

Annual Comprehensive Financial Report

FOR THE YEAR ENDED JUNE 30, 2024

Included as an Enterprise Fund of the State of Connecticut



UConn HEALTH



Annual Comprehensive
Financial Report
For the Year Ended June 30, 2024

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INTRODUCTORY SECTION

Letter of Transmittal

Founded in 1881, the University of Connecticut (the “University”) serves as the state’s flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, and service. The University of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center (“UConn Health”). Although governed by a single Board of Trustees, the University and UConn Health maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. The financial statements contained herein represent the transactions and balances of UConn Health only.

The University’s Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990’s. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its State appropriations, check-writing authority, human resource control, and purchasing authority, and with the advent of UCONN 2000 in 1995, management of capital activities, including projects at UConn Health starting in 2005.

While the University’s operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans and operating and capital budgets approved by the University Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight over all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University’s internal audit capacity and the work performed by state auditors. A key component of external oversight, the Auditors of Public Accounts issue an Independent Auditors’ Report on the financial statements of UConn Health. They are responsible for auditing its financial operations and their opinion appears in this report.

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

UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. UConn Health consistently pursues excellence and innovation in the education of health professionals; the discovery, dissemination, and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

With approximately 5,300 full-time employees (FTE’s), UConn Health is one of Connecticut’s largest employers and an important contributor to the local and regional economy. UConn Health’s campus in Farmington is situated on 211 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University’s main campus is in Storrs, about 30

miles east of Hartford.) UConn Health's campus includes 26 buildings totaling close to 2.8 million total square feet.

Educational Programs

Dedicated to providing broad educational opportunities in the biomedical sciences, UConn Health offers degree programs in medicine (M.D.), dental medicine (D.M.D.), and biomedical science (Ph.D.); master's degree programs in public health and dental science; postdoctoral fellowships; residency programs providing specialty training for newly graduated physicians and dentists; and continuing education programs for practicing health care professionals. Combined degree programs, such as the M.D./Ph.D., D.M.D./Ph.D., Dental Clinical Specialty/Ph.D., and M.D./M.P.H. are also offered.

UConn Health is the only academic health center in the nation where a medical school was founded concurrently with a dental school, a circumstance which has led to strong links. Medical and dental students share an essentially common curriculum during the first two years of their four-year degree programs and study the basic medical sciences together. This experience provides UConn Health's dental students with an especially solid foundation in the biomedical sciences, reflected in the dental school's decision to award its graduates the D.M.D. (Doctor of Medical Dentistry). School of Dental Medicine students have a long history of outstanding performance on the National Boards.

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

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

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

Research Programs

High-quality research programs are one of the core missions of UConn Health. The strength of UConn Health's research programs allows it to attract high quality students as well as nationally and internationally known researchers with expertise in Neuroscience, Molecular Biology and Biochemistry, Cell Physiology, Biomedical Engineering, Genetics, Immunology and Childhood Development, among other fields. The Alcohol Research Center is one of only twenty-two such federally supported centers in the nation and is the longest-funded center at the National Institute on Alcohol Abuse and Alcoholism (NIAAA). UConn Health is home to one of just fifteen older American Independence Centers, otherwise known as Claude D. Pepper Centers across the country. Areas of growth and opportunity include Psychiatry, Neuroscience, the Center on Aging, Genetics and Genome Sciences, Molecular Biology and Biophysics, Child, and Family Studies,

Biomedical Engineering, and the Calhoun Cardiology Center. Awards to UConn Health exceeded \$100.0 million in four of the last five years, with awards in FY24 totaling more than \$124.4 million.

Health Care Services

Through John Dempsey Hospital (224 certified general acute care beds and 10 bassinets, 233 staffed), UConn Health provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular (interventional cardiology and surgery), cancer, musculoskeletal services, neurosurgical care, stroke services, behavioral mental health services, as well as high-risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region’s health in other ways. UConn Medical Group, one of the largest medical practices in Greater Hartford, offers primary care and services in more than 50 specialties.

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

Connecticut Health

UConn Health faculty, staff, residents, and students participate in a variety of joint efforts to address public health and community health needs of citizens throughout our state. Under the umbrella of Connecticut Health, hundreds of projects have been developed in collaboration with other state agencies, city, and town governments, community-based organizations, and the public to serve the under/uninsured by providing better medical care and health education. UConn Health is committed to finding new and effective ways to reach out to the public as part of our ongoing effort to bring a better quality of life to all our citizens.

Pandemic Funding

UConn Health has received aid from a number of governmental and other sources throughout the pandemic. Notably, UConn Health received federal funding via the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Relief Fund (CRF), and from the Federal Emergency Management Agency (FEMA). Funding received came from both general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021 and ended September 30, 2024. UConn Health believes it has met these requirements. UConn Health continues to receive funding under the American Rescue Plan Act via the State of Connecticut. These funds are reported on the Statement of Revenues, Expenses, and Changes in Net Position as part of federal grants and contracts. Amounts received under this program are summarized below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
American Rescue Plan Act (ARPA)	<u>\$ 51,500,000</u>	<u>\$ 72,700,000</u>	<u>\$ 73,000,000</u>

Economic Condition

Connecticut's revenues exceeded expenses at the State level, resulting in a fiscal year 2024 surplus. In June 2023, the State's biennial budget for fiscal years 2024 and 2025 were approved by Public Act 23-204 (HB-6941) and signed into law by the Governor. The approved appropriations for UConn Health were \$111.6 for fiscal year 2024 and \$118.2 million for fiscal year 2025. In addition to the appropriations, the State allocated "One-Time Carry Forward Funds" of \$35.0 million for fiscal year 2024 and \$17.5 million for fiscal year 2025. UConn Health also received allocations of "One-Time American Rescue Plan Act Funds" of \$51.5 million for fiscal year 2024 and \$58.0 million for fiscal year 2025.

UConn Health's approved fiscal 2025 budget contained a projected loss of \$1.6 million. The State subsequently reduced total aid to UConn Health by \$5.7 million. No assurance can be made that the State will not further change fiscal year 2025 funding prior to the end of the fiscal year. Any State funding cuts are expected to be managed by UConn Health through reduced hiring, reduced operating costs, fewer projects, and/or other deficit mitigation efforts. Any remaining projected deficit will be funded through the use of unrestricted reserves. Changes at the State level may impact State support and UConn Health's overall results. UConn Health remains in constant contact with the State to monitor trends and needs.

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

Awards and Acknowledgements

Thanks to the dedication, hard work, and teamwork of UConn Health's over 5,300 employees, it has been another record-breaking year for Connecticut's only public academic medical center as it continues to experience unprecedented growth.

UConn Health now has 22 patient care locations in 11 towns. More and more patients are seeking the state's award-winning academic medical center's care than ever before. As a result, in fiscal year 2025 UConn Health is projected to generate for the first time over \$1.0 billion in patient care revenue. In fiscal year 2024, UConn Health clinicians had more than 1.6 million patient encounters, 14,500 hospital discharges, 13,000 surgeries, 56,000 emergency department visits, and 79,500 dental visits.

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

Our research enterprise also continues to be robust. The School of Medicine was awarded last year over \$112.0 million in research funding, including \$67.5 million from National Institutes of Health (NIH). In addition, our School of Dental Medicine was awarded over \$12.0 million in research funding, including \$10.0 million from the NIH and other federal agencies including the Department of Defense.

UConn Health continues to build Connecticut's current and future health care workforce. UConn Health proudly remains Connecticut's number one producer of medical and dental professionals. UConn is the largest single source of new physicians, surgeons, and dentists for the state. We are also a significant source of trained scientists and public health experts. In addition to having the largest medical school in Connecticut and the only public medical school, it also has the only dental school in the state and the only public dental school in New England.

Our more than 800 medical and dental residents train and work in central Connecticut hospitals and support critical workforce needs while attracting \$175.0 million in federal funding. We are proud to report that 65% of all practicing dentists in Connecticut were educated and/or trained at the School of Dental Medicine while 25% of practicing physicians in the state were educated and/or trained at the School of Medicine.

This was another robust year in accolades for UConn Health including making the Forbes ‘America’s Best Employers’ list, ranked 5th among the 15 employers headquartered in Connecticut. Our hospital had many repeat wins applauding our ongoing excellence in quality, safety, and patient experience. Some of those wins are listed below:

- Third consecutive year ranked by Newsweek as a World’s Best Hospital.
- The only hospital in Connecticut recognized by Newsweek for excellence in patient experience.
- Leapfrog, the national patient safety watchdog group, awarded our seventh consecutive top ‘A’ patient safety rating.
- The Health Grades’ Outstanding Patient Experience Award makes us best among the top 10% of hospitals nationwide.
- Received eight Women’s Choice Best Hospital awards.
- The American Heart Association for the eighth consecutive year honored us with Get With The Guidelines® — Stroke Gold Plus designation.
- For the tenth consecutive year awarded the Mission: Lifeline®-STEMI Receiving Center – Gold award for heart attack care excellence.
- The only Connecticut hospital to be most likely recommended by patients receiving the top highest five stars in Connecticut patient recommendations in the latest data of the Centers for Medicare & Medicaid Services (CMS).

UConn Health also offered our patients many care innovations including:

- Teamwork between skilled anesthesiology, neurosurgery, and ear, nose, and throat experts at UConn Health cured a Brazilian man’s rare, severe ear pain disease with innovative, high-tech brain surgery by co-directors of the Cranial Nerve and Brainstem Disorder Program.
- UConn Health was the first in Connecticut to offer an innovative new procedure to treat uterine fibroids. The Sonata® procedure offers a state-of-the-art, incisionless, transcervical solution for the treatment of uterine fibroids.
- UConn Health was selected to guide an improved patient experience for those living with dementia. It is the first health system in Connecticut to pilot the national GUIDE Model Program for patients with dementia and their caregivers for the Centers for Medicare & Medicaid Services over the next eight years. The GUIDE Model is designed to improve the quality of life for people living with dementia, while also reducing strain on their caregivers. The pilot will be administered by geriatricians at the UConn Center on Aging.
- Innovations in digital technology at UConn Dental has transformed the way we produce dentures. Now UConn Health clinicians can deliver dentures that are stronger, more biocompatible and better fitting in fewer clinical visits than conventional methods.

UConn Health continues to expand its care and service to Connecticut. In 2024, we successfully opened:

- The new, dedicated home of The Brain and Spine Institute at 5 Munson Road. The Institute provides comprehensive spine care, cranial neurosurgery, and neurology services, along with UConn Health Imaging, a free-standing, nonhospital outpatient imaging facility.
- The nationally recognized UConn Center on Aging unveiled the region's first coordinated, multidisciplinary geriatric and subspecialty care Geriatrics and Healthy Aging Program at 21 South Road in Farmington.
- The new Women's Center for Motion and Performance launched with multidisciplinary, coordinated services in orthopedics, sports medicine, and other specialties keeping women active and moving, whether they are athletes or not.
- UConn Health is home to a specialized outpatient wound care and hyperbaric medicine treatment center. It is one of only a few dedicated wound centers in Connecticut offering critical access to multidisciplinary wound care services and specialists all in one place. Wound Care and Hyperbaric Medicine is led by a multidisciplinary team of UConn Health experts. The wound center's expansive expertise also includes patient access to UConn Health's vascular surgery, limb salvage, infection prevention, plastic surgery, and podiatry services.

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

- UConn Health is expanding its public service to keep air in Connecticut classrooms safe. \$11.5 million in state support was awarded to UConn School of Medicine to deploy effective and inexpensive build-it-yourself air filter technology to every public-school classroom across the state. It is part of the ongoing cross-campus UConn Indoor Air Quality Initiative. The simple, inexpensive purifiers, known as "Corsi-Rosenthal boxes," can be assembled with common hardware store supplies.
- UConn Health students are always giving back to the community. For example, it's now \$1.0 million and counting in free community care and education provided by the interprofessional students in the Urban Service Track/AHEC Scholars training program at UConn Health. Since 2007 they have volunteered to provide critical health care access to underserved Connecticut citizens directly in their communities as the students train together to be the next generation of well-rounded primary care and health care professionals.
- UConn Health is leading a consortium with UConn Storrs, Connecticut Children's, The Jackson Laboratory for Genomic Medicine, and Hartford HealthCare to launch an innovative pilot program designed to leverage genomics to identify undiagnosed, early onset diseases in newborns in the Greater Hartford area. The consortium is hoping to improve newborn health in real time, including for underserved populations, by providing families with access to whole genome sequencing.

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

- Our promising stroke medicine is one step closer to clinical trial testing. The NIH has awarded UConn School of Medicine \$2.0 million more to advance its research for a new medicine healing stroke damage inside the brain. This renewed NIH grant funding will enable UConn Health to further advance its laboratory testing and ultimately apply to the FDA for an Investigational New Drug (IND) application. If approved, it will lead to first-in-human testing. This is important, as for nearly 30 years, there have been no new medicines to treat stroke patients. UConn's testing of its small-molecule drug in its laboratories have been shown to reduce brain damage and restore function after stroke.
- UConn Health has one of the first Tundra cryo-EM microscopes in the nation to be acquired with \$1.5 million in NIH-funding. A cryogenically cooled electron microscope called Tundra was installed and is at the forefront of research capabilities. The Tundra instrument, is an essential tool that will help UConn Health and many other New England researchers to produce 3D pictures of molecules using minute quantities of biological material. The new instrument's arrival to UConn Health has closed a critical gap in the New England research corridor and is making the exciting molecular imaging technology more accessible to scientists and students across UConn Health and the region.

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

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Jeffrey P. Geoghegan', is positioned below the text 'Respectfully Submitted,'.

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

**DIRECTORS AND FINANCIAL OFFICERS
As of June 30, 2024**

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 *West Hartford*

Charlene Casamento *Hartford*

Manisha Juthani *New Haven*

Appointed by Chairperson, Board of Trustees

Sandford Cloud, Jr. Chairperson *West Hartford*

Andy F. Bessette *West Hartford*

Mark L. Boxer *Glastonbury*

FINANCIAL OFFICERS

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

Chad A. Bianchi, CPA, Controller UConn Health

TRUSTEES
As of June 30, 2024

BOARD OF TRUSTEES

MEMBERS EX OFFICIO

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

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

The Honorable Daniel O’Keefe
Commissioner of Economic
and Community Development
Member ex officio *Hartford*

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

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

APPOINTED BY THE GOVERNOR

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

ELECTED BY THE ALUMNI

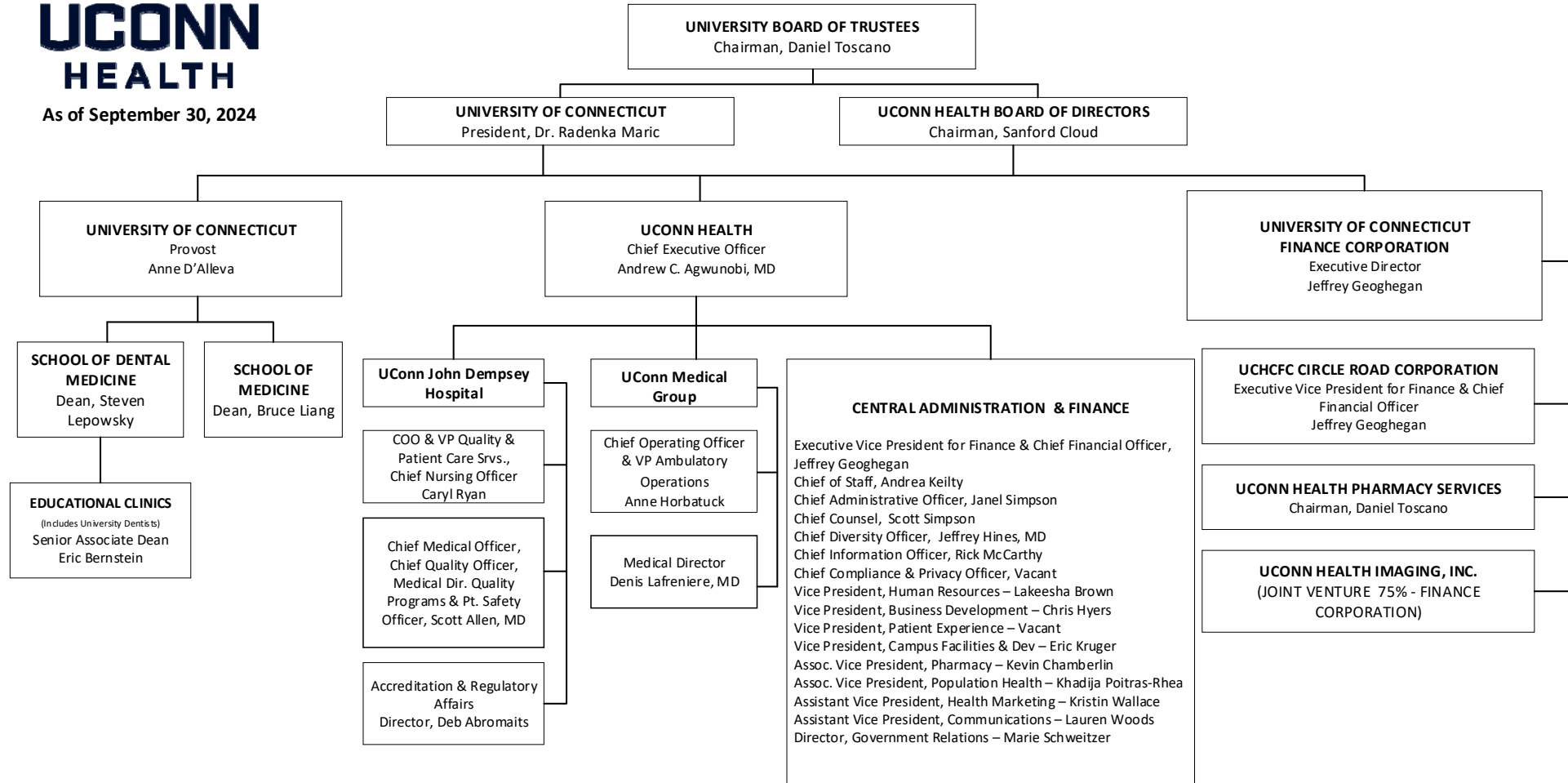
Jeanine A. Gouin *Durham*
Bryan K. Pollard *Middletown*

ELECTED BY THE STUDENTS

Joshua Crow *West Hartford*
Aanya Mehta *Storrs*

UConn HEALTH

As of September 30, 2024



FINANCIAL SECTION

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

Opinions

We have audited the accompanying financial statements of the business-type activities of the University of Connecticut Health Center (UConn Health), a component unit of the University of Connecticut system, which includes the University of Connecticut, UConn Health and the University of Connecticut Foundation, Inc., which consist of the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of UConn Health, as of June 30, 2024, 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 40.5% of the assets and 51.4% of the revenues of UConn Health;
- The financial statements of UConn Medical Group, which represents 10.5% of the assets and 10.3% of the revenues of UConn Health; and
- The financial statements of the Finance Corporation, which represents 17.6% of the assets and 10.9% 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.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Information

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

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



John C. Geragosian
State Auditor



Craig A. Miner
State Auditor

December 12, 2024
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, 2024. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Founded in 1881, the University of Connecticut (the "University") serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, and service. The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center ("UConn Health").

