wage Base plus 7.0% of earnings above that level
- Tier I Plan B – 4.0% of earnings up to Social Security Taxable Base plus 7.0% of earnings above that level
- Tier I Plan C – 7.0% of earnings
- Tier II Hazardous – 6.0% of earnings
- Tier II (all others) – 2.0% of earnings

- Tier IIA and III Hazardous – 7.0 % of earnings
- Tier IIA and III (all others) – 4.0% of earnings
- Tier IV Hazardous – 8% of earnings
- Tier IV (all others) – 5% of earnings

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

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

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

UConn Health makes contributions on behalf of the employees, through a fringe benefit charge assessed by the State. These amounts are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. UConn Health's contributions were \$115.9 million for fiscal year 2022.

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, 2021. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of SERS was 5.59% which was an increase of .58% from its proportion measured as of June 30, 2020.

At June 30, 2022, UConn Health reported liabilities of \$1,188.4 million for its proportionate share of the SERS collective NPL.

SERS Expense - For the year ended June 30, 2022, UConn Health recognized a SERS pension expense of \$114.6 million.

Actuarial assumptions - For SERS, the Pub-2010 Mortality Tables projected generationally with scale MP-200.

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, 2021 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, 2021 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 2124.

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%)
\$ 1,444,228	\$ 1,188,398	\$ 975,068

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, 2021.

Connecticut Teachers' Retirement System (TRS)

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

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

Contributions - The contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 7.0% of their annual salary. According to Section 10-183z of the State General Statutes, a special funding situation requires the State to contribute 100.0% of employer's contributions on behalf of its municipalities at an actuarially determined rate. However, a special funding situation does not apply to UConn Health because it is an agency of the State and is not a separate non-employer contributing entity. Therefore, like SERS, UConn Health makes contributions on behalf of these employees, through a fringe benefit charge assessed by the State. UConn Health's TRS contributions for the year ended June 30, 2022, was \$573,895.

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, 2021. 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, 2021.

TRS Expense - For the year ended June 30, 2022, UConn Health recognized a TRS pension expense of \$746,251.

Actuarial assumptions - TRS mortality rates were based on the PubT-2010 Healthy Retiree table (adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females 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, 2021 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 (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
\$ 6,163	\$ 4,657	\$ 3,407

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, 2021.

Deferred outflows and deferred inflows of resources related to pensions - At June 30, 2022, 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	\$ -	\$ 945	\$ 945
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	249,731	1,256	250,987
UConn Health contributions subsequent to the measurement date	115,854	574	116,428
Difference between expected and actual experience	82,223	-	82,223
Difference between expected and actual contributions	-	101	101
Total Deferred Outflows	<u>\$ 447,808</u>	<u>\$ 2,876</u>	<u>\$ 450,684</u>
<u>Deferred Inflows of Resources</u>			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	\$ 98,969	\$ 199	\$ 99,168
Net differences between projected and actual earnings on pension plan investments	83,796	604	84,400
Changes in assumptions	2,190	-	2,190
Difference between expected and actual experience	-	125	125
Total Deferred Inflows	<u>\$ 184,955</u>	<u>\$ 928</u>	<u>\$ 185,883</u>

The \$116.4 million in deferred outflows relating to contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal			
Year	SERS	TRS	Total
2023	\$ 18,118	\$ 541	\$ 18,659
2024	38,833	382	39,215
2025	61,595	278	61,873
2026	18,021	179	18,200
2027	10,432	94	10,526
Thereafter	-	(100)	(100)
Total	<u>\$ 146,999</u>	<u>\$ 1,374</u>	<u>\$ 148,373</u>

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 14.96% during the year ended June 30, 2022, an increase from the contribution rate of 14.82% in the prior year. For fiscal year 2021, UConn Health's employer contributions to ARP were \$29.1 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 14.5% and the total amount contributed to the plan was \$65.6 million for the fiscal year ended June 30, 2022.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2021, 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, 2020, reflects changes in actuarial assumptions, including a decrease 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, 2022, UConn Health reported a liability of \$1,502.3 million for its proportionate share of the collective net OPEB liability. UConn Health's proportion of the collective NOL was based on UConn Health's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, UConn Health's proportion was 7.7%, which was an increase of 0.1% from its proportion measured as of June 30, 2020.

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate - The discount rate changed to 2.31% as of June 30, 2022, from 2.38% as of June 30, 2021. The projection of cash flows used in calculating the discount rate included employer contributions actuarially determined in accordance with GASB 75 and employee contributions made in accordance with the current SEBAC agreements. The discount rate used is a blend of the long-term expected rate of return on OPEB trust assets and the municipal bond rate. The municipal bond rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.16% as of June 30, 2021). 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, 2021 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:	2.31 % as of June 30, 2021
Healthcare cost trends rates	
Medical *	6.0% graded to 4.5% over 6 years
Prescription drug*	6.0% graded to 4.5% over 6 years
Dental and Part B	3.0% and 4.5%, respectively
Administrative expense	3.0%

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of UConn Health, as well as what the UConn Health's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.31%) or 1- percentage-point higher (3.31%) than the current discount rate:

	Discount		
	1% Decrease	Rate	1% Increase
	1.31%	2.31%	3.31%
	(\$ in thousands)		
Net OPEB Liability	\$ 1,783,205	\$ 1,502,318	\$ 1,279,259

