JOINT AUDIT & COMPLIANCE COMMITTEE MEETING

March 18, 2022

PUBLIC SESSION

WebEx Access code:

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University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
March 18, 2022
Agenda

10:00 am – 10:30 am - Executive Session / 10:30 am – 12:00 pm - Public Session

Meeting held by Webex:

https://uconn-cmr.webex.com/uconn-cmr/j.php?MTID=m13e79312fbd0374df3117f65d2efe6fe

(Note: this meeting will be recorded)

Topic	Proposed Action	Attachment
Executive Session Anticipated	Review	None
GENERAL		
1. General		
• Opportunity for Public Comments*		None
• Minutes of the December 9, 2021 JACC Meeting	Approval	1.1
AUDIT		
2. External Audit Activities		
• Status of External Audit Engagements	Update	2.1
• Approval for UConn Health to Appoint CliftonLarsonAllen LLP as the independent auditors of the John Dempsey Hospital, University Medical Group, and the UCHC Finance Corporation for the fiscal years 2022, 2023 and 2024	Approval	2.2
• UConn Health Audit of the Annual Comprehensive Financial Report for the Year Ended June 30, 2021	Presentation	2.3
• UConn Health Departmental Audit Report For the Fiscal Years Ended June 30, 2019 and 2020	Presentation	2.4
• Marcum – Audits of Financial Statements for the Fiscal Year Ended June 30, 2021 of UConn Health's John Dempsey Hospital, University Medical Group, & Finance Corporation	Presentation	2.5
3. Significant Internal Audit Activities		
• Status of Audits	Update	3.1
• Status of Audit Findings	Update	3.2
• AMAS Staffing	Update	3.3
COMPLIANCE		
4. Compliance Activities		
• Significant Compliance Activities	Update	4.1
• Office of Science and Technology Policy implementation guidance related to the National Security Strategy for U.S. Government-Supported Research and Development (NSPM-33)	Presentation	4.2
• Informational/Educational Items	Informational	4.3
INFORMATION TECHNOLOGY		
5. Information Technology Update		
• UConn	Update	5.1
• UConn Health	Update	5.2
CLOSING		
6. Conclusion of Full Meeting		

* If members of the public wish to address the Committee during the Public Participation portion of the meeting, you must submit a request in writing 30 minutes prior to the start of the meeting (by 9:30 a.m.) to the following email address: BoardCommittees@uconn.edu. Please indicate your **name, telephone number, and topic** to be discussed. Per the University By-Laws, the Board may limit public comment. As an alternative, you may also submit your comments via email which will be shared with the Board.

ATTACHMENT 1.1

DRAFT

University of Connecticut & UConn Health

Joint Audit & Compliance Committee Meeting

Minutes of the December 9, 2021 Meeting

WebEx Meeting

Attendees	
Trustees/ Directors:	Chair: M. Boxer, A. Dennis-LaVigne, F. Archambault, J. Gouin, T. Holt
Staff:	A. Agwunobi, J. Blumenthal, L. Brown, W. Byerly, T. Casey, C. Delello, N. Fuerst, N. Gelston, J. Geoghegan, G. Kersaint, R. Rubin, R. Wrynn, T. Dyer, E. Gallo, H. Hildebrandt, D. Hook, M. Kennedy, F. LaRosa, C. Murray, G. Perrotti, A. Quaresima, D. Swol, O. Andujar, K. Fearney, B. Gelston, K. Hill, L. Neal, E. Vitullo, N. Baker, C. Bianchi, A. Cunningham, M, Frank, C. Girasoli, M. Glasgow, L. Hansen, A. Jiang, S. Kelmelis, A. Kucia, M. Lucas, A. Mansi, M. O'connor, N. Patrylak, E. Schneider
External Invitees:	K. Davis, M. Delaney, S. Metzler, A. Phung

1. Opening

The meeting of the Joint Audit and Compliance Committee (JACC) was called to order at 10:00 a.m. by Committee Chair Boxer.