The financial statements presented here represent the transactions and balances of UConn Health only. UConn Health offers medical and dentistry degrees as well as operating a physician/dentist practice and a teaching and research hospital. UConn Health's component parts are the School of Medicine, the School of Dental Medicine (and its associated Educational Clinics), a Research Enterprise, UConn Medical Group (UMG), the Finance Corporation (and its subsidiaries University of Connecticut Health Finance Corporation Circle Road Corporation (Circle Road Corporation), UConn Health Pharmacy Services, Inc. (UHPSI) and UConn Health Imaging (UHI) a joint venture, and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2024 was 449 students in the School of Medicine, 204 in the School of Dental Medicine, and 312 Graduate students, taught by over 600 faculty members. UConn Health finished fiscal year 2024 with 5,334 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 (233 staffed). In fiscal year 2024, adjusted patient days (a measure of total hospital volume) were 171,008, a 6.8% increase from the prior year. During 2024, UMG had 914,649 unique patient visits, a 7.6% 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, 2024, 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, 2024, 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. Included in the statements are supplementary schedules which are not required but help to provide additional information to the reader.

FINANCIAL HIGHLIGHTS

UConn Health's financial position at June 30, 2024, consisted of assets of \$1.4 billion and liabilities of \$2.8 billion. Net assets, which represent the residual interest in UConn Health's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased \$197.2 million in fiscal year 2024 after non-operating and other changes in net position (including the impact of change in accounting method). The changes were primarily driven by the recording of UConn Health's proportionate share of State pension and OPEB liabilities and were not representative of normal operations. The change in net assets exclusive of these entries was an increase of \$33.6 million.

The financial statements contained herein show an operating loss of \$433.6 million for the year ending June 30, 2024 (fiscal year 2024). The measure more indicative of normal and recurring activities is net income (loss) before other changes in net position, which includes revenue from State appropriations. Additions to capital assets are, in large part, funded by capital appropriations from the State and issuance of UCONN 2000 bond funds (included in the other changes in net position above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income (loss), so a loss under this measurement is expected. UConn Health reported a loss before other changes in net position of \$218.9 million in fiscal year 2024.

Some sources of recurring operating and non-operating revenues increased in 2024. 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, decreased by \$207.5 million in fiscal year 2024. The decrease is primarily attributed to legislative changes effective July 1, 2023. The change resulted in UConn Health no longer contributing for retirement and OPEB. These changes led to a reduction of in-kind fringe recognition. UConn Health received initial appropriation of \$118.2 million for fiscal year 2025.

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 2024 and 2023. 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 while liabilities represent what is owed by 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.

Total assets, including the deferred outflows of resources, of UConn Health decreased by \$59.3 million, or 2.7%, from the prior year. The decrease was primarily attributable to changes in deferred outflows for OPEB. Deferred outflows of resources decreased \$61.3 million. Most of the decrease in deferred inflows was from pension and OPEB based on changes to the respective plans as evaluated in the most recent actuary reports.

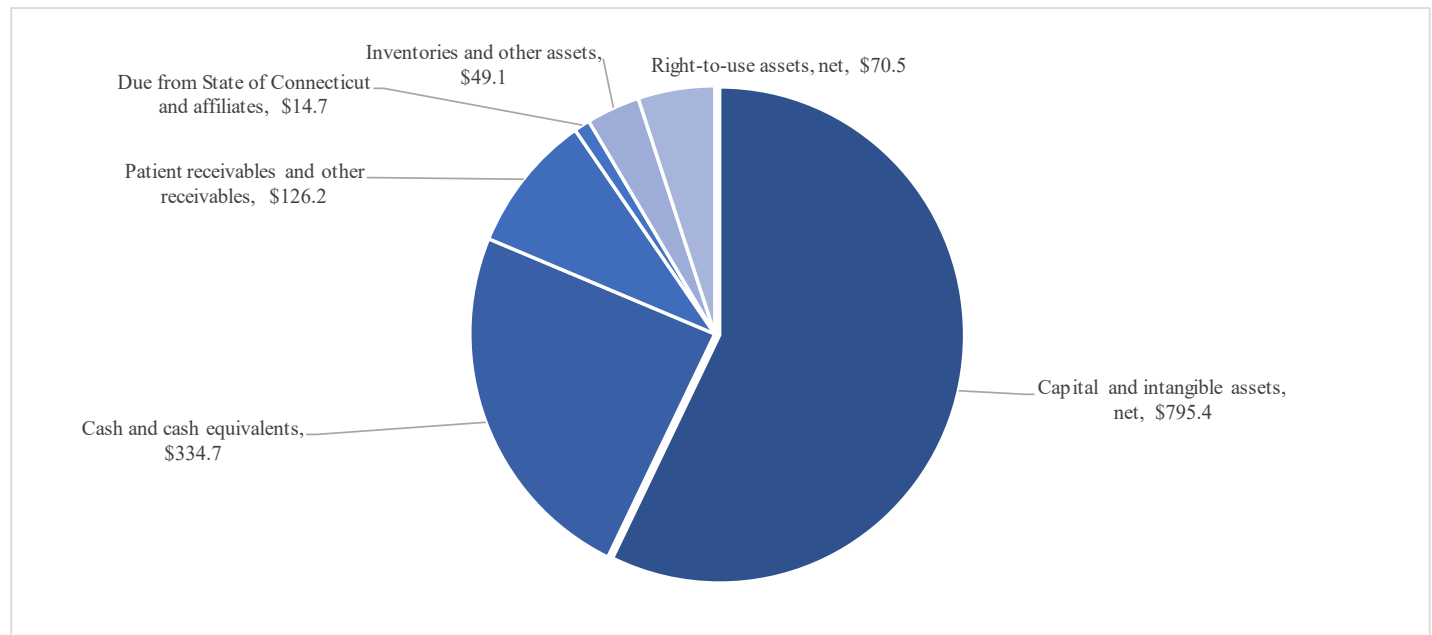
Total liabilities, including the deferred inflow of resources, increased by \$137.9 million or 4.0% from 2023. The driver of that was an increase of \$169.6 million in pension and OPEB liabilities. Changes in pension and OPEB expenses reflect both UConn Health's changing percentage of overall plan contributions and changes at the state plan level to underlying assumptions such as discount rates.

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.

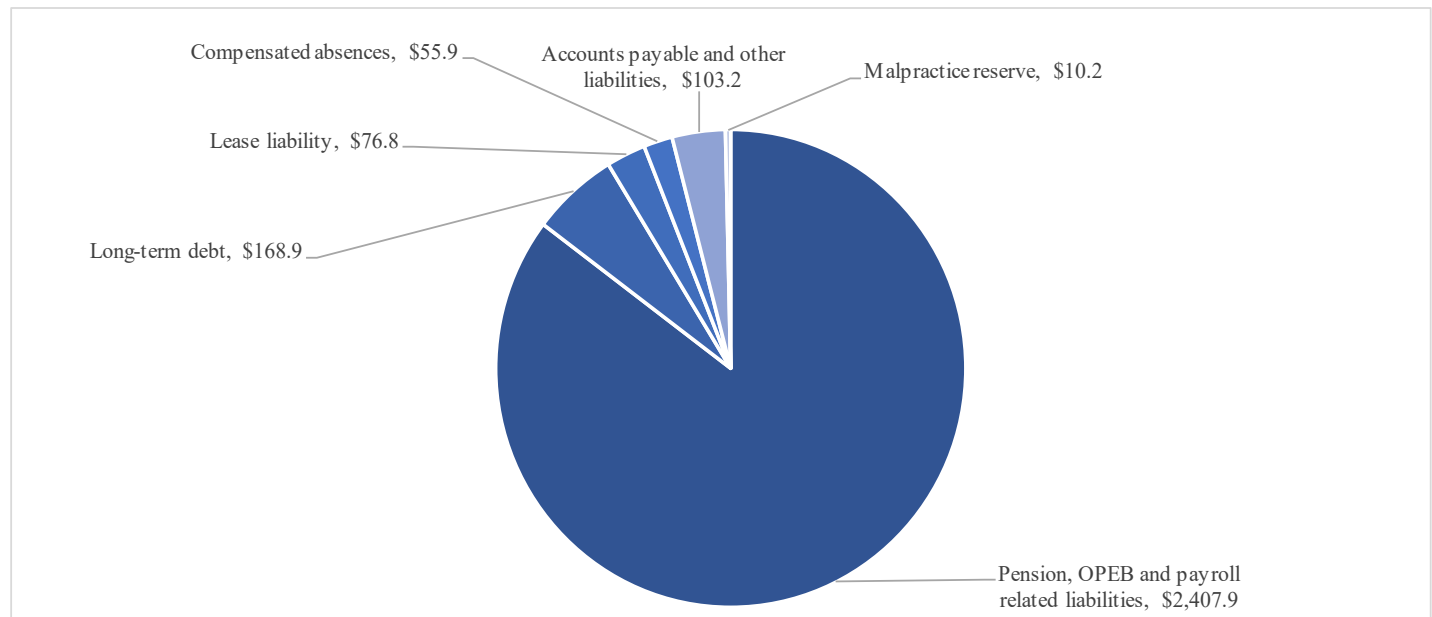
The following table shows a condensed schedule of net position as of June 30, 2024 and 2023:

	2024	2023	\$ Change	% Change
		(\$ in millions)		
Assets:				
Current assets	\$ 497.9	\$ 464.4	\$ 33.5	7.2%
Right-to-use assets, net	70.5	63.0	7.5	11.9%
Capital and intangible assets, net	795.4	791.9	3.5	0.4%
Other noncurrent assets	26.8	69.3	(42.5)	-61.3%
Total assets	\$ 1,390.6	\$ 1,388.6	\$ 2.0	0.1%
Deferred outflows of resources	\$ 738.6	\$ 799.9	\$ (61.3)	-7.7%
Liabilities:				
Current liabilities	\$ 194.8	\$ 194.1	\$ 0.7	0.4%
Noncurrent liabilities	2,628.1	2,388.4	239.7	10.0%
Total liabilities	\$ 2,822.9	\$ 2,582.5	\$ 240.4	9.3%
Deferred inflows of resources	\$ 779.1	\$ 881.6	\$ (102.5)	-11.6%
Net position:				
Net investment in capital assets	\$ 620.1	\$ 620.8	\$ (0.7)	-0.1%
Restricted nonexpendable	0.1	0.1	(0.0)	0.0%
Restricted expendable	16.5	55.0	(38.5)	-70.0%
Unrestricted	(2,110.0)	(1,951.5)	(158.5)	8.1%
Minority interest - Uconn Health Imaging, LLC	0.5	-	0.5	100.0%
Total net position	\$ (1,472.8)	\$ (1,275.6)	\$ (197.2)	15.5%

The following graph shows total assets of \$1.4 billion by major category as of June 30, 2024 (\$ in millions):



The following graph shows total liabilities of \$2.8 billion by major category as of June 30, 2024 (\$ 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. Also included as unrestricted net position is the minority interest represents the twenty-five percent stake in UHI belonging to Finance Corporation's partner. 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 became 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>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Net Position				
Net investment in capital assets	\$ 620.1	\$ 620.8	\$ (0.7)	-0.1%
Restricted nonexpendable	0.1	0.1	(0.0)	0.0%
Restricted expendable	16.5	55.0	(38.5)	-70.0%
Unrestricted	(2,110.0)	(1,951.5)	(158.5)	8.1%
Minority interest - UConn Health Imaging, LLC	0.5	-	0.5	100.0%
Total net position	(1,472.8)	(1,275.6)	(197.2)	15.5%
Pension (GASB 68) impact	845.4	756.0	89.4	11.8%
OPEB (GASB 75) impact	1,561.8	1,420.4	141.4	10.0%
Net position, excluding pension and OPEB	<u>\$ 934.4</u>	<u>\$ 900.8</u>	<u>\$ 33.6</u>	<u>3.7%</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 contributions from minority interest in UHI.

The statements of revenues, expenses, and changes in net position present UConn Health's results of operating and non-operating activities. A summary of UConn Health's revenues, expenses, and changes in net assets for the years ended June 30, 2024 and 2023 is presented below:

Operating revenues:	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
		(\$ in millions)		
Student tuition and fees (net of scholarship allowances)	\$ 24.8	\$ 24.9	\$ (0.1)	-0.4%
Patient services and pharmaceutical revenues (net of charity care)	965.3	841.9	123.4	14.7%
Federal grants and contracts	90.1	88.6	1.5	1.7%
Nonfederal grants and contracts	28.6	26.5	2.1	7.9%
Contract and other operating revenues	150.7	173.4	(22.7)	-13.1%
Total operating revenues	<u>1,259.5</u>	<u>1,155.3</u>	<u>104.2</u>	<u>9.0%</u>
Operating expenses:				
Instruction	205.3	143.0	62.3	43.6%
Research	72.7	50.7	22.0	43.4%
Patient services	1,077.1	907.7	169.4	18.7%
Academic support	22.8	14.2	8.6	60.6%
Institutional support	195.2	145.4	49.8	34.3%
Operations and maintenance of plant	30.6	17.8	12.8	71.9%
Depreciation and amortization	89.4	86.4	3.0	3.5%
Student aid	0.0	0.4	(0.4)	-100.0%
Total operating expenses	<u>1,693.1</u>	<u>1,365.6</u>	<u>327.5</u>	<u>24.0%</u>
Operating Loss	<u>(433.6)</u>	<u>(210.3)</u>	<u>(223.3)</u>	<u>106.2%</u>
Nonoperating revenues (expenses):				
State appropriations	151.8	340.3	(188.5)	-55.4%
Gifts	6.4	5.4	1.0	18.5%
COVID-19 relief revenue	51.5	73.0	(21.5)	-29.5%
Loss on disposal	(0.2)	(0.1)	(0.1)	100.0%
Interest income	0.1	0.3	(0.2)	-66.7%
Lease revenue	2.4	2.6	(0.2)	-7.7%
Investment income (net of investment expense)	14.0	10.1	3.9	38.6%
Interest on capital asset - related debt	(11.3)	(10.6)	(0.7)	6.6%
Net nonoperating revenues	<u>214.7</u>	<u>421.0</u>	<u>(206.3)</u>	<u>-49.0%</u>
(Loss)/Income before other changes in net position	<u>(218.9)</u>	<u>210.7</u>	<u>(429.6)</u>	<u>-203.9%</u>
Other changes in net position:				
Capital appropriations	21.0	40.0	(19.0)	-47.5%
Contributions - minority interest UConn Health Imaging, LLC	0.7	-	0.7	100.0%
Net other changes in net position	<u>21.7</u>	<u>40.0</u>	<u>(18.3)</u>	<u>-45.8%</u>
(Decrease)/Increase in net position	<u>(197.2)</u>	<u>250.7</u>	<u>(447.9)</u>	<u>-178.7%</u>
Net position-beginning of year (as previously stated)	(1,275.6)	(1,525.9)	250.3	-16.4%
Cumulative effect of implementing GASB 87	-	(0.4)	0.4	-100.0%
Net position-beginning of year (restated)	<u>(1,275.6)</u>	<u>(1,526.3)</u>	<u>250.7</u>	<u>-16.4%</u>
Net position-end of year	<u>\$ (1,472.8)</u>	<u>\$ (1,275.6)</u>	<u>\$ (197.2)</u>	<u>15.5%</u>