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	\$ 1,262,823	\$ 1,502,318	\$ 1,812,316

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, 2021.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2022, UConn Health recognized an OPEB expense of \$148.9 million. At June 30, 2022, 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	\$ 163,485	\$ 52,761
UConn Health contributions subsequent to measurement date	65,567	-
Changes in assumptions or other inputs	217,449	323,799
Net difference between projected and actual earnings	-	13,993
Changes in expected and actual experience on Total OPEB Liability	24,144	29,643
Total	\$ 470,645	\$ 420,196

UConn Health contributions subsequent to the measurement date totaling \$65.6 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
	(\$ in thousands)
2023	\$ 19,466
2024	40,644
2025	(7,126)
2026	(58,046)
2027	(10,056)
Total	\$ (15,118)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity fund	20.00%	5.4%
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%
Total	100.00%	

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 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, 2022, 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.

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, \$15.1 million, at June 30, 2022, in the statement of net position.

14. COMMITMENTS

On June 30, 2022, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$12,619,172. Portions of this amount were included in the June 30, 2022, 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 \$64,044,773 during the 2022-2023 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, 2022:

	<u>2022</u>
Amount paid to University for Foundation services	\$ <u>945,000</u>
Amount received from Foundation for personnel services and operating expenses	\$ <u>2,945,617</u>
Amount received from Foundation from endowments and gifts	\$ <u>1,119,442</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 2022, UConn Health recorded expenses of approximately \$14.7 million to the University related to those MOU's. UConn Health also paid the University for other expenses related to grants and contracts, services of educational departments, and for miscellaneous goods and services.

The University executed a MOU with UConn Health in fiscal year 2021 to provide up to \$2.6 million in funding to support the Dermatology Clinic Renovation project. In fiscal year 2022, UConn Health repaid the balance owed under this agreement of \$1.8 million.

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.

	<u>2022</u>
	(\$ in thousands)
<u>Agreements under an MOU</u>	
Public safety	\$ 8,355
Library	1,566
Communications	1,165
Technology commercialization services	847
Information technology	551
Document production	517
Audit, compliance and privacy	504
Energy initiatives	408
Ombudsman and institutional equity	284
Government relations	259
Human resources	258
Total MOUs with University of Connecticut ^	<u>\$ 14,714</u>

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

UConn Health recorded a payable to the University for \$4.8 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 DOC \$6.1 million in fiscal year 2022 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.

In fiscal year 2023, UConn Health was allotted \$13.0 million in capital appropriations for capital projects. Additional information is presented in note 13.

For the fiscal year ended June 30, 2022, the amounts of the benefits recognized were as follows:

	<u>2022</u>
State of Connecticut appropriations	\$ 173,126,938
fringe benefit differential Sec 3-123i	<u>13,500,000</u>
General fund appropriations	
from State of Connecticut	\$ 186,626,938
In-kind fringe benefits	
from State of Connecticut:	<u>\$ 157,401,951</u>
Total appropriations and in-kind fringe	
benefits received from State of Connecticut	<u>\$ 344,028,889</u>
Total capital appropriations	<u>\$ 13,000,000</u>

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, 2022 (amounts in thousands).

Functional Classification	Natural Classification					Total
	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	
Instruction	\$ 86,087	\$ 35,388	\$ 51,479	\$ 2,502	\$ -	\$ 175,456
Research	28,320	9,548	36,112	3,206	-	77,186
Patient services	334,758	326,513	307,959	5,703	-	974,933
Academic support	11,195	6,057	4,872	-	-	22,124
Institutional support	32,285	25,635	85,563	-	-	143,483
Operations and maintenance of plant	11,917	9,116	3,873	2,710	-	27,616
Depreciation and amortization	-	-	-	-	71,283	71,283
Student aid	13	2	83	-	-	98
Total	\$ 504,575	\$ 412,259	\$ 489,941	\$ 14,121	\$ 71,283	\$ 1,492,179

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, 2022, the table below summarizes the significant funding including in the statement of revenues, expenses, and changes in net position.

Funding Source	2022
State ARPA allocation	\$ 73,000,000
CARES Act	8,286,625
Other funds	6,140,952
Total Covid-19 relief revenue	\$ 87,427,577

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.

UConn Health also received in-kind support in the form of personal protection equipment and other donated equipment to facilitate its efforts to provide clinical care to COVID-19 patients. These items, which UConn Health valued at \$2,040 are recorded as gifts in the 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 is included in due to third-party payors on the statement of net position. As of June 30, 2022, the Hospital has repaid \$23.5 million with a remaining balance of \$21.8 million. The Hospital believes it will complete repayment before the end of the recoupment period.

18. SUBSEQUENT EVENTS

UConn Health has evaluated subsequent events through December 15, 2022, which represents the date the financial statements were available to be issued.

On December 8, 2022, the State Bond Commission voted 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 needs for the buildings and grounds.

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)							
	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	5.59%	5.01%	4.45%	3.62% *	5.50%	5.36%	5.29%	4.99%
Proportionate share of the collective NPL	\$ 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	\$ 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	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	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)							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 115,854	\$ 99,867	\$ 80,994	\$ 70,177	\$ 52,170	\$ 84,860	\$ 80,493	\$ 72,496
Actual UConn Health contribution	115,854	99,867	80,994	70,177	52,170	84,860	80,493	72,496
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UConn Health's covered payroll	\$ 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	45.28%	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 Plan.