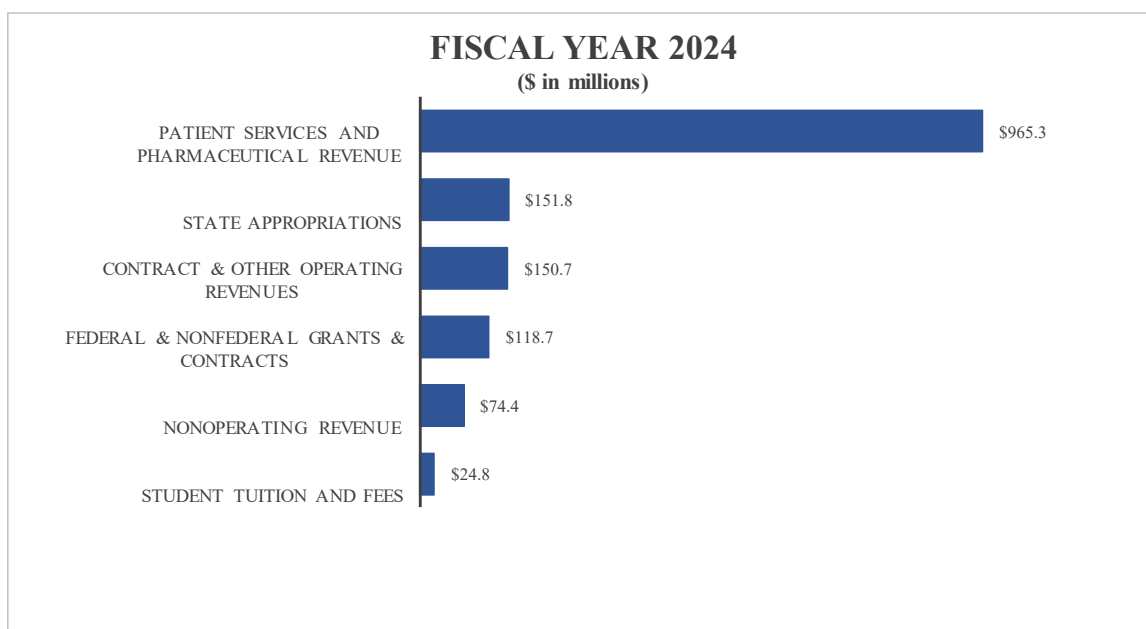
Revenue

Highlights for the year ending June 30, 2024, including operating and non-operating revenues, presented on the statements of revenues, expenses, and changes in net position are as follows:

The largest source of revenue was patient service and pharmaceutical revenue. UConn Health's overall net patient service and pharmaceutical revenue increased \$123.4 million or 14.7% from the prior fiscal year. Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. In fiscal year 2024, UHPSI provided pharmaceuticals to patients primarily from various clinics related to UConn Health. That service accounted for approximately \$38.5 million of increased net patient service and pharmaceutical revenue.

The State appropriation, which is included in non-operating revenues, totaled \$151.8 million.

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

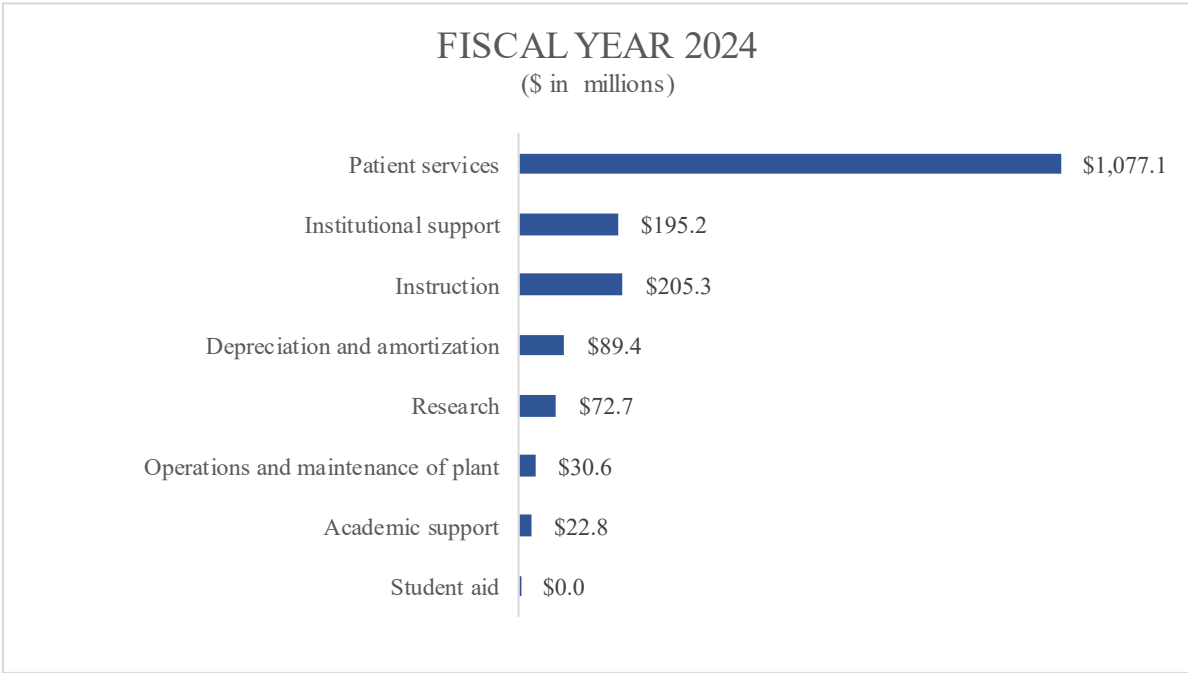


Expenses

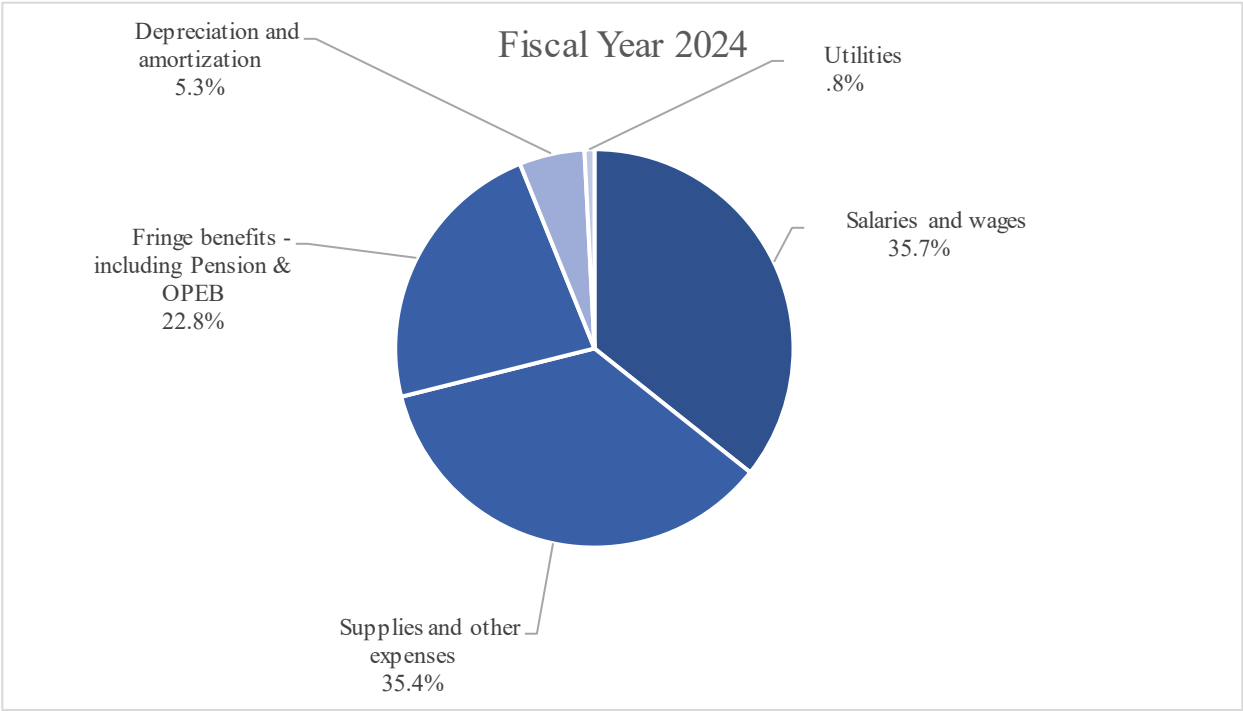
Highlights of expenses including operating and non-operating expenses presented on the statements of revenues, expenses and changes in net position are as follows:

Patient service expense is the largest expense category for UConn Health; accounting for 63.6% of total operating expenses. It increased by \$169.4 million or 18.7% from the prior fiscal year. The increase is attributed to the contractually bargained wage increases as well as increases in pharmaceutical/medical supplies needed to support higher clinical volumes.

The following graph shows the functional expenses of UConn Health:



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



STATEMENTS OF CASH FLOWS

The statements of cash flows present detailed information about the cash activity of UConn Health during the fiscal year. The first section of this statement, cash flows from operating activities, will always be different from the operating loss amount on the statement of revenues, expenses, and changes in net position. The difference results from non-cash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the statement of revenues, expenses, and changes in net position. The statements of cash flows, on the other hand, shows cash inflows and outflows without regard to accruals.

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

The statements of cash flows provides additional information about UConn Health's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the fiscal years ended June 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
		(\$ in millions)		
Cash received from operations	\$ 1,250.9	\$ 1,124.9	\$ 126.0	11.2%
Cash expended for operations	<u>(1,405.2)</u>	<u>(1,304.5)</u>	<u>(100.7)</u>	<u>7.7%</u>
Net cash used in operating activities	(154.3)	(179.6)	25.3	-14.1%
Net cash provided by investing activities	14.0	10.1	3.9	38.6%
Net cash provided by noncapital financing activities	209.7	227.8	(18.1)	-7.9%
Net cash used in capital and related financing activities	<u>(39.8)</u>	<u>(60.7)</u>	<u>20.9</u>	<u>-34.4%</u>
Net increase/(decrease) increase in cash and cash equivalents	29.6	(2.4)	32.0	-1333.3%
Cash and cash equivalents, beginning of the year	<u>305.1</u>	<u>307.5</u>	<u>(2.4)</u>	<u>-0.8%</u>
Cash and cash equivalents, end of the year	<u>\$ 334.7</u>	<u>\$ 305.1</u>	<u>\$ 29.6</u>	<u>9.7%</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 as of June 30, 2024 and 2023:

	2024	2023	\$ Change	% Change
		(\$ in millions)		
Land	\$ 13.5	\$ 13.5	\$ -	0.0%
Construction in progress	38.8	16.4	22.4	136.6%
Fine art	1.3	1.3	-	0.0%
Buildings and building improvements	1,278.3	1,266.7	11.6	0.9%
Equipment	290.8	268.9	21.9	8.1%
Computer software	78.2	76.7	1.5	2.0%
Equipment - financed	0.1	0.1	-	0.0%
Less accumulated depreciation	(905.7)	(851.7)	(54.0)	6.3%
Capital assets, net	\$ 795.3	\$ 791.9	\$ 3.3	0.4%

	2024	2023	\$ Change	% Change
		(\$ in millions)		
Right-to-use assets building	\$ 58.3	\$ 35.5	\$ 22.8	64.2%
Right-to-use assets equipment	33.9	38.7	(4.8)	-12.4%
Right-to-use assets subscriptions	35.4	35.0	0.4	1.1%
Less accumulated amortization	(57.2)	(46.2)	(11.0)	23.8%
Right-to-use assets, net	\$ 70.4	\$ 63.0	\$ 7.4	11.7%

Construction in progress increased approximately \$22.3 million driven by continued progress on UCONN 2000 construction initiatives and the network upgrade project discussed in further detail in Notes 10 and 11 of the financial statements.

As mentioned above, the UCONN 2000 program has had a dramatic impact on our campus. This is the third phase of the program also known as 21st Century UCONN, which provides for improvements to facilities at the University and UConn Health. UConn Health has been allotted \$850.9 million over the life of this program. UConn Health received \$8.0 million in capital appropriations during fiscal year 2024 from UConn 2000 program.

UConn Health received \$13.0 million in capital appropriations during fiscal year 2024 from the General Obligation Bonds. The funds are to be used for equipment, library collections and telecommunications UConn Health's campus.

UConn Health's fiscal year 2025 capital funding requests will be presented to the Capital Prioritization Committee for consideration and 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 2024. More detailed information about UConn Health's capital assets and debt activities are presented in Notes 10 and 11 of the financial statements.

FISCAL YEAR 2025 OUTLOOK

As we look forward to fiscal year 2025, UConn Health faces unique challenges as the world continues to move beyond the COVID pandemic. UConn Health continues to see increasing clinical volumes while dealing with staffing scarcity and inflationary pressures. Supply chains though stronger have not yet achieved pre-pandemic reliability. In addition, COVID continues to undulate while other emerging public health threats such as bird flu and monkeypox bear watching. Public sentiment continues to trend towards decreasing healthcare spending at a time when providers remain vulnerable. At the same time, an increasing focus on health equity and minimizing the impacts of health disparities in the general population puts additional focus on our ability to fulfill community need. UConn Health remains diligent in monitoring changing clinical and business models as it navigates changing operational, social, and regulatory landscapes.

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

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

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2024 spending plan. The new year brings its own challenges. As State and Federal governments reduce spending, funding is at the forefront of concerns. Public sentiment towards healthcare and education spending by the State has eroded and the focus has shifted to affordability, tax relief, and government sustainability. UConn Health begins fiscal 2025 with a projected deficit and has developed financial improvement programs to bring the budget into balance.

Clinical volumes have rebounded and greatly exceed pre-pandemic volumes straining delivery mechanisms and demanding increased focus on space, staff, and resource utilization. Volume trends at UConn Health, in almost every aspect, exceed the experience of other region and statewide hospital averages now for three straight periods. The Hospital is working maximize all its operating rooms including opening its second hybrid operating room expanding the total number of OR in the hospital to thirteen. JDH has expanded into the CT Tower to open all of its currently licensed beds, reopening the 7th floor for patient care in early 2024. UMG continues to add and expand existing satellite locations both around the main UConn Health campus and throughout the State. A new home infusion program will open in 2025, while new programs in imaging and wound care, opened at the end of the past year. Adding and replacing skilled labor has become increasingly difficult. Growing the skills of newer workers takes longer in hybrid environments. Competition for doctors, nurses, and other clinical specialties is intense. Wage and general inflation remains an issue as it continues to outpace payment increases. The global supply chain continues to work towards stabilization. Ports, rail transit, and trucking have stabilized during 2024 but are vulnerable to additional disruptions.

A recent study commissioned by the Governor of the State of Connecticut found that UConn Health will need to expand its overall scale to compete in a consolidating healthcare landscape. UConn Health remains committed to strategic growth both organically and through partnerships. We will continue to explore all options over the upcoming year as we seek to bring the best in research, education, and clinical care to the residents of the State of Connecticut.

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, 2024

	2024
	(\$ in thousands)
ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	\$ 333,708
Patient receivables, net	78,064
Contract and other receivables	35,649
Funds held in escrow	272
Lease receivable - current portion (Note 5)	2,211
Due from Affiliates (Note 13)	13,692
Due from Department of Correction	906
Inventories	23,775
Prepaid expenses	9,617
Total current assets	<u>497,894</u>
Noncurrent Assets	
Restricted cash and cash equivalents (Note 2)	1,013
Deposits with vendors	24,907
Other assets	463
Due from State of Connecticut	62
Lease receivable - net of current portion (Note 5)	399
Right-to-use assets, net (Note 10)	70,450
Capital and intangible assets, net (Note 10)	795,361
Total noncurrent assets	<u>892,655</u>
Total assets	<u>\$ 1,390,549</u>
 Deferred outflows of resources pension (Note 12)	 \$ <u>236,125</u>
Deferred outflows of resources OPEB (Note 12)	\$ <u>502,480</u>

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

UCONN HEALTH
STATEMENT OF NET POSITION (Continued)
As of June 30, 2024

	2024
	(\$ in thousands)
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 70,778
Due to State of Connecticut	8,546
Accrued salaries	30,178
Compensated absences - current portion (Note 11)	25,352
Due to third party payors	21,259
Due to Affiliates (Note 15)	8,917
Unearned revenue	2,281
Malpractice reserve (Note 11)	2,917
Right-to-use liabilities - current portion (Note 11)	14,463
Long-term debt - current portion (Note 11)	10,111
Total current liabilities	<u>194,802</u>
Noncurrent Liabilities	
Malpractice reserve (Note 11)	7,281
Compensated absences - net of current portion (Note 11)	30,539
Pension liability (Note 12)	871,619
OPEB liability (Note 12)	1,497,569
Right-to-use liabilities - net of current portion (Note 11)	62,292
Long-term debt - net of current portion (Note 11)	158,847
Total noncurrent liabilities	<u>2,628,147</u>
Total liabilities	<u>\$ 2,822,949</u>
 Deferred inflows of resources right-to-use assets	 \$ 2,423
Deferred inflows of resources pension (Note 12)	\$ 209,894
Deferred inflows of resources OPEB (Note 12)	<u>\$ 566,743</u>
NET POSITION	
Net investment in capital assets	\$ 620,098
Restricted for	
Nonexpendable	
Scholarships	61
Expendable	
Research	2,090
Loans	391
Capital projects	14,026
Unrestricted	(2,110,033)
Minority interest - Uconn Health Imaging, LLC	512
Total net position	<u>\$ (1,472,855)</u>

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, 2024

	2024
	(\$ in thousands)
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$8,819)	\$ 24,843
Patient services and pharmaceutical revenues (net of charity care of \$10,086) (Notes 4 & 6)	965,244
Federal grants and contracts	90,068
Nonfederal grants and contracts	28,616
Contract and other operating revenues	150,719
Total operating revenues	<u>1,259,490</u>
OPERATING EXPENSES	
Educational and General	
Instruction	205,287
Research	72,677
Patient services	1,077,149
Academic support	22,765
Institutional support	195,205
Operations and maintenance of plant	30,596
Depreciation and amortization (Note 10)	89,388
Student aid	25
Total operating expenses	<u>1,693,092</u>
Operating loss	<u>(433,602)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations (Note 15)	151,802
Gifts	6,365
Federal and State aid	51,500
Loss on disposal	(225)
Interest income	145
Lease revenue	2,409
Investment income	14,010
Interest on capital asset - related debt	(11,285)
Net nonoperating revenues	<u>214,721</u>
Income before other changes in net position	<u>(218,881)</u>
OTHER CHANGES IN NET POSITION	
Capital appropriations (Note 13)	21,000
Contributions - minority interest -UConn Health Imaging, LLC	667
Net other changes in net position	<u>21,667</u>
Decrease in net position	<u>(197,214)</u>
NET POSITION	
Net position-beginning of year	<u>(1,275,641)</u>
Net position-end of year	<u>\$ (1,472,855)</u>

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

	2024
	(\$ in thousands)
Cash flows from operating activities:	
Cash received from patients and third-party payors	\$ 955,969
Cash received from tuition and fees	24,843
Cash received from grants, contracts and other revenue	270,073
Cash paid to employees for personnel services and fringe benefits	(344,066)
Cash paid for other than personal services	<u>(1,061,139)</u>
Net cash used in operating activities	<u>(154,320)</u>
Cash flows from investing activities:	
Interest received	<u>14,010</u>
Net cash provided by investing activities	<u>14,010</u>
Cash flows from noncapital financing activities:	
State appropriations	151,802
Federal and State aid	51,500
Gifts	<u>6,365</u>
Net cash provided by noncapital financing activities	<u>209,667</u>
Cash flows from capital and related financing activities:	
Additions to property and equipment	(69,296)
Capital appropriations	61,001
Interest paid	(11,957)
Investment in Subsidiary	625
Interest Income	145
Lease revenue	3,595
Payments on right-to-use liabilities, net	(14,784)
Net borrowing from long-term debt	<u>(9,017)</u>
Net cash used in capital and related financing activities	<u>(39,688)</u>
Net increase in cash and cash equivalents	29,669
Cash and cash equivalents at beginning of year	<u>305,052</u>
Cash and cash equivalents at end of year	<u><u>\$ 334,721</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, 2024

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

	2024
	(\$ in thousands)
Operating loss	\$ (433,602)
Adjustments to reconcile operating loss to net cash	
Used in operating activities:	
Depreciation and amortization	89,388
Personnel services and fringe benefits in kind from State	5,482
 Changes in assets and liabilities:	
Patients receivables, net	(9,480)
Contract and other receivables	366
Due from DOC	(907)
Inventories	(3,127)
Third party payors	1,112
Prepaid expenses	7,450
Due from State of Connecticut	709
Deposits with vendors	(1,774)
Deferred outflows - pension	81,098
Deferred outflows - OPEB	155,249
Accounts payable and accrued liabilities	(6,246)
Due to State of Connecticut	1,119
Due to Affiliates	(7,006)
Accrued salaries	6,769
Compensated absences	3,810
Unearned revenue	305
Deferred inflows - pension	(79,855)
Deferred inflows - OPEB	(179,064)
Pension liability	88,111
OPEB liability	165,282
Malpractice reserve	(39,509)
 Net cash used in operating activities	 \$ (154,320)

Schedule of Non-Cash Financing Transactions

Acquisition of right-to-use lease assets	\$ 25,319
Acquisition of right-to-use subscription assets	\$ 5,887
Loss on disposal of capital and intangible assets	\$ (225)

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, 2024

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, 2024, which includes the School of Medicine, School of Dental Medicine, a Research Enterprise, UConn Medical Group (UMG), Finance Corporation and its subsidiaries (including UConn Health Pharmacy Services, Inc. (UHPSI) and UConn Health Imaging (UHI), and Educational Clinics (the “Primary Institution”) and John Dempsey Hospital (the “Hospital”). UConn Health offers medical and dentistry degrees as well as Ph.D.’s in the biomedical sciences and operates physician/dentist practices in a teaching and research hospital. There is also an affiliated entity that supports the mission of UConn Health: The University of Connecticut Foundation Inc. (the “Foundation”). The Foundation raises funds to promote, encourage, and assist education, research, and clinical care at the University, including UConn Health.

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

Basis of Presentation

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

Proprietary Fund Accounting

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

Use of Estimates

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

Recently Adopted Accounting Pronouncements

The following GASB accounting pronouncements were adopted during fiscal year 2024: Paragraphs 4 through 10 of GASB Statement No. 99, Omnibus 2022, and GASB Statement No. 100, Accounting Changes and Error Corrections. The adoption of other pronouncements did not have a material impact on the financial statements.

Upcoming Accounting Pronouncement

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

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model by amending certain previously required disclosures. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after December 15, 2023.

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement is effective for fiscal years beginning after June 15, 2024.

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after June 15, 2025.

Cash and Cash Equivalent:

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

Investments and Investment Income

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

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

The STIF, which was established and is operated under Sections 3-27a through 3-27i of the General Statutes, provides State agencies, funds, political subdivisions, and others with a mechanism for investing at a daily-earned

rate with interest from day of deposit to the day of the withdrawal. STIF participants have daily access to their account balances. Underlying investments of the STIF are mainly in money market instruments.

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

Investment income also includes amounts received from endowments.

Accounts Receivable and Net Patient Services and Pharmaceutical Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

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

A uniform pricing structure is used for billing to Pharmacy Benefit Managers (PBMs) subject to contractual allowances as negotiated by the Pharmacy Services Administrative Organization (PSAO). Contractual allowances will reduce the amount received and will vary based on rates, such as Medicare, Medicaid, and commercial contracts. Pharmaceutical revenues, net of contractual allowances and direct and indirect remuneration (DIR) fees, are recognized on the accrual basis of accounting when prescriptions are filled. Accounts receivable from patients, third-party payers, and others for pharmaceutical purchases represent the net amounts owed to UHPSI for which payment had not been received as of June 30, 2024.

Contract and Other Receivables

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

Due from/to Affiliate

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

Due from/to State

The amount due from the State primarily consists of unspent State bond funds allocated by the State Bond Commission but not yet received for specific capital projects. Additionally, the State administers employee

benefits and retirement plans for University employees. Fringe benefits accrued at the end of the year related to State employees are reported as a liability due to the State.

Leases and SBITA

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

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

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

In addition, UConn Health has entered various subscription-based information technology arrangements (SBITA) to support its services. Information on the types of arrangements entered into and their financial impact on UConn Health can be found in Notes 10 and 11.

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

Inventories

Consumable supplies are expensed when received with the exception of certain central inventories. Cost of the inventory is determined on a moving average basis for the Central Warehouse, and on a first-in, first-out basis for the others. Pharmacy inventory is valued at market which approximates cost due to high turnover rates for institutional pharmaceuticals. Short-term or minor supplies are expensed as incurred.

Funds held in escrow

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

Prepaid Expense

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

Deposits with Vendors

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

Capital and Intangible Assets

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

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

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

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

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

Impairment of Long-Lived Assets

UConn Health records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During 2024, UConn Health disposed of an ultrasound, servers, a surgical video system, and freezers. The combined value of these assets was \$652,500 and the combined loss on disposal was approximately \$206,300. UConn Health disposed of smaller items leading to a loss of disposal of \$18,800. The total loss was \$225,200, none of these items were individually significant.

Medical Malpractice

Healthcare providers and support staff of UConn Health are fully protected by State statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment ("statutory immunity"). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity have been charged against UConn Health's malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital, UMG, and Dental practices. For the fiscal year ended June 30, 2024, 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. The liability is reported as compensated absences in the accompanying statement of net position and is classified as current and noncurrent based on the amount estimated to be paid to eligible employees based on historical experience. The related expense is included as an operating expense in the accompanying statement of revenues, expenses and changes in net position.

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.

Third-Party Payors

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

Pension Liabilities

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

OPEB Liabilities

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

UConn Health reports its proportionate share of collective deferred outflows of resources or collective deferred inflows of resources related to its defined-benefit pension and OPEB plans. Differences between expected and

actual experience in the measurement of the total pension liability and OPEB liability, changes of assumptions or other inputs, and differences between actual contributions and proportionate share of contributions are classified as either deferred outflows or deferred inflows and are recognized over the average of the expected remaining service lives of employees eligible for pension benefits and OPEB benefits. The net differences between projected and actual earnings on pension and OPEB plan investments are reported as deferred outflows or deferred inflows and are recognized over the average remaining service lives of the plan participants. Historically, 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. However, due to legislative changes, UConn Health did not make contributions to these plans after June 30, 2023. See Note 12 for details on these changes and how retirement costs are being managed by the State.

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

State Funding for Employee Retirement and OPEB Plans

Effective July 1, 2023, the State covers all retirement costs for UConn Health employees enrolled in the State's retirement systems and the Alternate Retirement Plan. Therefore, these costs are no longer charged to UConn Health through a fringe benefit rate assessment. As such, the State did not charge the UConn Health for the contributions it made to the pension and OPEB plans in fiscal year 2024.

Since UConn Health is an enterprise fund of the State and is not a legally separate entity, the retirement costs funded by the State are not reflected as on-behalf revenues or expenses in the accompanying financial statements. UConn Health's proportions of the collective net pension and net OPEB liabilities are based on its share of contributions, relative to total contributions made to the respective defined benefit plans. In accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These liabilities are reported as of the measurement date of June 30, 2023, which is one year before the reported fiscal year-end of June 30, 2024. Because the State allocated pension and OPEB costs to UConn Health during the measurement period, UConn Health is required to report its proportionate share of the collective net pension and net OPEB liabilities, related deferred outflows and deferred inflows of resources, and related expenses in the accompanying financial statements for fiscal year 2024. Furthermore, the amounts reported do not reflect legislative changes effective after the measurement date of June 30, 2023. See Notes 12, and 15 for additional details.

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. Included in the unrestricted section is the twenty-five percent controlling interest in UHI, a subsidiary of the Finance Corporation.

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

Home Office Allocation

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

2. CASH DEPOSITS AND INVESTMENTS

GASB Statement No. 40 requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks, especially as it relates to uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in UConn Health's name.

UConn Health's cash and cash equivalents, current and noncurrent, balance was \$334,721,560 as of June 30, 2024 and included the following:

	2024
Cash maintained by State of Treasurer	\$ 283,859,000
Invested in State of Connecticut Short-Term Investment Fund	49,898,536
Deposits with Financial Institutions and Other	960,774
Currency (Change Funds)	3,250
Total cash and cash equivalents	334,721,560
Less: current balance	333,708,175
Total noncurrent balance	\$ 1,013,385

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 \$49,898,536 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 2024.

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 \$2,626,738 as of June 30, 2024. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income earned from those sources was \$173,765 for the year ended June 30, 2024.

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 \$272,032 as of June 30, 2024. Interest income earned was \$409 for the year ended June 30, 2024. 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, 2024, the Hospital and UMG had the following draws and availability under the State statute:

	2024	
	<u>John Dempsey Hospital</u>	<u>UConn Medical Group</u>
Amount drawn under hypothecation	\$ -	\$ -
Remaining amounts available under hypothecation	\$ 56,395,029	\$ 13,759,115

4. NET PATIENT SERVICE AND PHARMACEUTICAL REVENUE

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

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

	<u>2024</u>	
John Dempsey Hospital		
Gross patient services revenue	\$ 1,983,403,654	
Less contractual allowances and provision for bad debt	<u>1,323,002,217</u>	
		\$ 660,401,437
UConn Medical Group		
Gross patient services revenue	323,539,590	
Less contractual allowances and provision for bad debt	<u>179,463,023</u>	
		144,076,567
UHPSI		
Gross pharmaceutical revenue	219,479,860	
Less contractual allowances, Direct and Indirect Remuneration (DIR) fees and provision for bad debt	<u>69,658,263</u>	
		149,821,597
All other		<u>10,944,704</u>
Total net patient services and pharmaceutical revenue		\$ <u>965,244,305</u>

Significant Concentrations

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of total net patient revenues and associated year-end receivables for these programs are shown in the table below as of June 30, 2024.

	<u>Medicare</u>	<u>Medicaid</u>
John Dempsey Hospital		
Net revenue	38%	16%
Accounts receivable	29%	6%
UConn Medical Group		
Net revenue	33%	14%
Accounts receivable	23%	6%
UHPSI		
Net revenue	25%	49%
Accounts receivable	22%	49%

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 2024, JDH and UMG recorded \$10.5 million and \$22.3 million, respectively in supplemental revenue from the Department of Social Services (DSS), which is included in net patient service revenues in the statement of revenues, expenses, and changes in net position.

5. LEASE RECEIVABLE

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

	June 30, 2023			June 30, 2024		Amounts due
	Balance	Additions	Reductions	Balance		within 1 year
Lease receivable	\$ 6,205,179	\$ 187,472	\$ (3,782,798)	\$ 2,609,853	\$	2,210,779
Total	\$ 6,205,179	\$ 187,472	\$ (3,782,798)	\$ 2,609,853	\$	2,210,779

For the fiscal year ended June 30, 2024, the statement of revenues, expenses, and changes in net position includes lease revenue and interest income of \$2,409,102 and \$144,727, respectively. In fiscal year 2024, the Jackson Laboratory lease was terminated with 2 years left on the contract. The outstanding receivable balance of \$1,244,307 is included in the reductions above.

Future lease payments are summarized in the table below:

Fiscal Year Ending June 30	Lease Receivable	
	Principal	Interest
2025	\$ 2,210,779	\$ 57,735
2026	9,600	18,982
2027	10,072	18,510
2028	10,568	18,015
2029	11,087	17,495
2030-2034	74,249	77,768
2035-2039	107,243	56,185
2040-2044	150,148	25,546
2045-2049	26,107	526
Total lease receivable	\$ 2,609,853	\$ 290,762

6. CHARITY CARE

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

Listed below, by entity, are the significant charity care services provided along with the associated cost for the fiscal year ended June 30, 2024. UHPSI by nature of its business does not engage in significant charity care activity.

	2024	
	<u>Charity Care Services</u>	<u>Cost of Services</u>
John Dempsey Hospital	\$ 8,395,629	\$ 2,323,071
UConn Medical Group	1,449,507	460,653
Educational Clinics	241,161	224,280
Total	<u>\$10,086,297</u>	<u>\$ 3,008,004</u>

7. ENDOWMENTS

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

8. RESIDENCY TRAINING PROGRAMS

UConn Health's School of Medicine Residency Training Program provides area hospitals with the services of interns and residents. Participating hospitals remit payments to UConn Health, in accordance with an established rate schedule, for services provided. UConn Health, in turn, funds the Capital Area Health Consortium, Inc., which coordinates the payment of payroll, related fringe benefits and certain program expenses for the interns and residents, under a contractual arrangement. Amounts remitted or owed by participating hospitals for payments made to interns and residents, and amounts paid or due under contract to the Capital Area Health Consortium, Inc., are reflected in the accompanying financial statements.