Changes in Assumptions

2022 - Wage inflation assumed rate changed to 3.5% to 3.0%, assumed salary scale changed to reflect experience in wage inflation rates of increase; assumed 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.

Other Factors

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

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

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

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

Fiscal Year Ended June 30	<i>TRS</i> (\$ in thousands)							
	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	0.031%	0.031%	0.026%	0.026%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	\$ 4,657	\$ 5,877	\$ 4,469	\$ 3,447	\$ 2,508	\$ 2,646	\$ 1,042	\$ 963
UConn Health's covered payroll	\$ 1,429	\$ 1,138	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573	\$ 384
Proportionate share of the collective NPL as a percentage of covered payroll	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	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)							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 574	\$ 491	\$ 397	\$ 448	\$ 280	\$ 239	\$ 181	\$ 93
Actual UConn Health contribution	574	491	397	448	280	239	237	201
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ (108)
UConn Health's covered payroll	\$ 1,290	\$ 1,429	\$ 1,263	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573
Actual UConn Health contributions as a percentage of covered payroll	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

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

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

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

	2022	2021	2020	2019	2018
	(\$ in Thousands)				
UConn Health's proportion of the net OPEB liability	7.69%	7.59%	7.31%	6.00%	6.96%
UConn Health's proportion of the net OPEB liability	\$ 1,502,318	\$ 1,786,265	\$ 1,511,626	\$ 1,036,300	\$ 1,208,427
UConn Health's covered payroll	\$ 425,047	\$ 405,433	\$ 375,680	\$ 366,593	\$ 424,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered payroll	353.45%	440.58%	402.37%	282.68%	284.51%
Plan fiduciary net position as a percentage of the total OPEB liability	10.12%	6.13%	5.47%	4.69%	3.03%

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

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

NOTES TO REQUIRED SCHEDULES

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

2022-2018 – The OPEB contractually required employer contribution and covered payroll did not include CMHC.

Changes of Assumptions

The discount rate was updated in accordance with GASB 75 to 2.31%, 2.38%, 3.58%, 3.95%, and 3.68% for the fiscal reporting years 2022, 2021, 2020, 2019, and 2018, respectively.

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

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

**OTHER
SUPPLEMENTARY
INFORMATION**

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2022

2022

	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 273,266,122	\$ 33,394,100	\$ -	\$ 306,660,222
Patient receivables, net	13,420,676	51,303,763	-	64,724,439
Contract and other receivables	21,336,212	7,721,800	(5,877)	29,052,135
Funds held in escrow	10,757,172	-	-	10,757,172
Lease receivable - current portion	326,439	2,212,664	-	2,539,103
Due from Affiliates (Note 13)	15,115,747	-	-	15,115,747
Due from State of Connecticut	14,582,510	11,573,542	-	26,156,052
Due from Primary Institution	-	20,133,462	(20,133,462)	-
Inventories	3,869,702	15,855,937	-	19,725,639
Prepaid expenses	9,670,706	1,329,069	-	10,999,775
Total current assets	<u>362,345,286</u>	<u>143,524,337</u>	<u>(20,139,339)</u>	<u>485,730,284</u>
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	815,951	-	-	815,951
Deposits with vendors	7,583,784	10,051,624	-	17,635,408
Other assets	346,673	117,543	-	464,216
Assets limited as to use	250,000	-	-	250,000
Due from State of Connecticut	61,887	-	-	61,887
Lease receivable - net of current portion	1,914,358	4,461,696	-	6,376,054
Right-to-use assets, net (Note 9)	19,786,593	89,125,117	(72,520,839)	36,390,871
Capital and intangible assets, net (Note 10)	520,810,906	315,345,371	-	836,156,277
Total noncurrent assets	<u>551,570,152</u>	<u>419,101,351</u>	<u>(72,520,839)</u>	<u>898,150,664</u>
Total assets	<u>\$ 913,915,438</u>	<u>\$ 562,625,688</u>	<u>\$ (92,660,178)</u>	<u>\$ 1,383,880,948</u>
Deferred outflows of resources pension (Note 12)	\$ 287,323,634	\$ 163,359,909	\$ -	\$ 450,683,543
Deferred outflows of resources OPEB (Note 12)	\$ 309,588,541	\$ 161,056,641	\$ -	\$ 470,645,182

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION(Continued)
As of June 30, 2022