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

9. CONTINGENCIES

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

10. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2024, consisted of the following:

	2024
Land	\$ 13,537,051
Construction in progress	38,816,708
Fine art	1,348,912
Buildings	1,278,283,815
Equipment	290,799,943
Computer software	78,209,223
Equipment- Financed	71,009
	<u>1,701,066,661</u>
Less accumulated depreciation	905,705,518
Capital and intangible assets, net	<u>\$ 795,361,143</u>
Right-to-use assets building	\$ 58,334,464
Right-to-use assets equipment	33,888,580
Right-to-use assets subscriptions	35,410,808
	<u>127,633,852</u>
Less accumulated amortization	57,183,654
Right-to-use assets, net	<u>\$ 70,450,198</u>

Construction in progress at June 30, 2024, 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, 2024 was as follows:

	2023	Additions	Deletions	2024
<u>Capital assets not being depreciated</u>				
Land	\$ 13,537,051	\$ -	\$ -	\$ 13,537,051
Construction in progress	16,522,692	35,704,117	(13,410,101)	38,816,708
Fine art	1,336,762	12,150	-	1,348,912
Total capital assets not being depreciated	31,396,505	35,716,267	(13,410,101)	53,702,671
<u>Depreciable capital assets</u>				
Buildings and building improvements	1,266,663,840	12,617,460	(997,485)	1,278,283,815
Equipment	268,853,514	32,491,636	(10,545,207)	290,799,943
Computer software	76,650,728	1,842,639	(284,144)	78,209,223
Equipment- financed	71,009	-	-	71,009
Total depreciable capital assets	1,612,239,091	46,951,735	(11,826,836)	1,647,363,990
<u>Less accumulated depreciation:</u>				
Buildings and building improvements	587,722,321	42,202,139	(997,485)	628,926,975
Equipment	219,161,340	16,152,609	(10,320,009)	224,993,940
Computer software	44,762,505	7,235,233	(284,144)	51,713,594
Equipment - financed	53,257	17,752	-	71,009
Total accumulated depreciation	851,699,423	65,607,733	(11,601,638)	905,705,518
<u>Depreciable capital assets, net</u>				
Buildings and building improvements	678,941,519	(29,584,679)	-	649,356,840
Equipment	49,692,174	16,339,027	(225,198)	65,806,003
Computer software	31,888,223	(5,392,594)	-	26,495,629
Equipment- financed	17,752	(17,752)	-	-
Total depreciable capital assets, net	760,539,668	(18,655,998)	(225,198)	741,658,472
Capital and intangible assets, net	\$ 791,936,173	\$ 17,060,269	\$ (13,635,299)	\$ 795,361,143
	2023	Additions	Deletions	2024
<u>Right-to-use assets</u>				
Right-to-use assets building	\$ 35,495,930	\$ 24,995,984	\$ (2,157,450)	\$ 58,334,464
Right-to-use assets equipment	38,680,024	322,903	(5,114,347)	33,888,580
Right-to-use assets subscriptions	35,036,840	5,886,975	(5,513,007)	35,410,808
Total right-to-use assets	109,212,794	31,205,862	(12,784,804)	127,633,852
<u>Right-to-use assets amortization</u>				
Right-to-use assets building	10,170,702	4,724,190	(2,157,450)	12,737,442
Right-to-use assets equipment	13,879,410	5,642,428	(5,114,347)	14,407,491
Right-to-use assets subscriptions	22,193,864	13,414,041	(5,569,184)	30,038,721
Total accumulated amortization	46,243,976	23,780,659	(12,840,981)	57,183,654
<u>Right-to-use assets, net</u>				
Right-to-use building	25,325,228	20,271,794	-	45,597,022
Right-to-use equipment	24,800,614	(5,319,525)	-	19,481,089
Right-to-use SBITA	12,842,976	(7,527,066)	56,177	5,372,087
Right-to-use assets, net	\$ 62,968,818	\$ 7,425,203	\$ 56,177	\$ 70,450,198

11. LONG-TERM LIABILITIES, LEASES AND SUBSCRIPTIONS

Activity related to notes payable, leases, subscriptions and other long-term liabilities for the fiscal year ended June 30, 2024, was as follows:

	June 30, 2023 Balance	Additions	Reductions	June 30, 2024 Balance	Amounts due within 1 year
Long-Term Liabilities:					
Right-to-use subscription liabilities	\$ 21,670,187	\$ 5,629,093	\$ (8,652,508)	\$ 18,646,772	\$ 7,443,202
Right-to-use lease liabilities	34,463,571	29,776,838	(6,131,809)	58,108,600	7,020,285
Total right-to-use liabilities	56,133,758	35,405,931	(14,784,317)	76,755,372	14,463,487
Business-type activities:					
Notes from Direct Borrowings -					
Secured note - Leasing Associated of Barrington, Inc., principal and interest payments began January 2022 and continue until December 2023, with interest at 11.10%	2,917	-	(2,917)	-	-
Secured note - De Lage Landen Financial Services, Inc, principal and interest payments begin August 2022 and continue until August 2028, with interest at 4.42%	14,764,292	-	(2,202,402)	12,561,890	2,299,790
Secured note - Siemens, principal and interest began February 2024 and continues until January 2029 with interest at 6.91%	-	1,565,383	(88,425)	1,476,958	277,793
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 2004 and continue until November 2024, with interest at 6.34%	2,722,174	-	(1,896,069)	826,105	826,105
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040	160,485,841	-	(6,392,771)	154,093,070	6,707,068
Total notes from direct borrowing	177,975,224	1,565,383	(10,582,584)	168,958,023	10,110,756
Other long-term liabilities:					
Malpractice reserve	49,706,800	10,000,000	(49,508,800)	10,198,000	2,917,000
Compensated absences	52,080,623	39,477,721	(35,667,963)	55,890,381	25,351,877
Pension liability	902,327,281	184,386,532	(215,095,258)	871,618,555	-
OPEB liability	1,198,411,551	506,822,525	(207,665,134)	1,497,568,942	-
Total other long-term liabilities	2,202,526,255	740,686,778	(507,937,155)	2,435,275,878	28,268,877
Total long-term liabilities	\$ 2,436,635,237	\$ 777,658,092	\$ (533,304,056)	\$ 2,680,989,273	\$ 52,843,120

Outstanding notes from direct borrowings related to business-type activities as of June 30, 2024, were \$168,958,023. The mortgages, which account for approximately \$154.9 million of the debt, are secured by the UConn Musculoskeletal Institute building, the Outpatient Pavilion, the Leasehold (as to Land) and Fee (as to improvements) Mortgage, Security Agreement, Assignment of Lease and Rents and Fixture Filing. Outstanding notes from direct borrowings related to business-type activities contain a provision that in an event of default, outstanding amounts become immediately due if payment has not been made when due.

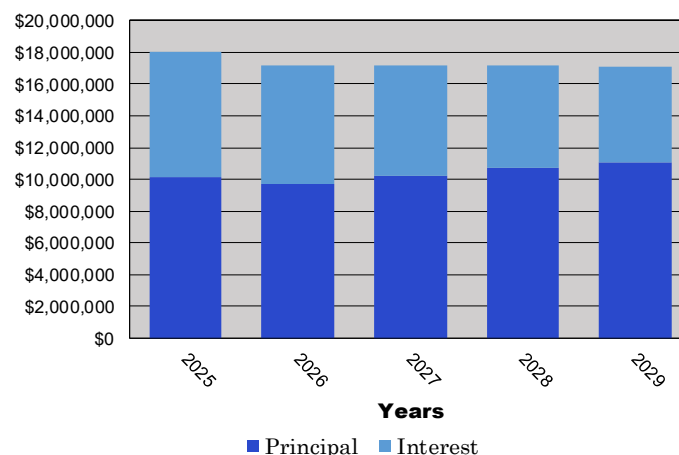
Additionally, UConn Health has approximately \$14.0 million debt secured by equipment. The Finance Corporation entered into a lease agreement with NWN Corporation, De Lage Landen Financial Services Inc., and Western Alliance Bank, on behalf of UConn Health, to develop and implement a new campus network architecture. This project is expected to span over a period of up to 30 months, with software and support services expected to span over seven years. The Finance Corporation through UHI entered into a construction loan with Siemens for installation of equipment located at 5 Munson Road, Farmington, CT. Outstanding notes from direct borrowings related to this business-type activity of \$14,038,848 as of June 30, 2024. UConn Health is treating both agreements as a financed purchase over time. Additionally, that portion of the agreements 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 2024, UConn Health recorded interest expense of \$7,709,625 related to note borrowings.

Estimated cash basis interest and principal requirements for notes from direct borrowings for the remaining years of the notes as of June 30, 2024 are as follows:

<u>Year Ending June 30.</u>	<u>Notes from Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 10,110,756	\$ 7,925,774
2026	9,735,910	7,461,376
2027	10,209,290	6,987,995
2028	10,705,889	6,491,396
2029	11,102,068	5,971,498
2030-2034	47,033,459	22,820,800
2035-2039	59,789,420	10,064,839
2040-2044	10,271,231	206,907
Total notes from direct borrowing	<u>\$ 168,958,023</u>	<u>\$ 67,930,585</u>

**Debt Service - Direct Borrowings
Fiscal 2025 - 2029**



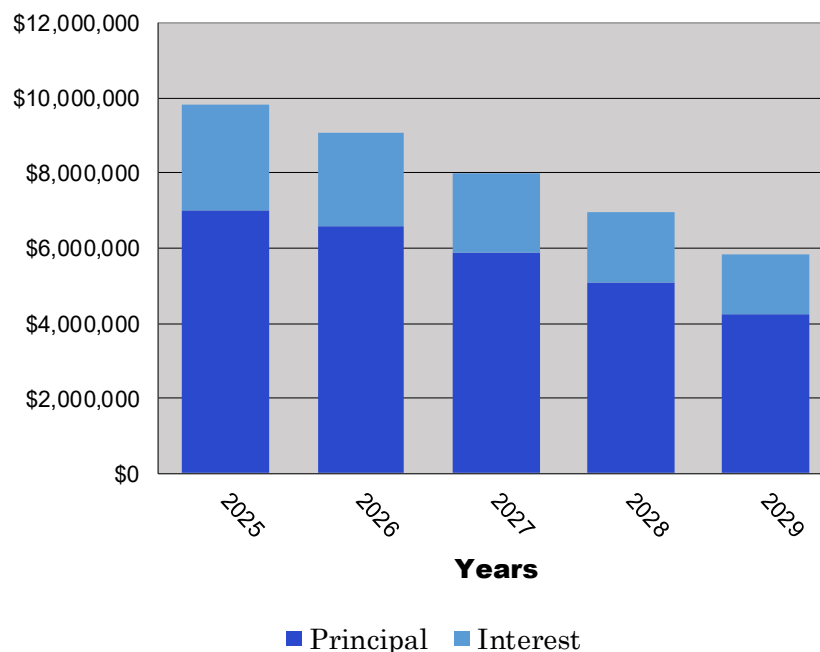
UConn Health routinely leases various facilities and equipment instead of purchasing the assets. The contracts at times, include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2024, UConn Health recognized expense for lease variable payments related to common area maintenance and property taxes of \$496,606 and \$205,665 ,respectively. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2024.

In fiscal year 2024, UConn Health recorded interest expense in the statement of revenues, expenses, and net position of \$2,528,777 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, 2024 are as follows:

<u>Year Ending June 30,</u>	<u>Lease Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 7,020,285	\$ 2,788,632
2026	6,604,666	2,450,196
2027	5,868,058	2,134,279
2028	5,093,390	1,850,015
2029	4,216,452	1,613,811
2030-2034	14,379,246	5,803,590
2035-2039	9,120,323	2,894,230
2040-2044	5,806,180	809,352
Total lease liabilities	<u>\$ 58,108,600</u>	<u>\$ 20,344,105</u>

Debt Service - Lease Liabilities Fiscal 2025 - 2029



UConn Health has various subscription-based information technology arrangements (SBITAs) to support its services. SBITAs entered into, or in place, during the fiscal year ended June 2024 include:

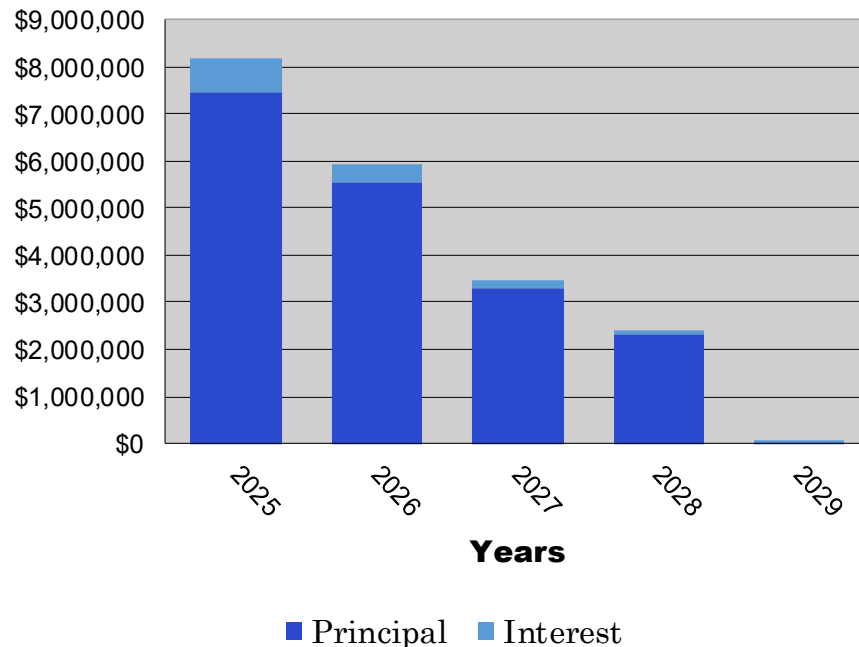
- Various desktop and server software subscriptions
- Electronic workflow software
- Budgeting, accounting, and information system software
- Performance measurements/benchmarking software
- Document management software
- Payroll and human resources services software
- Information technology security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

In fiscal year 2024, UConn Health recorded interest expense of \$1,046,531 related to SBITAs.

The following is a schedule by fiscal year of future minimum SBITA payments due as of June 30, 2024:

<u>Year Ending June 30.</u>	<u>Subscription Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 7,443,202	\$ 722,881
2026	5,530,163	394,779
2027	3,292,640	187,994
2028	2,337,542	47,416
2029	<u>43,225</u>	<u>585</u>
Total subscription liabilities	<u>\$ 18,646,772</u>	<u>\$ 1,353,655</u>

Debt Service - Subscription Liabilities Fiscal 2025-2029



UConn Health had no other outflow of resources in relation to these subscriptions during the fiscal year June 30, 2024 that were not included in the measurement of the subscription liability.

Medical Malpractice Insurance

UConn Health is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under UConn Health's incident reporting system and an estimate of incurred but not reported claims are accrued based on actuarially determined estimates that incorporate UConn Health's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. The scope of UConn Health's assessment for establishing budgets for malpractice costs encompasses physicians, dentists, and all other UConn Health health care providers, and support staff.

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

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, 2024, UConn Health Malpractice Fund had actuarial reserves of approximately \$10.2 million and assets of approximately \$20.2 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.

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

State Employees' Retirement System

Pension plan - SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. SERS is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. As of June 30, 2023, SERS consisted of plans in five tiers: Tier I, Tier II, Tier IIA, Tier III, and Tier IV including the (Hybrid Plan). In accordance with GASB 68, UConn Health must report for its participation in SERS as if it were a cost-sharing employer plan.

The percentage of UConn Health's eligible employees participating in SERS was approximately 69.0% in fiscal year 2024. 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, 2024 were as follows:

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

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

Tier I Plan C – 7.0% of earnings

Tier II Hazardous – 6.0% of earnings

Tier II (all others) – 2.0% of earnings

Tier IIA and III Hazardous – 7.0 % of earnings

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

Tier IV Hazardous – 8% of earnings

Tier IV (all others) – 5% of earnings

In accordance with the SEBAC 2017 agreement, 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.

UConn Health contributions to SERS during the July 1, 2022 – June 30, 2023 measurement period were determined by applying the fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. In fiscal year 2023, legislation was passed changing UConn Health's State funding structure concerning employer contributions. As a result, contributions for SERS and TRS for the fiscal year ended June 30, 2024 were made by the State of Connecticut. As the actuarial valuation was completed based on fiscal 2023 contributions, UConn Health still maintained an allocation of the overall liability under GASB 68. These allocations will change in subsequent years as the State assumes responsibility for contributions. The full impact of this change has yet to be determined.

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, 2023. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of SERS was 4.18% which was an increase of .11% from its proportion measured as of June 30, 2022.

At June 30, 2024, UConn Health reported liabilities of \$866.4 million for its proportionate share of the SERS collective NPL.

SERS Expense - For the year ended June 30, 2024, UConn Health recognized a SERS pension expense of \$88.5 million.

Legislative changes effective after the June 30, 2023 measurement date are anticipated to impact UConn Health's proportionate share of the collective net pension liabilities, deferred inflows and deferred outflows of resources, and related pension expenses in future reporting periods. The implications of these changes are still being evaluated as of the reporting date.