	2022			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 46,652,553	\$ 23,442,150	\$ (152,389)	\$ 69,942,314
Due to State of Connecticut	20,013,360	13,031,941	-	33,045,301
Accrued salaries	33,514,047	17,912,350	-	51,426,397
Compensated absences - current portion (Note 11)	12,158,481	7,453,619	-	19,612,100
Due to John Dempsey Hospital	20,133,462	-	(20,133,462)	-
Due to third party payors	(5,231,067)	46,246,397	-	41,015,330
Due to Affiliates (Note 15)	4,761,955	-	-	4,761,955
Unearned revenue	680,291	4,419	-	684,710
Malpractice reserve (Note 11)	2,642,000	-	-	2,642,000
Lease liability - current portion (Note 11)	2,820,866	6,710,041	(3,539,675)	5,991,232
Long-term debt - current portion (Note 11)	9,982,226	35,451	-	10,017,677
Total current liabilities	<u>148,128,174</u>	<u>114,836,368</u>	<u>(23,825,526)</u>	<u>239,139,016</u>
Noncurrent Liabilities				
Malpractice reserve (Note 11)	39,815,800	-	-	39,815,800
Compensated absences - net of current portion (Note 11)	17,590,675	10,783,765	-	28,374,440
Pension liability (Note 12)	752,927,639	440,127,362	-	1,193,055,001
OPEB liability (Note 12)	970,278,113	532,039,723	-	1,502,317,836
Lease liability - net of current portion (Note 11)	17,686,985	86,156,048	(71,926,828)	31,916,205
Long-term debt - net of current portion (Note 11)	177,972,305	19,237	-	177,991,542
Total noncurrent liabilities	<u>1,976,271,517</u>	<u>1,069,126,135</u>	<u>(71,926,828)</u>	<u>2,973,470,824</u>
Total liabilities	<u>\$ 2,124,399,691</u>	<u>\$ 1,183,962,503</u>	<u>\$ (95,752,354)</u>	<u>\$ 3,212,609,840</u>
Deferred inflows of resources right-to-use assets	\$ 2,122,478	\$ 6,437,137	\$ -	\$ 8,559,615
Deferred inflows of resources pension (Note 12)	\$ 153,857,816	\$ 32,024,982	\$ -	\$ 185,882,798
Deferred inflows of resources OPEB (Note 12)	\$ 290,070,291	\$ 130,125,778	\$ -	\$ 420,196,069
NET POSITION				
Net investment in capital assets	\$ 331,988,604	\$ 311,549,711	\$ 3,092,176	\$ 646,630,491
Restricted for				
Nonexpendable scholarships	61,451	-	-	61,451
Expendable				
Research	1,093,243	-	-	1,093,243
Loans	283,313	-	-	283,313
Capital projects	26,184,806	-	-	26,184,806
Unrestricted	(1,419,234,080)	(777,057,873)	-	(2,196,291,953)
Total net position	<u>\$ (1,059,622,663)</u>	<u>\$ (465,508,162)</u>	<u>\$ 3,092,176</u>	<u>\$ (1,522,038,649)</u>

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

For the Year Ended June 30, 2022

	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowances of \$7,219)	\$ 23,870,606	\$ -	\$ 23,870,606	\$ -	\$ 23,870,606
Patient services and pharmaceutical revenues (net of charity care of \$4,295) (Notes 4 & 6)	209,608,684	533,884,633	743,493,317	-	743,493,317
Federal grants and contracts	96,325,962	-	96,325,962	-	96,325,962
Nonfederal grants and contracts	26,357,110	-	26,357,110	-	26,357,110
Contract and other operating revenues	<u>128,154,992</u>	<u>83,553,215</u>	<u>211,708,207</u>	<u>(53,342,866)</u>	<u>158,365,341</u>
Total operating revenues	<u>484,317,354</u>	<u>617,437,848</u>	<u>1,101,755,202</u>	<u>(53,342,866)</u>	<u>1,048,412,336</u>
OPERATING EXPENSES					
Educational and General					
Instruction	203,989,113	-	203,989,113	(28,533,210)	175,455,903
Research	77,186,457	-	77,186,457	-	77,186,457
Patient services	269,813,924	719,433,601	989,247,525	(14,314,843)	974,932,682
Academic support	22,123,706	-	22,123,706	-	22,123,706
Institutional support	146,629,185	-	146,629,185	(3,145,551)	143,483,634
Operations and maintenance of plant	27,840,288	-	27,840,288	(224,299)	27,615,989
Depreciation and amortization (Note 10)	48,648,770	27,472,713	76,121,483	(4,838,886)	71,282,597
Student aid	98,388	-	98,388	-	98,388
Total operating expenses	<u>796,329,831</u>	<u>746,906,314</u>	<u>1,543,236,145</u>	<u>(51,056,789)</u>	<u>1,492,179,356</u>
Operating loss	<u>(312,012,477)</u>	<u>(129,468,466)</u>	<u>(441,480,943)</u>	<u>(2,286,077)</u>	<u>(443,767,020)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations (Note 15)	344,028,889	-	344,028,889	-	344,028,889
Transfer from/(to) State and outside programs	20,000,000	-	20,000,000	-	20,000,000
Gifts	4,213,503	204,000	4,417,503	-	4,417,503
COVID-19 relief revenue (Note 17)	78,293,537	9,134,040	87,427,577	-	87,427,577
Hospital transfer	(56,516,189)	56,516,189	-	-	-
Loss on disposal	(695,786)	(82,883)	(778,669)	-	(778,669)
Interest income	90,297	267,334	357,631	-	357,631
Lease revenue	447,328	2,264,325	2,711,653	-	2,711,653
Investment income, net	128,648	-	128,648	-	128,648
Interest on capital asset - related debt	<u>(9,263,522)</u>	<u>(4,421,299)</u>	<u>(13,684,821)</u>	<u>3,749,784</u>	<u>(9,935,037)</u>
Net nonoperating revenues	<u>380,726,705</u>	<u>63,881,706</u>	<u>444,608,411</u>	<u>3,749,784</u>	<u>448,358,195</u>
Income before other revenues, expenses, gains or losses	<u>68,714,228</u>	<u>(65,586,760)</u>	<u>3,127,468</u>	<u>1,463,707</u>	<u>4,591,175</u>
OTHER CHANGES IN NET POSITION					
Transfer from Affiliate (Note 15)	228,081	-	228,081	-	228,081
Capital appropriations (Note 13)	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>
Net other changes in net position	<u>13,228,081</u>	<u>-</u>	<u>13,228,081</u>	<u>-</u>	<u>13,228,081</u>
Increase in net position	81,942,309	(65,586,760)	16,355,549	1,463,707	17,819,256
NET POSITION					
Net position-beginning of year (restated)	<u>(1,141,564,972)</u>	<u>(399,921,402)</u>	<u>(1,541,486,374)</u>	<u>1,628,469</u>	<u>(1,539,857,905)</u>
Net position-end of year	<u>\$ (1,059,622,663)</u>	<u>\$ (465,508,162)</u>	<u>\$ (1,525,130,825)</u>	<u>\$ 3,092,176</u>	<u>\$ (1,522,038,649)</u>

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30, (amounts in thousands)									
	2022	2021 (Restated)	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 23,871	\$ 23,475	\$ 21,636	\$ 20,655	\$ 18,613	\$ 17,499	\$ 15,728	\$ 16,557	\$ 15,794	\$ 13,812
Patient services and pharmaceutical revenues*	743,493	628,899	513,608	534,494	580,697	539,777	532,876	512,960	450,315	432,032
Federal grants and contracts	96,326	68,185	58,055	58,196	50,748	58,148	59,529	57,920	62,527	60,651
Nonfederal grants and contracts	26,357	24,977	27,872	30,016	29,337	29,009	27,116	24,407	23,803	27,593
Contract and other operating revenues	158,365	152,990	162,725	159,745	127,188	114,284	108,017	109,324	106,771	102,574
Total operating revenues	<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>	<u>636,662</u>
State appropriations	344,029	330,872	296,520	250,846	279,513	278,211	289,287	280,645	266,139	213,371
Transfer from/(to) State and outside programs	20,000	-	-	-	-	-	-	-	-	-
Gifts	4,417	3,496	6,950	6,146	5,706	4,079	6,865	7,175	7,300	7,658
COVID-19 relief funding	87,427	15,598	22,518	-	-	-	-	-	-	-
Interest income	358	340	-	-	-	-	-	-	-	-
Lease revenue	2,712	2,249	-	-	-	-	-	-	-	-
Investment income (net of investment expense)	129	31	600	1,385	654	104	141	176	93	124
Net nonoperating revenues	<u>459,072</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>	<u>221,153</u>
Total Revenues	<u>\$ 1,507,484</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>	<u>\$ 857,815</u>

	For the Year Ended June 30, (percent of total revenues)									
	2022	2021 (Restated)	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Student tuition and fees (net of scholarship allowances)	1.6%	2.0%	1.9%	1.9%	1.7%	1.7%	1.5%	1.7%	1.7%	1.6%
Patient services and pharmaceutical revenues*	49.3%	50.3%	46.3%	50.4%	53.2%	51.7%	51.3%	50.8%	48.3%	50.4%
Federal grants and contracts	6.4%	5.4%	5.2%	5.5%	4.6%	5.6%	5.7%	5.7%	6.7%	7.1%
Nonfederal grants and contracts	1.8%	2.0%	2.5%	2.8%	2.7%	2.8%	2.6%	2.4%	2.6%	3.2%
Contract and other operating revenues	10.5%	12.2%	14.7%	15.0%	11.6%	11.0%	10.4%	10.9%	11.4%	12.0%
Total operating revenues	<u>69.6%</u>	<u>71.9%</u>	<u>70.6%</u>	<u>75.6%</u>	<u>73.8%</u>	<u>72.9%</u>	<u>71.5%</u>	<u>71.5%</u>	<u>70.7%</u>	<u>74.3%</u>
State appropriations	22.8%	26.4%	26.7%	23.6%	25.6%	26.7%	27.8%	27.8%	28.5%	24.8%
Transfer from/(to) State and outside programs	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gifts	0.3%	0.3%	0.6%	0.6%	0.5%	0.4%	0.7%	0.7%	0.8%	0.9%
COVID-19 relief funding	5.8%	1.2%	2.0%	0.0%	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%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income (net of investment expense)	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Net nonoperating revenues	<u>30.4%</u>	<u>28.1%</u>	<u>29.4%</u>	<u>24.4%</u>	<u>26.2%</u>	<u>27.1%</u>	<u>28.5%</u>	<u>28.5%</u>	<u>29.3%</u>	<u>25.7%</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)