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

Non-Hazardous

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

Hazardous

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

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

Inflation	2.50%
Salary Increases	3.00% - 11.50%, including inflation
Investment rate of return	6.90%, nte 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, 2023 measurement date is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	37.00%	6.8%
Public Credit	2.00%	2.9%
Core Fixed Income	13.00%	0.4%
Liquidity Fund	1.00%	-0.4%
Risk Mitigation	5.00%	0.1%
Private Equity	15.00%	11.2%
Private Credit	10.00%	6.1%
Real Estate	10.00%	6.2%
Infrastructure and Natural Resources	7.00%	7.7%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL at June 30, 2023 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 2126.

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%)
	(\$ in thousands)	
\$ 1,075,313	\$ 866,352	\$ 692,159

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, 2023.

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. In fiscal year 2023, legislation was passed changing UConn Health's funding structure concerning contributions. As a result, the State of Connecticut covered UConn Health's contributions for TRS for the fiscal year ended June 30, 2024.

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, 2023. 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, 2023.

TRS Expense - For the year ended June 30, 2024, UConn Health recognized a TRS pension expense of \$810,962.

Actuarial assumptions - TRS mortality rates were based on the PubT-2010 Healthy Retiree table (adjusted 105% for males and 103% for females ages 82 and above, projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females were used for survivors and beneficiaries. The PubT-2010 Employee Table projected 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	6.90%, nte 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, 2023, measurement date is summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	37.00%	6.8%
Public Credit	2.00%	2.9%
Core Fixed Income	13.00%	0.4%
Liquidity Fund	1.00%	-0.4%
Risk Mitigation	5.00%	0.1%
Private Equity	15.00%	11.2%
Private Credit	10.00%	6.1%
Real Estate	10.00%	6.2%
Infrastructure and Natural Resources	7.00%	7.7%
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%)
	(\$ in thousands)	
\$ 6,881	\$ 5,267	\$ 3,927

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, 2023.

Deferred outflows and deferred inflows of resources related to pensions -At June 30, 2024, 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
	(\$ in thousands)		
<u>Deferred Outflows of Resources</u>			
Changes in assumptions	\$ -	\$ 383	\$ 383
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	126,469	1,738	128,207
Difference between expected and actual experience	90,573	187	90,760
Net differences between projected and actual earnings on pension plan investments	16,477	214	16,691
Difference between expected and actual contributions	-	84	84
Total Deferred Outflows	<u>\$ 233,519</u>	<u>\$ 2,606</u>	<u>\$ 236,125</u>

Deferred Inflows of Resources

Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	\$ 207,755	\$ 1,216	\$ 208,971
Changes in assumptions	881	-	881
Difference between expected and actual experience	-	42	42
Total Deferred Inflows	<u>\$ 208,636</u>	<u>\$ 1,258</u>	<u>\$ 209,894</u>

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
	(\$ in thousands)		
2025	\$ 39,705	\$ 546	\$ 40,251
2026	(3,869)	336	(3,533)
2027	(11,457)	361	(11,096)
2028	(1,783)	56	(1,727)
2029	2,287	41	2,328
Thereafter	-	8	8
Total	<u>\$ 24,883</u>	<u>\$ 1,348</u>	<u>\$ 26,231</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.

Legislation effective July 1, 2023, changed UConn Health's State funding structure concerning employer contributions (see Note 15). As a result, for the fiscal year ended June 30, 2024, UConn Health did not make contributions or report pension expenses for ARP, as these are funded by the State.

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, 2023, SEOPEBP in total covered the following:

Inactive employees or beneficiaries currently receiving benefit payments	85,696
Inactive employees entitled to but not yet receiving benefit payments	470
Active employees	50,078
Total covered employees	<u>136,244</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's contributions to SEOPEBP during the July 1, 2022 – June 30, 2023 measurement period were determined by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. However, legislation effective July 1, 2023, changed UConn Health's State funding structure concerning employer contributions (see Note 15). As a result, UConn Health did not contribute to SEOPEBP in fiscal year 2024, as these were funded by the State. Furthermore, no amounts were reported as deferred outflows of resources as of June 30, 2024, for contributions made subsequent to the measurement date.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2023, 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, 2023, reflects changes in actuarial assumptions, including an increase in the discount rate. The demographic assumptions (mortality, disability, retirement, withdrawal, and salary scale) were updated to be consistent with the corresponding retirement system assumptions. In addition, per capita health costs, administrative costs, and retiree contributions were updated for recent experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

At June 30, 2024, UConn Health reported a liability of \$1,497.6 million for its proportionate share of the collective net OPEB liability. UConn Health's proportion of the collective NOL was based on UConn Health's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, UConn Health's proportion was 9.6%, which was an increase of 1.9% from its proportion measured as of June 30, 2022.

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2023 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 from 3.90% as of June 30, 2022, to 6.90% for contributory members and 3.65% for non-contributory members, as of June 30, 2023. 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. For contributory members, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current contributory plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2023. Since the State funds non-contributory members on a pay-as-you-go basis, the discount rate for non-contributory members is the yield or index rate for 20-year, tax-

exempt general obligation municipal bonds with an average rate of AA/Aa or higher, as shown in the Bond Buyer 20-Bond General Obligation Index.

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, 2023 valuation was based on the results of an actuarial experience study for the period July 1, 2015—June 30, 2020.

Inflation	2.50%
Payroll growth rate	3.00%
Salary increases	3.00% – 11.50%
Discount rate	6.90% for contributory members and 3.65% for non-contributory members as of June 30, 2023
Healthcare cost trend rates Medical (non-Medicare)	-0.35%, then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year
Prescription drug (non-Medicare)	2.35%, then 6.50% decreasing by 0.25% each year to an ultimate level of 4.50% per year
Medical and prescription drug (Medicare)	32.51%, 59.22%, 28.24% then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year
Dental	2.60%, 4.45%, then an ultimate level of 3.00% per year
Part B	4.50% per year
Administrative expense	1.85%, 3.30% then 3.00% per year

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 (5.90%) or 1-percentage-point higher (7.90%) than the current discount rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 5.90%
	(\$ in thousands)		
Net OPEB Liability	\$ 1,741,148	\$ 1,497,569	\$ 1,298,124

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	\$ 1,296,295	\$ 1,497,569	\$ 1,744,605

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, 2023.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2024, UConn Health recognized an OPEB expense of \$141.5 million. At June 30, 2024, 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	\$ 349,397	\$ 3,637
Changes in assumptions or other inputs	128,046	460,758
Net difference between projected and actual earnings	9,392	-
Changes in expected and actual experience on Total OPEB Liability	15,645	102,348
Total	<u>\$ 502,480</u>	<u>\$ 566,743</u>

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)
2025	\$ (19,769)
2026	(70,689)
2027	(22,700)
2028	40,621
2029	8,274
Total	<u>\$ (64,263)</u>

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	37.00%	6.8%
Public Credit	2.00%	2.9%
Core Fixed Income	13.00%	0.4%
Liquidity Fund	1.00%	-0.4%
Risk Mitigation	5.00%	0.1%
Private Equity	15.00%	11.2%
Private Credit	10.00%	6.1%
Real Estate	10.00%	6.2%
Infrastructure and Natural Resources	7.00%	7.7%
Total	<u>100.00%</u>	

13. BOND FINANCED ALLOTMENTS

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

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

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

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

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

As of June 30, 2024, 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 November 2023, the University issued General Obligation bonds at a face value of \$358.0 million. The issuance consisted of \$224.5 million in General Obligation 2023 Series A Bonds and \$133.5 million in General Obligation 2023 Refunding Series A Bonds. The total bonds were issued at a premium of \$26.2 million. The net proceeds realized from the General Obligation 2023 Series A Bonds were \$240.0 million after the payment of issuance costs and underwriter fees. Of this amount, \$8.0 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, \$13.7 million, at June 30, 2024, in the statement of net position.

In January, 2023, the General Assembly approved legislation under Bill No. 6942 authorizing \$43.0 million to UConn Health for fiscal years 2024 and 2025. The Bill outlines how the funds should be spent. The \$30.0 million is to be spent on deferred maintenance, code compliance and infrastructure improvements for both fiscal years. The \$13.0 million is to be spent on equipment, library collections and telecommunications. As of June 30, 2024, UConn Health was allotted and spent the \$13.0 million on equipment, library collections and telecommunications. This amount was recorded as part of the capital appropriation in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Additional information is presented in Note 15.

14. COMMITMENTS

On June 30, 2024, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$14,155,546. Portions of this amount were included in the June 30, 2024, 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 \$78,695,692 during the 2024-2025 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, 2024:

		2024
Amount expensed to University for		
Foundation services	\$	<u>945,000</u>
Amount received from Foundation for		
personnel services and operating expenses	\$	<u>3,403,968</u>
Amount received from Foundation		
from endowments and gifts	\$	<u>1,813,898</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 2024, UConn Health recorded expenses of approximately \$19.6 million to the University related to those MOU's. UConn Health also paid the University for other expenses related to grants and contracts, services of educational departments, auxiliary enterprises and for miscellaneous goods and services.

Listed in the table below are the material transactions with the University excluding payments for Foundation services. Not included in this list are certain cost share arrangements for shared services and transactions related to UCONN 2000 as noted in Note 13.

	<u>2024</u>
<u>Agreements under an MOU</u>	(\$ in thousands)
University safety	\$ 11,900
Audit, compliance and privacy	1,961
Library services	1,016
Technology commercialization services	957
Communications (marketing)	892
Information technology	766
Ombudsman and institutional equity	698
Document production	578
Government relations and other	344
Diversity and inclusion	295
Human resources	232
Total MOUs with University of Connecticut ^	<u>\$ 19,639</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 \$8.9 million related to these agreements.

UConn Health provides pharmaceutical, medical, dental, and psychiatric care to inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Correction (DOC). UConn Health billed and received from DOC \$6.2 million in fiscal year 2024 for services. For fiscal year 2024 UConn Health recorded a receivable from DOC for \$905,582 related to these services.

Through UConn Health, the State seeks to meet certain unmet needs in the community including the training and development of new doctors and dentists. The State supports UConn Health's mission via State Appropriations. 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 reimbursement related to salaries of certain State sponsored research projects.

For the fiscal year ended June 30, 2024, the amounts of the benefits recognized were as follows:

		2024
State of Connecticut appropriations	\$	146,566,977
Fringe benefit differential Public		
Act 2024HB-05523 Section 44		<u>4,500,000</u>
Appropriations from		
State of Connecticut	\$	151,066,977
In-kind fringe benefits		
from State of Connecticut:	\$	<u>734,747</u>
Total appropriations and in-kind fringe		
benefits received from		
State of Connecticut	\$	<u><u>151,801,724</u></u>

In June 2023, the General Assembly enacted and the Governor signed PA 23-204, which includes the State budget for the fiscal years 2024 and 2025 biennium and amendments to the State's funding structure for constituent units of the state system of higher education. Under this legislation, effective July 1, 2023, the State funds all the UConn Health's employee retirement costs related to the State's retirement systems and the Alternate Retirement Plan. UConn Health is responsible for funding all employee non-retirement fringe benefit costs. To achieve a budget-neutral effect, the State has (1) reduced the appropriation to UConn Health, and (2) no longer associates employee salary and fringe benefit expenses with the General Fund appropriation. For the year ended June 30, 2024, the State funded \$219.0 million of retirement and other post-employment benefit costs for UConn Health. This amount is inclusive of allocations for the State's unfunded pension and OPEB liabilities as well as administrative expenses. These amounts are not reported as on-behalf revenues or expenses in the accompanying financial statements.

In fiscal year 2024, the State allotted \$51.5 million to UConn Health for one-time funding under the American Rescue Plan Act (ARPA) allocation, which was designated for temporary operating support. These amounts were recognized as federal and state aid under nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2024, and are excluded from the appropriations detailed above.

Pursuant to various public or special bond acts, the General Assembly empowers the State Bond Commission to allocate and approve the issuance of bonds for a variety of projects or purposes. During fiscal year 2024, the State Bond Commission allocated \$13.0 million for equipment, library collections and telecommunications. Additionally, UConn Health received \$8.0 million to be used for UConn 2000 projects. These amounts were recorded as part of capital appropriations in the accompanying Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2024. Additional information is presented in Note 13.

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, 2024 (amounts in thousands).

<u>Functional Classification</u>	<u>Natural Classification</u>					<u>Total</u>
	<u>Salaries and wages</u>	<u>Fringe benefits</u>	<u>Supplies and other expenses</u>	<u>Utilities</u>	<u>Depreciation and amortization</u>	
Instruction	\$ 99,665	\$ 38,750	\$ 65,545	\$ 1,327	\$ -	\$ 205,287
Research	28,708	12,586	27,716	3,667	-	72,677
Patient services	415,319	292,958	363,676	5,196	-	1,077,149
Academic support	11,662	6,060	5,043	-	-	22,765
Institutional support	36,517	26,020	132,668	-	-	195,205
Operations and maintenance of plant	13,223	8,915	5,445	3,013	-	30,596
Depreciation and amortization	-	-	-	-	89,388	89,388
Student aid	-	-	25	-	-	25
Total	<u>\$ 605,094</u>	<u>\$ 385,289</u>	<u>\$ 600,118</u>	<u>\$ 13,203</u>	<u>\$ 89,388</u>	<u>\$ 1,693,092</u>

17. SUBSEQUENT EVENTS

UConn Health has evaluated subsequent events through December 12, 2024, which represents the date the financial statements were available to be issued.

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

UCONN HEALTH

Required Supplementary Information

State Employees' Retirement System (SERS)

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

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

	SERS (\$ in thousands)									
Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	4.18%	4.07%	5.59%	5.01%	4.45%	3.62% *	5.50%	5.36%	5.29%	4.99%
Proportionate share of the collective NPL	\$ 866,352	\$ 896,735	\$ 1,188,398	\$ 1,188,704	\$ 1,014,303	\$ 784,023	\$ 1,159,362	\$ 1,230,753	\$ 873,351	\$ 799,061
UConn Health's covered payroll	\$ 302,495	\$ 255,874	\$ 237,938	\$ 222,553	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762	\$ 167,523
Proportionate share of the collective NPL as a percentage of covered payroll	286.40%	350.46%	499.46%	534.12%	576.93%	521.17%	565.02%	615.22%	472.69%	476.99%
Plan fiduciary net position as a percentage of the total pension liability	50.59%	45.76%	44.55%	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%

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

Schedule of UConn Health's Pension Contributions

Based on contributions for the Fiscal Year Ended June 30,

	SERS (\$ in thousands)									
For the year ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ -	\$ 136,225	\$ 115,854	\$ 99,867	\$ 80,994	\$ 70,177	\$ 52,170	\$ 84,860	\$ 80,493	\$ 72,496
Actual UConn Health contribution	-	136,225	115,854	99,867	80,994	70,177	52,170	84,860	80,493	72,496
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UConn Health's covered payroll	\$ 323,041	\$ 302,495	\$ 255,874	\$ 237,938	\$ 222,553	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762
Actual UConn Health contributions as a percentage of covered payroll	0.00%	45.03%	45.28%	41.97%	36.39%	39.92%	34.68%	41.36%	40.24%	39.24%

NOTES TO REQUIRED SCHEDULES

Changes in Benefit Terms

2018 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Hybrid Plan.

Changes in Assumptions

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

Changes in Legislation

Public Act 23-204 changed the State's funding structure concerning employer contributions, effective July 1, 2023. Under this legislation, the State covers all retirement-related costs for University employees participating in the State's retirement plans. As a result, the University did not make any contributions or have related covered payroll to report for the fiscal year ended June 30, 2024.

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	TRS (\$ in thousands)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	0.031%	0.031%	0.031%	0.031%	0.026%	0.026%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	\$ 5,267	\$ 5,592	\$ 4,657	\$ 5,877	\$ 4,469	\$ 3,447	\$ 2,508	\$ 2,646	\$ 1,042	\$ 963
UConn Health's covered payroll	\$ 1,439	\$ 1,290	\$ 1,429	\$ 1,138	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573	\$ 384
Proportionate share of the collective NPL as a percentage of covered payroll	366.02%	433.49%	325.89%	516.43%	392.71%	312.51%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.56%

Schedule of UConn Health's Pension Contributions

Based on contributions for the Fiscal Year Ended June 30,

For the year ended June 30	TRS (\$ in thousands)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ -	\$ 572	\$ 574	\$ 491	\$ 397	\$ 448	\$ 280	\$ 239	\$ 181	\$ 93
Actual UConn Health contribution	-	572	574	491	397	448	280	239	237	201
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ (108)
UConn Health's covered payroll	\$ 1,353	\$ 1,439	\$ 1,290	\$ 1,429	\$ 1,263	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573
Actual UConn Health contributions as a percentage of covered payroll	0.00%	39.75%	44.50%	34.36%	31.43%	39.37%	25.39%	28.66%	31.10%	35.08%

NOTES TO REQUIRED SCHEDULES

Changes in Benefit Terms

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

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

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

Changes in Assumptions

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

2021, 2017 - Amounts reported reflect adjustments to rates of withdrawal, disability, retirement, mortality and assumed rates of salary to more closely reflect actual and anticipated experience.