	2022	2021 (Restated)	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Instruction	\$ 175,456	\$ 178,910	\$ 170,526	\$ 157,396	\$ 179,948	\$ 169,130	\$ 168,299	\$ 163,703	\$ 152,618	\$ 141,182
Research	77,186	57,554	55,173	52,832	56,102	59,400	58,233	56,961	59,518	60,918
Patient services	974,933	964,236	846,526	663,701	747,637	713,342	648,071	607,435	581,558	522,825
Academic support	22,124	24,986	20,087	15,173	19,322	19,186	18,070	22,458	20,824	20,011
Institutional support	143,483	159,055	89,592	126,922	112,126	82,233	80,638	83,260	66,416	53,114
Operations and maintenance of plant	27,616	26,886	25,112	37,659	38,223	37,295	38,714	35,363	31,548	33,606
Depreciation and amortization	71,283	72,487	72,893	72,575	52,637	52,046	41,469	37,830	32,780	32,365
Student aid	98	39	25	71	364	194	84	32	50	136
Total operating expenses	<u>1,492,179</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>	<u>864,157</u>
Transfer to State and outside programs	-	-	-	1,991	-	-	-	-	-	-
Interest on capital asset - related debt	9,935	9,424	9,354	9,619	9,909	10,214	10,487	3,820	1,007	1,072
Total nonoperating expenses	<u>9,935</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>	<u>1,072</u>
Total Expenses	<u>\$ 1,502,114</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>	<u>\$ 865,229</u>

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

	2022	2021 (Restated)	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Instruction	11.7%	12.0%	13.2%	13.8%	14.8%	14.8%	15.8%	16.2%	16.1%	16.3%
Research	5.1%	3.9%	4.3%	4.6%	4.6%	5.2%	5.5%	5.6%	6.3%	7.0%
Patient services	64.9%	64.5%	65.7%	58.3%	61.5%	62.4%	60.9%	60.1%	61.5%	60.5%
Academic support	1.5%	1.7%	1.6%	1.3%	1.6%	1.7%	1.7%	2.2%	2.2%	2.3%
Institutional support	9.6%	10.6%	6.9%	11.2%	9.2%	7.2%	7.6%	8.2%	7.0%	6.1%
Operations and maintenance of plant	1.8%	1.8%	1.9%	3.4%	3.1%	3.3%	3.6%	3.6%	3.3%	3.9%
Depreciation and amortization	4.7%	4.9%	5.7%	6.4%	4.4%	4.5%	3.9%	3.7%	3.5%	3.8%
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>99.3%</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>	<u>99.9%</u>
Transfer to State and outside programs	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.7%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%
Total nonoperating expenses	<u>0.7%</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>	<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)

	2022	2021 (Restated)	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Salaries and wages	\$ 504,575	\$ 465,759	\$ 443,132	\$ 418,558	\$ 438,122	\$ 444,948	\$ 452,363	\$ 430,988	\$ 418,305	\$ 403,159
Fringe benefits	412,259	509,160	396,019	254,030	369,185	331,533	264,911	239,288	223,850	180,323
Supplies and other expenses	489,941	428,553	353,870	368,279	333,986	291,166	282,218	286,170	258,778	237,013
Utilities	14,121	8,194	14,020	12,887	12,429	13,133	12,617	12,766	11,599	11,297
Depreciation and amortization	71,283	72,487	72,893	72,575	52,637	52,046	41,469	37,830	32,780	32,365
Total operating expenses	1,492,179	1,484,153	1,279,934	1,126,329	1,206,359	1,132,826	1,053,578	1,007,042	945,312	864,157
Transfer to State and outside programs	-	-	-	1,991	-	-	-	-	-	-
Interest on capital asset - related debt	9,935	9,424	9,354	9,619	9,909	10,214	10,487	3,820	1,007	1,072
Total nonoperating expenses	9,935	9,424	9,354	11,610	9,909	10,214	10,487	3,820	1,007	1,072
Total Expenses	\$ 1,502,114	\$ 1,493,577	\$ 1,289,288	\$ 1,137,939	\$ 1,216,268	\$ 1,143,040	\$ 1,064,065	\$ 1,010,862	\$ 946,319	\$ 865,229

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

	2022	2021 (Restated)	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Salaries and wages	33.6%	31.2%	34.4%	36.8%	36.0%	38.9%	42.5%	42.6%	44.2%	46.6%
Fringe benefits	27.5%	34.1%	30.7%	22.3%	30.4%	29.0%	24.9%	23.7%	23.7%	20.8%
Supplies and other expenses	32.6%	28.7%	27.4%	32.4%	27.5%	25.5%	26.5%	28.3%	27.3%	27.5%
Utilities	0.9%	0.5%	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%	1.2%	1.3%
Depreciation and amortization	4.7%	4.9%	5.7%	6.4%	4.3%	4.6%	3.9%	3.7%	3.5%	3.7%
Total operating expenses	99.3%	99.4%	99.3%	99.0%	99.2%	99.1%	99.0%	99.6%	99.9%	99.9%
Transfer to State and outside programs	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on capital asset - related debt	0.7%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%
Total nonoperating expenses	0.7%	0.6%	0.7%	1.0%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%
Total Expenses	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

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

	<u>2022</u>	<u>2021 (Restated)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total revenues (from schedule of revenues by source)	\$ 1,507,484	\$ 1,251,112	\$ 1,110,484	\$ 1,061,483	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164	\$ 932,742	\$ 857,815
Total expenses (from schedule of expenses by natural classification and function)	<u>1,502,114</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>	<u>865,229</u>
Income (Loss) before other changes in net position	<u>5,370</u>	<u>(242,465)</u>	<u>(178,804)</u>	<u>(76,456)</u>	<u>(123,812)</u>	<u>(101,929)</u>	<u>(24,506)</u>	<u>(1,698)</u>	<u>(13,577)</u>	<u>(7,414)</u>
Transfer from affiliate	228	2,000	-	-	-	-	-	-	-	-
Capital appropriations	13,000	680	-	13,000	88,806	43,479	175,000	159,810	193,214	5,000
Loss on disposal	(779)	(196)	(332)	(1,898)	(3,092)	(989)	(695)	(3,902)	(573)	(2,978)
Net other changes in net position	<u>12,449</u>	<u>2,484</u>	<u>(332)</u>	<u>11,102</u>	<u>85,714</u>	<u>42,490</u>	<u>174,305</u>	<u>155,908</u>	<u>192,641</u>	<u>2,022</u>
Total changes in net position	<u>17,819</u>	<u>(239,981)</u>	<u>(179,136)</u>	<u>(65,354)</u>	<u>(38,098)</u>	<u>(59,439)</u>	<u>149,799</u>	<u>154,210</u>	<u>179,064</u>	<u>(5,392)</u>
Net position-beginning of year (as previously stated)	(1,539,858)	(1,299,314)	(1,120,178)	(1,014,953)	126,332	185,771	35,972	576,794	397,730	403,122
Cumulative effect of implementing GASB 68 and 71	-	-	-	-	-	-	-	(695,032)	-	-
Cumulative effect of implementing GASB 75	-	-	-	-	(1,103,187)	-	-	-	-	-
Cumulative effect of implementing GASB 86	-	(563)	-	-	-	-	-	-	-	-
Cumulative effect of accounting changes and error corrections	-	-	-	(39,871)	-	-	-	-	-	-
Net position-beginning of year as restated	<u>-</u>	<u>-</u>	<u>(1,120,178)</u>	<u>(1,054,824)</u>	<u>(976,855)</u>	<u>185,771</u>	<u>35,972</u>	<u>(118,238)</u>	<u>397,730</u>	<u>403,122</u>
Net position, ending	<u>\$ (1,522,039)</u>	<u>\$ (1,539,858)</u>	<u>\$ (1,299,314)</u>	<u>\$ (1,120,178)</u>	<u>\$ (1,014,953)</u>	<u>\$ 126,332</u>	<u>\$ 185,771</u>	<u>\$ 35,972</u>	<u>\$ 576,794</u>	<u>\$ 397,730</u>
Net investment in capital assets	\$ 646,631	\$ 690,037	\$ 731,730	\$ 784,280	\$ 867,913	\$ 823,325	\$ 734,480	\$ 579,241	\$ 405,672	\$ 335,015
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	1,093	1,107	1,792	1,588	(127)	(8)	(876)	(139)	547	1,982
Loans	283	244	283	589	523	31	953	1,348	104	794
Capital projects	26,185	3,444	4,363	7,881	37,660	37,061	117,466	104,082	152,707	30,829
Unrestricted	<u>(2,196,292)</u>	<u>(2,234,751)</u>	<u>(2,037,543)</u>	<u>(1,914,577)</u>	<u>(1,920,983)</u>	<u>(734,138)</u>	<u>(666,313)</u>	<u>(648,621)</u>	<u>17,703</u>	<u>29,049</u>
Total net position	<u>\$ (1,522,039)</u>	<u>\$ (1,539,858)</u>	<u>\$ (1,299,314)</u>	<u>\$ (1,120,178)</u>	<u>\$ (1,014,953)</u>	<u>\$ 126,332</u>	<u>\$ 185,771</u>	<u>\$ 35,972</u>	<u>\$ 576,794</u>	<u>\$ 397,730</u>

SCHEDULE OF LONG-TERM DEBT

	For the Year Ended June 30, (amounts in thousands)									
	2022	2021(restated)	2020	2019	2018	2017	2016	2015	2014	2013
Loans payable	\$ 16,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lease liability	37,907	42,383	-	-	-	-	-	-	-	-
Capital leases	-	-	4,289	3,275	1,701	2,187	-	-	-	-
Mortgage agreement	171,081	178,560	185,664	192,412	198,823	204,914	210,700	216,198	168,024	62,889
Total long-term debt	\$ 225,916	\$ 220,943	\$ 189,953	\$ 195,687	\$ 200,524	\$ 207,101	\$ 210,700	\$ 216,198	\$ 168,024	\$ 62,889

FACULTY AND STAFF

	For the Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
BARGAINING UNIT										
Faculty	592.7	579.2	566.8	565.6	539.6	529.4	517.6	507.8	512.8	508.0
University Health Professionals	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	2,440.1
All other	719.3	728.2	747.1	730.7	1,299.0	1,356.0	1,404.6	1,422.1	1,437.9	1,436.9
Total FTE's	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	4,385.0
EXEMPT										
Faculty	60.0	60.0	54.9	54.3	55.2	56.2	56.8	60.6	61.5	60.5
Managerial	143.0	139.0	133.0	131.8	139.1	153.9	160.6	159.3	158.3	156.2
All other	403.6	367.8	350.2	334.9	340.7	335.1	329.3	353.2	392.7	404.1
Total FTE's	606.6	566.8	538.1	521.0	535.0	545.2	546.7	573.1	612.5	620.8
TOTAL FTE's	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	5,005.8