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

Changes in Legislation

Public Act 23-204 changed the State's funding structure concerning employer contributions, effective July 1, 2023. Under this legislation, the State covers all retirement-related costs for University employees participating in the State's retirement plans. As a result, the University did not make any contributions or have related covered payroll to report for the fiscal year ended June 30, 2024.

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

	2024	2023	2022	2021	2020	2019	2018	2017
	(\$ in Thousands)							
UConn Health's proportion of the net OPEB liability	9.60%	7.73%	7.69%	7.59%	7.31%	6.00%	6.96%	6.67%
UConn Health's proportion of the net OPEB liability	\$ 1,497,569	\$ 1,198,412	\$ 1,502,318	\$ 1,786,265	\$ 1,511,626	\$ 1,036,300	\$ 1,208,427	\$ 1,149,638
UConn Health's covered payroll	\$ 526,044	\$ 453,445	\$ 425,047	\$ 405,433	\$ 375,680	\$ 366,593	\$ 424,734	\$ 423,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered payroll	284.69%	264.29%	353.45%	440.58%	402.37%	282.68%	284.51%	271.31%
Plan fiduciary net position as a percentage of the total OPEB liability	14.60%	12.63%	10.12%	6.13%	5.47%	4.69%	3.03%	1.94%

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

	2024	2023	2022	2021	2020	2019	2018	2017
	(\$ in Thousands)							
Contractually required contribution	\$ -	\$ 81,655	\$ 65,567	\$ 66,784	\$ 65,804	\$ 55,031	\$ 48,134	\$ 46,451
Contributions in relation to the contractually required contribution	\$ -	\$ 81,655	\$ 65,567	\$ 66,784	\$ 65,804	\$ 55,031	\$ 48,134	\$ 46,451
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
UConn Health's covered payroll	\$ 552,751	\$ 526,044	\$ 453,445	\$ 425,047	\$ 405,433	\$ 375,680	\$ 366,593	\$ 366,593
Contributions as a percentage of covered payroll	0.00%	15.52%	14.46%	15.71%	16.23%	14.65%	13.13%	12.67%

NOTES TO REQUIRED SCHEDULES

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

2023-2018 – The OPEB contractually required employer contribution and covered payroll did not include CMHC.

Changes of Assumptions

The discount rate was updated in accordance with GASB 75 to 6.90%, 3.90%, 2.31%, 2.38%, 3.58%, 3.95%, and 3.68% for the fiscal reporting years 2024, 2023, 2022, 2021, 2020, 2019, and 2018, respectively.

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

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

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

Changes in Legislation

Public Act 23-204 changed the State's funding structure concerning employer contributions, effective July 1, 2023. Under this legislation, the State covers all retirement-related costs for University employees participating in the State's retirement plans. As a result, the University did not make any contributions or have related covered payroll to report for the fiscal year ended June 30, 2024.

**OTHER
SUPPLEMENTARY
INFORMATION**

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2024

	2024			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 280,696,173	\$ 53,012,002	\$ -	\$ 333,708,175
Patient receivables, net	19,456,473	58,607,322	-	78,063,795
Contract and other receivables	31,601,233	4,053,822	(5,877)	35,649,178
Funds held in escrow	272,032	-	-	272,032
Lease receivable - current portion	39,639	2,171,140	-	2,210,779
Due from Affiliates (Note 13)	13,691,593	-	-	13,691,593
Due from Primary Institution	-	14,575,294	(14,575,294)	-
Due from Department of Correction	905,582	-	-	905,582
Inventories	6,439,768	17,334,825	-	23,774,593
Prepaid expenses	8,396,220	1,220,761	-	9,616,981
Total current assets	<u>361,498,713</u>	<u>150,975,166</u>	<u>(14,581,171)</u>	<u>497,892,708</u>
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	1,013,385	-	-	1,013,385
Deposits with vendors	12,224,963	12,681,647	-	24,906,610
Other assets	346,673	117,543	-	464,216
Due from Primary Institution	-	12,176,334	(12,176,334)	-
Due from State of Connecticut	61,887	-	-	61,887
Lease receivable - net of current portion	399,074	-	-	399,074
Right-to-use assets, net (Note 10)	54,643,267	78,966,116	(63,159,185)	70,450,198
Capital and intangible assets, net (Note 10)	<u>486,568,468</u>	<u>308,792,675</u>	<u>-</u>	<u>795,361,143</u>
Total noncurrent assets	<u>555,257,717</u>	<u>412,734,315</u>	<u>(75,335,519)</u>	<u>892,656,513</u>
Total assets	<u>\$ 916,756,430</u>	<u>\$ 563,709,481</u>	<u>\$ (89,916,690)</u>	<u>\$ 1,390,549,221</u>
Deferred outflows of resources pension (Note 12)				
Deferred outflows of resources pension (Note 12)	\$ 129,086,078	\$ 107,038,539	\$ -	\$ 236,124,617
Deferred outflows of resources OPEB (Note 12)	\$ 270,743,581	\$ 231,735,981	\$ -	\$ 502,479,562

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION(Continued)
As of June 30, 2024

	2024			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 43,289,619	\$ 27,488,168	\$ -	\$ 70,777,787
Due to State of Connecticut	5,346,464	3,200,015	-	8,546,479
Accrued salaries	18,696,550	11,481,665	-	30,178,215
Compensated absences - current portion (Note 11)	15,025,095	10,326,782	-	25,351,877
Due to John Dempsey Hospital	26,751,628	-	(26,751,628)	-
Due to third party payors	(5,254,375)	26,513,543	-	21,259,168
Due to Affiliates (Note 15)	8,916,964	-	-	8,916,964
Unearned revenue	2,277,075	4,419	-	2,281,494
Malpractice reserve (Note 11)	2,917,000	-	-	2,917,000
Right-to-use liabilities - current portion (Note 11)	6,429,348	11,384,025	(3,349,886)	14,463,487
Long-term debt - current portion (Note 11)	10,110,756	-	-	10,110,756
Total current liabilities	<u>134,506,124</u>	<u>90,398,617</u>	<u>(30,101,514)</u>	<u>194,803,227</u>
Noncurrent Liabilities				
Malpractice reserve (Note 11)	7,281,000	-	-	7,281,000
Compensated absences - net of current portion (Note 11)	18,099,013	12,439,491	-	30,538,504
Pension liability (Note 12)	514,783,720	356,834,835	-	871,618,555
OPEB liability (Note 12)	916,990,231	580,578,711	-	1,497,568,942
Right-to-use liabilities - net of current portion (Note 11)	42,619,719	84,545,216	(64,873,050)	62,291,885
Long-term debt - net of current portion (Note 11)	158,847,267	-	-	158,847,267
Total noncurrent liabilities	<u>1,658,620,950</u>	<u>1,034,398,253</u>	<u>(64,873,050)</u>	<u>2,628,146,153</u>
Total liabilities	<u>\$ 1,793,127,074</u>	<u>\$ 1,124,796,870</u>	<u>\$ (94,974,564)</u>	<u>\$ 2,822,949,380</u>
Deferred inflows of resources right-to-use assets	\$ 391,886	\$ 2,030,495	\$ -	\$ 2,422,381
Deferred inflows of resources pension (Note 12)	\$ 140,597,681	\$ 69,296,557	\$ -	\$ 209,894,238
Deferred inflows of resources OPEB (Note 12)	\$ 348,437,653	\$ 218,305,191	\$ -	\$ 566,742,844
NET POSITION				
Net investment in capital assets	\$ 323,210,521	\$ 291,829,550	\$ 5,057,874	\$ 620,097,945
Restricted for				
Nonexpendable				
Scholarships	61,451	-	-	61,451
Expendable				
Research	2,090,393	-	-	2,090,393
Loans	391,407	-	-	391,407
Capital projects	14,025,512	-	-	14,025,512
Unrestricted	(1,306,258,999)	(803,774,662)	-	(2,110,033,661)
Minority interest - Uconn Health Imaging, LLC	511,510	-	-	511,510
Total net position	<u>\$ (965,968,205)</u>	<u>\$ (511,945,112)</u>	<u>\$ 5,057,874</u>	<u>\$ (1,472,855,443)</u>

UConn Health
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2024

	2024				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowances of \$8,819)	\$ 24,843,326	\$ -	\$ 24,843,326	\$ -	\$ 24,843,326
Patient services and pharmaceutical revenues (net of charity care of \$10,086) (Notes 4 & 6)	304,842,868	660,401,437	965,244,305	-	965,244,305
Federal grants and contracts	90,067,753	-	90,067,753	-	90,067,753
Nonfederal grants and contracts	28,616,283	-	28,616,283	-	28,616,283
Contract and other operating revenues	103,939,830	101,327,243	205,267,073	(54,548,166)	150,718,907
Total operating revenues	<u>552,310,060</u>	<u>761,728,680</u>	<u>1,314,038,740</u>	<u>(54,548,166)</u>	<u>1,259,490,574</u>
OPERATING EXPENSES					
Educational and General					
Instruction	235,325,453	-	235,325,453	(30,038,437)	205,287,016
Research	72,677,237	-	72,677,237	-	72,677,237
Patient services	277,816,442	813,822,444	1,091,638,886	(14,489,953)	1,077,148,933
Academic support	22,765,108	-	22,765,108	-	22,765,108
Institutional support	197,887,236	-	197,887,236	(2,682,552)	195,204,684
Operations and maintenance of plant	30,814,215	-	30,814,215	(218,139)	30,596,076
Depreciation and amortization (Note 10)	56,921,469	37,298,552	94,220,021	(4,831,629)	89,388,392
Student aid	24,599	-	24,599	-	24,599
Total operating expenses	<u>894,231,759</u>	<u>851,120,996</u>	<u>1,745,352,755</u>	<u>(52,260,710)</u>	<u>1,693,092,045</u>
Operating loss	<u>(341,921,699)</u>	<u>(89,392,316)</u>	<u>(431,314,015)</u>	<u>(2,287,456)</u>	<u>(433,601,471)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations (Note 15)	151,801,724	-	151,801,724	-	151,801,724
Gifts	6,364,921	-	6,364,921	-	6,364,921
Federal and State aid	51,500,000	-	51,500,000	-	51,500,000
Hospital transfer	(14,879,710)	14,879,710	-	-	-
Loss on disposal	(162,572)	(62,626)	(225,198)	-	(225,198)
Interest income	25,757	118,970	144,727	-	144,727
Lease revenue	194,016	2,215,086	2,409,102	-	2,409,102
Investment income, net	14,010,261	-	14,010,261	-	14,010,261
Interest on capital asset - related debt	(9,921,758)	(4,755,591)	(14,677,349)	3,392,416	(11,284,933)
Net nonoperating revenues	<u>198,932,639</u>	<u>12,395,549</u>	<u>211,328,188</u>	<u>3,392,416</u>	<u>214,720,604</u>
Income before other revenues, expenses, gains or losses	<u>(142,989,060)</u>	<u>(76,996,767)</u>	<u>(219,985,827)</u>	<u>1,104,960</u>	<u>(218,880,867)</u>
OTHER CHANGES IN NET POSITION					
Capital appropriations (Note 13)	21,000,000	-	21,000,000	-	21,000,000
Contributions for minority interest - UHI	666,667	-	666,667	-	666,667
Net other changes in net position	<u>21,666,667</u>	<u>-</u>	<u>21,666,667</u>	<u>-</u>	<u>21,666,667</u>
Decrease in net position	<u>(121,322,393)</u>	<u>(76,996,767)</u>	<u>(198,319,160)</u>	<u>1,104,960</u>	<u>(197,214,200)</u>
NET POSITION					
Net position-beginning of year	<u>(844,645,812)</u>	<u>(434,948,345)</u>	<u>(1,279,594,157)</u>	<u>3,952,914</u>	<u>(1,275,641,243)</u>
Net position-end of year	<u>\$ (965,968,205)</u>	<u>\$ (511,945,112)</u>	<u>\$ (1,477,913,317)</u>	<u>\$ 5,057,874</u>	<u>\$ (1,472,855,443)</u>

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30, (amounts in thousands)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 24,843	\$ 24,934	\$ 23,871	\$ 23,475	\$ 21,636	\$ 20,655	\$ 18,613	\$ 17,499	\$ 15,728	\$ 16,557
Patient services and pharmaceutical revenues*	965,244	841,853	743,493	628,899	513,608	534,494	580,697	539,777	532,876	512,960
Federal grants and contracts	90,068	88,587	96,326	68,185	58,055	58,196	50,748	58,148	59,529	57,920
Nonfederal grants and contracts	28,616	26,463	26,357	24,977	27,872	30,016	29,337	29,009	27,116	24,407
Contract and other operating revenues	150,719	173,418	158,365	152,990	162,725	159,745	127,188	114,284	108,017	109,324
Total operating revenues	1,259,490	1,155,255	1,048,412	898,526	783,896	803,106	806,583	758,717	743,266	721,168
State appropriations	151,802	340,328	344,029	330,872	296,520	250,846	279,513	278,211	289,287	280,645
Transfer from/(to) State and outside programs	-	-	20,000	-	-	-	-	-	-	-
Gifts	6,365	5,419	4,417	3,496	6,950	6,146	5,706	4,079	6,865	7,175
COVID-19 relief funding	51,500	72,966	87,428	15,598	22,518	-	-	-	-	-
Interest income	145	279	351	340	-	-	-	-	-	-
Lease revenue	2,409	2,614	2,837	2,249	-	-	-	-	-	-
Investment income (net of investment expense)	14,010	10,055	129	31	600	1,385	654	104	141	176
Net nonoperating revenues	226,231	431,661	459,191	352,586	326,588	258,377	285,873	282,394	296,293	287,996
Total Revenues	\$ 1,485,721	\$ 1,586,916	\$ 1,507,603	\$ 1,251,112	\$ 1,110,484	\$ 1,061,483	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164
	For the Year Ended June 30, (percent of total revenues)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues:										
Student tuition and fees (net of scholarship allowances)	1.7%	1.6%	1.7%	1.9%	1.9%	1.9%	1.7%	1.7%	1.5%	1.6%
Patient services and pharmaceutical revenues*	65.1%	53.1%	49.3%	50.3%	46.3%	50.4%	53.1%	51.8%	51.3%	50.8%
Federal grants and contracts	6.1%	5.6%	6.4%	5.4%	5.2%	5.5%	4.6%	5.6%	5.7%	5.7%
Nonfederal grants and contracts	1.9%	1.7%	1.7%	2.0%	2.5%	2.8%	2.7%	2.8%	2.6%	2.4%
Contract and other operating revenues	10.1%	10.9%	10.5%	12.2%	14.6%	15.0%	11.6%	11.0%	10.4%	10.8%
Total operating revenues	84.9%	72.9%	69.5%	71.7%	70.6%	75.7%	73.8%	72.9%	71.5%	71.5%
State appropriations	10.2%	21.4%	22.8%	26.5%	26.7%	23.6%	25.6%	26.7%	27.8%	27.8%
Transfer from/(to) State and outside programs	0.0%	0.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gifts	0.4%	0.3%	0.3%	0.3%	0.6%	0.6%	0.5%	0.4%	0.7%	0.7%
COVID-19 relief funding	3.5% #	4.6% #	5.8% #	1.2% #	2.1% #	0.0% #	0.0% #	0.0% #	0.0% #	0.0%
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lease revenue	0.2%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income (net of investment expense)	0.9%	0.6%	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Net nonoperating revenues	15.1%	27.1%	30.5%	28.3%	29.4%	24.3%	26.2%	27.1%	28.5%	28.5%
Total Revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

* 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)								
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses:										
Instruction	\$ 205,287	\$ 142,971	\$ 175,456	\$ 178,910	\$ 170,526	\$ 157,396	\$ 179,948	\$ 169,130	\$ 168,299	\$ 163,703
Research	72,677	50,692	77,186	57,554	55,173	52,832	56,102	59,400	58,233	56,961
Patient services	1,077,149	907,678	970,226	964,236	846,526	663,701	747,637	713,342	648,071	607,435
Academic support	22,765	14,193	22,124	24,986	20,087	15,173	19,322	19,186	18,070	22,458
Institutional support	195,205	145,407	141,613	159,055	89,592	126,922	112,126	82,233	80,638	83,260
Operations and maintenance of plant	30,596	17,801	27,616	26,886	25,112	37,659	38,223	37,295	38,714	35,363
Depreciation and amortization	89,388	86,362	81,543	72,487	72,893	72,575	52,637	52,046	41,469	37,830
Student aid	25	404	98	39	25	71	364	194	84	32
Total operating expenses	1,693,092	1,365,508	1,495,862	1,484,153	1,279,934	1,126,329	1,206,359	1,132,826	1,053,578	1,007,042
Transfer to State and outside programs	-	-	-	-	-	1,991	-	-	-	-
Interest on capital asset - related debt	11,285	10,586	9,547	9,424	9,354	9,619	9,909	10,214	10,487	3,820
Total nonoperating expenses	11,285	10,586	9,547	9,424	9,354	11,610	9,909	10,214	10,487	3,820
Total Expenses	\$ 1,704,377	\$ 1,376,094	\$ 1,505,409	\$ 1,493,577	\$ 1,289,288	\$ 1,137,939	\$ 1,216,268	\$ 1,143,040	\$ 1,064,065	\$ 1,010,862
		For the Year Ended June 30, (percent of total expenses)								
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses:										
Instruction	12.0%	10.4%	11.7%	12.0%	13.2%	13.8%	14.8%	14.8%	15.8%	16.2%
Research	4.3%	3.7%	5.1%	3.9%	4.3%	4.6%	4.6%	5.2%	5.5%	5.6%
Patient services	63.2%	66.0%	64.5%	64.6%	65.7%	58.3%	61.5%	62.4%	60.9%	60.1%
Academic support	1.3%	1.0%	1.5%	1.7%	1.6%	1.3%	1.6%	1.7%	1.7%	2.2%
Institutional support	11.5%	10.6%	9.4%	10.6%	6.9%	11.2%	9.2%	7.2%	7.6%	8.2%
Operations and maintenance of plant	1.7%	1.2%	1.8%	1.8%	1.9%	3.3%	3.1%	3.3%	3.6%	3.5%
Depreciation and amortization	5.2%	6.3%	5.4%	4.9%	5.7%	6.4%	4.4%	4.6%	3.9%	3.7%
Student aid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total operating expenses	99.3%	99.2%	99.4%	99.4%	99.3%	99.0%	99.2%	99.1%	99.0%	99.6%
Transfer to State and outside programs	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.7%	0.8%	0.6%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%
Total nonoperating expenses	0.7%	0.8%	0.6%	0.6%	0.7%	1.0%	0.8%	0.9%	1.0%	0.4%
Total Expenses	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses:										
Salaries and wages	\$ 605,094	\$ 550,183	\$ 504,575	\$ 465,759	\$ 443,132	\$ 418,558	\$ 438,122	\$ 444,948	\$ 452,363	\$ 430,988
Fringe benefits	385,289	146,527	412,259	509,160	396,019	254,030	369,185	331,533	264,911	239,288
Supplies and other expenses	600,118	568,593	483,364	428,553	353,870	368,279	333,986	291,166	282,218	286,170
Utilities	13,203	13,843	14,121	8,194	14,020	12,887	12,429	13,133	12,617	12,766
Depreciation and amortization	89,388	86,362	81,543	72,487	72,893	72,575	52,637	52,046	41,469	37,830
Total operating expenses	1,693,092	1,365,508	1,495,862	1,484,153	1,279,934	1,126,329	1,206,359	1,132,826	1,053,578	1,007,042
Transfer to State and outside programs	-	-	-	-	-	1,991	-	-	-	-
Interest on capital asset - related debt	11,285	10,586	9,547	9,424	9,354	9,619	9,909	10,214	10,487	3,820
Total nonoperating expenses	11,285	10,586	9,547	9,424	9,354	11,610	9,909	10,214	10,487	3,820
Total Expenses	\$ 1,704,377	\$ 1,376,094	\$ 1,505,409	\$ 1,493,577	\$ 1,289,288	\$ 1,137,939	\$ 1,216,268	\$ 1,143,040	\$ 1,064,065	\$ 1,010,862

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses:										
Salaries and wages	35.5%	40.0%	33.5%	31.2%	34.4%	36.8%	36.0%	38.9%	42.5%	42.6%
Fringe benefits	22.6%	10.6%	27.4%	34.1%	30.7%	22.3%	30.4%	29.0%	24.9%	23.7%
Supplies and other expenses	35.1%	41.2%	32.1%	28.7%	27.4%	32.4%	27.5%	25.5%	26.5%	28.3%
Utilities	0.8%	1.0%	0.9%	0.5%	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%
Depreciation and amortization	5.2%	6.3%	5.4%	4.9%	5.7%	6.4%	4.3%	4.6%	3.9%	3.7%
Total operating expenses	99.3%	99.2%	99.4%	99.4%	99.3%	99.0%	99.2%	99.1%	99.0%	99.6%
Transfer to State and outside programs	0.0% #	0.0% #	0.0% #	0.0% #	0.0% #	0.2% #	0.0% #	0.0% #	0.0% #	0.0%
Interest on capital asset - related debt	0.7%	0.8%	0.6%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%
Total nonoperating expenses	0.7%	0.8%	0.6%	0.6%	0.7%	1.0%	0.8%	0.9%	1.0%	0.4%
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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total revenues (from schedule of revenues by source)	\$ 1,485,721	\$ 1,586,916	\$ 1,507,603	\$ 1,251,112	\$ 1,110,484	\$ 1,061,483	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164
Total expenses (from schedule of expenses by natural classification and function)	1,704,377	1,376,094	1,505,409	1,493,577	1,289,288	1,137,939	1,216,268	1,143,040	1,064,065	1,010,862
Income (Loss) before other changes in net position	(218,656)	210,822	2,194	(242,465)	(178,804)	(76,456)	(123,812)	(101,929)	(24,506)	(1,698)
Transfer from affiliate	-	-	228	2,000	-	-	-	-	-	-
Capital appropriations	21,000	40,000	13,000	680	-	13,000	88,806	43,479	175,000	159,810
Contributions - minority interest UConn Health Imaging, LLC	667									
Loss on disposal	(225)	(85)	(779)	(196)	(332)	(1,898)	(3,092)	(989)	(695)	(3,902)
Net other changes in net position	21,442	39,915	12,449	2,484	(332)	11,102	85,714	42,490	174,305	155,908
Total changes in net position	(197,214)	250,737	14,643	(239,981)	(179,136)	(65,354)	(38,098)	(59,439)	149,799	154,210
Net position-beginning of year (as previously stated)	(1,275,641)	(1,525,946)	(1,539,857)	(1,299,314)	(1,120,178)	(1,014,953)	126,332	185,771	35,972	576,794
Cumulative effect of implementing GASB 68 and 71	-	-	-	-	-	-	-	-	-	(695,032)
Cumulative effect of implementing GASB 75	-	-	-	-	-	-	(1,103,187)	-	-	-
Cumulative effect of implementing GASB 87 and 96	-	(432)	(732)	(563)	-	-	-	-	-	-
Cumulative effect of accounting changes and error corrections	-	-	-	-	-	(39,871)	-	-	-	-
Net position-beginning of year as restated	(1,275,641)	(1,526,378)	(1,540,589)	(1,299,877)	(1,120,178)	(1,054,824)	(976,855)	185,771	35,972	(118,238)
Net position, ending	\$ (1,472,855)	\$ (1,275,641)	\$ (1,525,946)	\$ (1,539,858)	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972
Net investment in capital assets	\$ 620,098	\$ 620,796	\$ 646,777	\$ 690,037	\$ 731,730	\$ 784,280	\$ 867,913	\$ 823,325	\$ 734,480	\$ 579,241
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	2,090	224	1,093	1,107	1,792	1,588	(127)	(8)	(876)	(139)
Loans	391	333	283	244	283	589	523	31	953	1,348
Capital projects	14,026	54,484	26,185	3,444	4,363	7,881	37,660	37,061	117,466	104,082
Unrestricted	(2,110,033)	(1,951,539)	(2,200,345)	(2,234,751)	(2,037,543)	(1,914,577)	(1,920,983)	(734,138)	(666,313)	(648,621)
Minority interest - UConn Health Imaging, LLC	512	-	-	-	-	-	-	-	-	-
Total net position	\$ (1,472,855)	\$ (1,275,641)	\$ (1,525,946)	\$ (1,539,857)	\$ (1,299,314)	\$ (1,120,178)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972

SCHEDULE OF LONG-TERM DEBT

	For the Year Ended June 30, (amounts in thousands)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Loans payable	\$ 14,039	\$ 14,767	\$ 16,928.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Right-to-use liabilities	76,755	56,134	64,801	42,383	-	-	-	-	-	-
Capital leases	-	-	-	-	4,289	3,275	1,701	2,187	-	-
Mortgage agreement	154,919	163,208	171,081	178,560	185,664	192,412	198,823	204,914	210,700	216,198
Total long-term debt	\$ 245,713	\$ 234,109	\$ 252,810	\$ 220,943	\$ 189,953	\$ 195,687	\$ 200,524	\$ 207,101	\$ 210,700	\$ 216,198

FACULTY AND STAFF

	For the Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
BARGAINING UNIT										
Faculty	641.0	607.1	592.7	579.2	566.8	565.6	539.6	529.4	517.6	507.8
University Health Professionals	3,160.4	2,938.1	2,680.2	2,681.0	2,630.0	2,558.9	2,526.6	2,477.0	2,462.8	2,420.4
All other	836.8	798.9	719.3	728.2	747.1	730.7	1,299.0	1,356.0	1,404.6	1,422.1
Total FTE's	4,638.2	4,344.1	3,992.2	3,988.4	3,943.9	3,855.2	4,365.2	4,362.4	4,385.0	4,350.3
EXEMPT										
Faculty	62.5	60.3	60.0	60.0	54.9	54.3	55.2	56.2	56.8	60.6
Managerial	184.4	161.6	143.0	139.0	133.0	131.8	139.1	153.9	160.6	159.3
All other	449.1	438.1	403.6	367.8	350.2	334.9	340.7	335.1	329.3	353.2
Total FTE's	696.0	660.0	606.6	566.8	538.1	521.0	535.0	545.2	546.7	573.1
TOTAL FTE's	5,334.2	5,004.1	4,598.8	4,555.2	4,482.0	4,376.2	4,900.2	4,907.6	4,931.7	4,923.4

The FTE information prior to 2019 includes CMHC

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

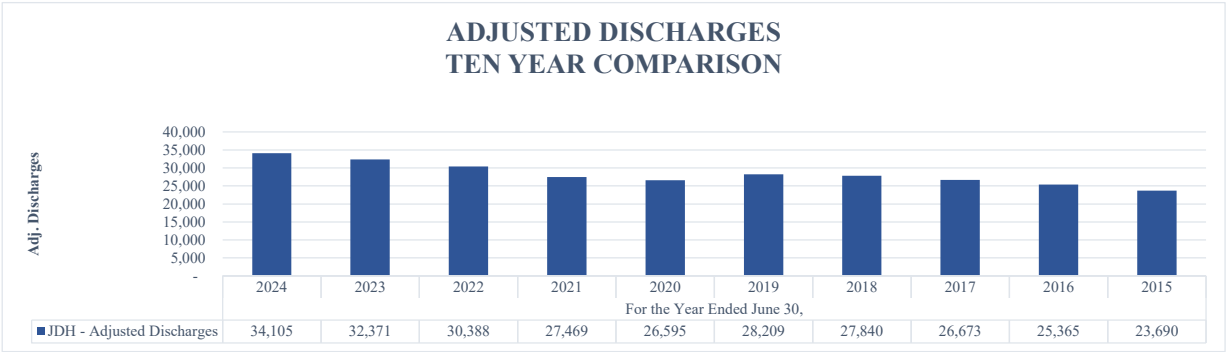
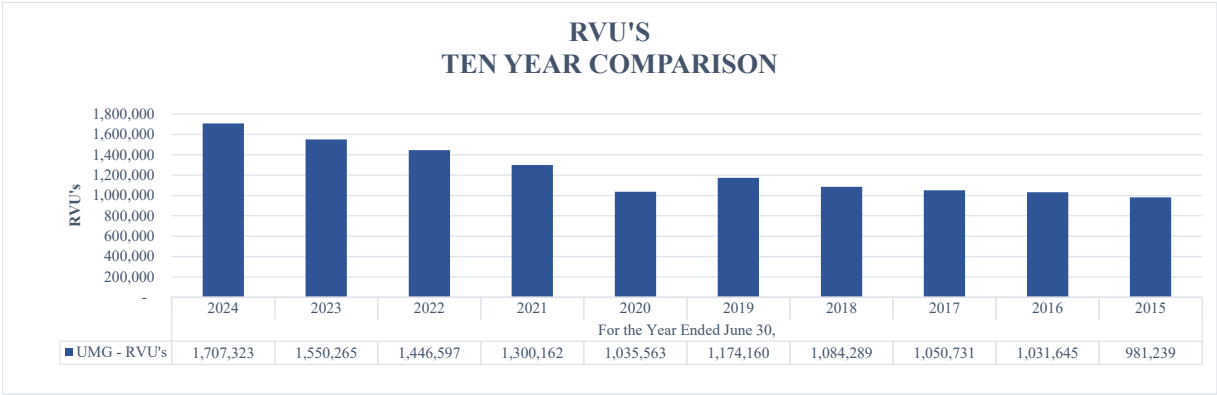
		For the Fiscal Year Ended June 30,									
		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Academic											
Net assignable square feet (in thousands)		84	84	84	84	84	84	82	82	74	74
Number of buildings/major areas of Main Building*		2	2	2	2	2	2	2	2	1	1
Research buildings											
Net assignable square feet (in thousands)		478	478	478	478	478	478	456	456	456	435
Number of buildings/major areas of Main Building*		7	7	7	7	7	7	6	6	6	6
Patient care buildings											
Net assignable square feet (in thousands)		873	873	873	873	868	868	885	885	885	662
Number of buildings/major areas of Main Building*		6	6	6	6	6	6	6	6	6	6
Administrative and support buildings											
Net assignable square feet (in thousands)		985	985	985	985	985	985	865	865	873	769
Number of buildings/major areas of Main Building*		11	11	11	11	11	11	11	11	12	11
Total net assignable square feet (in thousands)		2420	2420	2420	2420	2415	2415	2288	2288	2288	1940
Number of buildings/major areas of Main Building*		26	26	26	26	26	26	25	25	25	24

*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,					
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
UMG - RVU's	1,707,323	1,550,265	1,446,597	1,300,162	1,035,563	1,174,160	1,084,289	1,050,731	1,031,645	981,239

					For the Year Ended June 30,					
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
JDH - Adjusted Discharges	34,105	32,371	30,388	27,469	26,595	28,209	27,840	26,673	25,365	23,690



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)
2024	\$ 342,112,700,000	3,625,511	\$ 94,363	4.2%
2023	\$ 314,865,500,000	3,632,752	\$ 86,674	3.9%
2022	\$ 307,116,000,000	3,614,683	\$ 84,963	5.1%
2021	\$ 290,146,700,000	3,544,930	\$ 81,848	8.5%
2020	\$ 290,641,600,000	3,561,513	\$ 81,606	5.1%
2019	\$ 284,136,600,000	3,570,160	\$ 79,587	3.8%
2018	\$ 265,636,709,000	3,588,236	\$ 74,030	4.5%
2017	\$ 251,389,254,000	3,568,714	\$ 70,443	4.8%
2016	\$ 252,249,206,000	3,586,640	\$ 70,330	5.5%
2015	\$ 240,602,679,000	3,591,282	\$ 66,996	6.1%

(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>	2024		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
Yale New Haven Health System	30,896	1.7%	1
Hartford Healthcare	28,686	1.6%	2
RTX Corp.	16,600	0.9%	3 (1)
Yale University	16,150	0.9%	4
General Dynamics Electric Boat	14,152	0.8%	5
CVS Health Corp. and subsidiaries	8,942	0.5%	6
Walmart	8,454	0.5%	7 (2)
Sikorsky, a Lockheed Martin Co.	7,900	0.4%	8 (3)
The Travelers Cos. Inc.	7,400	0.4%	9
Trinity Health of New England	7,379	0.4%	10 (4)
Total	146,559	8.1%	

<u>Name</u>	2015		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
United Technologies Corp.	24,000	1.3%	1
Yale New Haven Health System	20,071	1.1%	2
Hartford Healthcare	18,107	1.0%	3
Yale University	14,787	0.8%	4 (5)
General Dynamics Electric Boat	9,583	0.5%	5
Wal-Mart Stores, Inc.	8,800	0.5%	6
The Travelers Cos. Inc.	7,300	0.4%	7
The Hartford Financial Services Group Inc.	7,000	0.4%	8
Mohegan Sun	6,900	0.4%	9
Aetna Inc.	6,126	0.3%	10
Total	122,674	6.7%	

Source: *Hartford Business Journal*

(1)Raytheon Technologies, established in 2020 with merger of Raytheon Co., based in Waltham, Mass, and Farmington's United Technologies Corp., announced a name change to RTX Corp. in July 2023. It's presence in Connecticut included Collins Aerospace and Pratt & Whitney.

(2)Data from Q2 2022 Survey.

(3)Data from Q2 2022 Survey; announced layoffs of unspecified numbers of salaried workers in March 2023 and plans to cut 179 positions in Connecticut on Oct. 4, 2023. The company declined to respond to the Q4 2023 survey.

(4)Includes St. Francis Hospital and Medical Center, St. Mary's Hospital, Mount Sinai Rehabilitation Hospital and Johnson Memorial Medical Center.

(5)Figure from Fall 2014.

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