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Academic										
Net assignable square feet (in thousands)	84	84	84	84	82	82	74	74	74	74
Number of buildings/major areas of Main Building*	2	2	2	2	2	2	1	1	1	1
Research buildings										
Net assignable square feet (in thousands)	478	478	478	478	456	456	456	435	435	435
Number of buildings/major areas of Main Building*	7	7	7	7	6	6	6	6	6	6
Patient care buildings										
Net assignable square feet (in thousands)	873	873	868	868	885	885	885	662	529	529
Number of buildings/major areas of Main Building*	6	6	6	6	6	6	6	6	8	8
Administrative and support buildings										
Net assignable square feet (in thousands)	985	985	985	985	865	865	873	769	769	698
Number of buildings/major areas of Main Building*	11	11	11	11	11	11	12	11	11	10
Total net assignable square feet (in thousands)	<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>	<u>1736</u>
Number of buildings/major areas of Main Building*	<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>	<u>25</u>

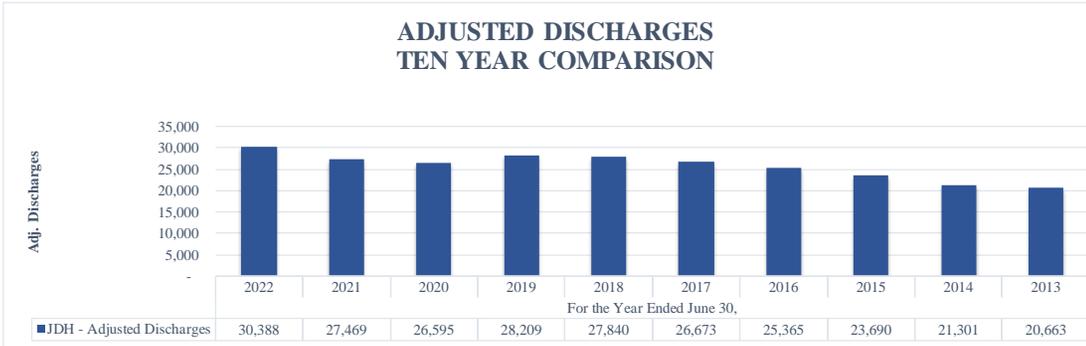
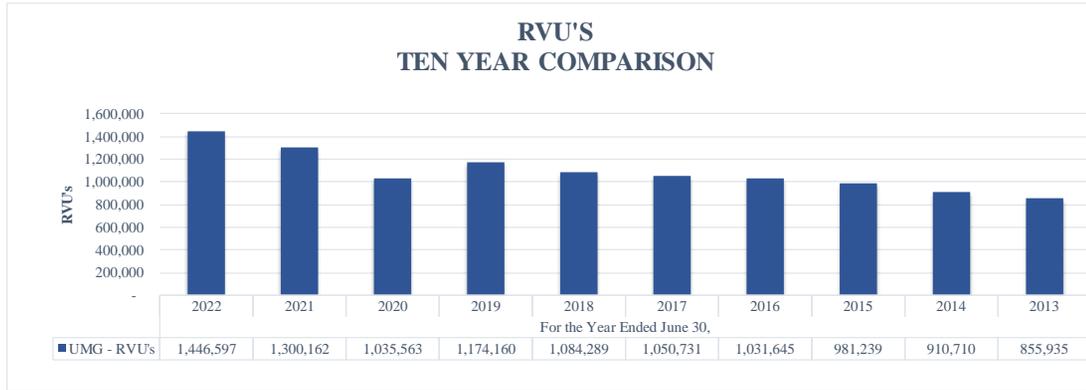
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*** Notes to not a required schedule**

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
UMG - RVU's	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	855,935
	For the Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
JDH - Adjusted Discharges	30,388	27,469	26,595	28,209	27,840	26,673	25,365	23,690	21,301	20,663



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)
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%
2013	\$ 222,984,316,000	3,598,628	\$ 61,964	8.1%

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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>	2022		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
Hartford HealthCare	33,000	1.8%	1
Yale New Haven Health Sys	29,486	1.6%	2
United Technologies Corp. UTC	19,000	1.0%	3
Yale University	15,652	0.9%	4
General Dynamics/Electric Boat	12,500	0.7%	5
Sikorsky Air/Lockheed Martin Co.	8,588	0.5%	6
Wal-Mart Stores, Inc.	8,454	0.5%	7
Mohegan Sun Casino	8,000	0.4%	8
The Travelers Cos., Inc.	7,000	0.4%	9
The Hartford	5,500	0.3%	10
Total	147,180	8.1%	

<u>Name</u>	2013		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
United Technologies Corp. UTC	27,000	1.6%	1
Yale University	14,750	0.9%	2
Stop & Shop Cos., Inc.	13,574	0.8%	3 (1)
Yale New Haven Hospital	12,309	0.7%	4
General Dynamics/Electric Boat	8,817	0.5%	5
Wal-Mart Stores, Inc.	8,761	0.5%	6
Mohegan Sun Casino	8,200	0.5%	7
The Hartford	7,700	0.5%	8
Foxwoods Resort Casino	7,667	0.5%	9
The Travelers Cos Inc.	7,400	0.4%	10
Total	116,178	6.9%	

Source: *Businesses websites*

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