2. Executive Session anticipated

EXECUTIVE SESSION

ON A MOTION by Director Archambault and seconded by Trustee Gouin, the JACC voted unanimously to go into executive session to discuss:

- C.G.S. 1-210(b)(1)– Preliminary drafts or notes that the public agency has determined that the public's interest in withholding such documents clearly outweighs the public interest in disclosure.
- C.G.S. 1-200(6)(B) – Records or the information contained therein pertaining to strategy and negotiations with respect to pending claims.
- C.G.S. 1-210(b)(10) – Records, reports and statements privileged by the attorney-client relationship.
- C.G.S. 1-210(b)(20)– Records of standards, procedures, processes, software and codes not otherwise available to the public, the disclosure of which would compromise the security and integrity of an information technology system.

The entire executive session was attended by the following: JACC Members: M. Boxer, A. Dennis-LaVigne, F. Archambault, J. Gouin, T. Holt; **President and Senior Staff:** A. Agwunobi, J. Blumenthal, L. Brown, W. Byerly, T. Casey, C. Delello, N. Fuerst, N. Gelston, J. Geoghegan, G. Kersaint, R. Rubin, R. Wrynn; **Audit and Management Advisory Services Staff:** T. Dyer, E. Gallo, H. Hildebrandt, D. Hook, M. Kennedy, F. LaRosa, C. Murray, G. Perrotti, A. Quaresima, D. Swol; **University Compliance Staff:** O. Andujar, K. Fearney, B. Gelston, K. Hill, L. Neal, E. Vitullo.

The following were in attendance for part of Executive session: University Information Technology Staff: A. Buckley, C. Bernard, C. Gray, M. Mundrane.

The Executive Session ended at 10:44 a.m.

DRAFT

University of Connecticut & UConn Health

Joint Audit & Compliance Committee Meeting

Minutes of the December 9, 2021 Meeting

WebEx Meeting

OPEN SESSION

The JACC returned to public session at 10:45 a.m.

1. Public Participation

There were no public comments.

ON A MOTION by Trustee Gouin and seconded by Director Holt, the Minutes of the September 2, 2021, JACC meeting were unanimously approved.

ON A MOTION by Trustee Gouin and seconded by Director Holt, the Minutes of the November 19, 2021, Special JACC meeting were unanimously approved.

2. External Audit Activities

F. LaRosa provided an update on the status of external audit engagements.

ON A MOTION by Director Archambault and seconded by Trustee Gouin, the UConn Health to Appoint Pharmacy Optimization Consultants, Inc. to Perform an Audit of John Dempsey Hospital Hemophilia Treatment Center 340B Drug Pricing Program was unanimously approved by the JACC.

ON A MOTION by Director Archambault and seconded by Trustee Gouin, the UConn to Appoint Meyer Hoffman McCann to Perform Annual Audits of the UConn 2000 Projects for Fiscal Years 2021, 2022, and 2023 was unanimously approved.

K. Davis provided a presentation on the Independent Accountant's Report on Applying Agreed-Upon Procedures Performed on the Division of Athletics as Required by NCAA Bylaw 3.2.4.17.1 Year Ended June 30, 2021

A. Phung provided a presentation on the UConn fiscal year 2021 financial statement audit.

3. Significant Internal Audit Activities

F. LaRosa provided an update on the status of internal audits.

F. LaRosa provided an update on the status of internal audit findings.

F. LaRosa provided an update on the current Audit and Management Advisory Services organizational chart.

4. Compliance Activities

ON A MOTION by Trustee Gouin and seconded by Director Archambault, the University policy on policies was unanimously approved.

K. Fearney provided an update on the significant compliance activities.

K. Fearney provided a presentation on the university compliance data and trends.

C. Delello provided a presentation on compliance and management performance evaluations.

K. Fearney informed the JACC that there are informational and educational compliance items attached to the agenda.

5. Information Technology Update

M. Mundrane provided an update on the UConn information technologies.

A. Buckley provided an update on the UConn Health information technologies.

6. Miscellaneous

M. Boxer informed the JACC that the 2022 JACC Schedule is attached to the agenda.

7. Conclusion of Full Meeting

ON A MOTION by Trustee Dennis-LaVigne and seconded by Trustee Gouin, the JACC Committee voted unanimously to adjourn the meeting.

There being no further business appearing, the meeting was adjourned at 11:29 a.m.

Respectfully submitted,
Molly Kennedy

ATTACHMENT 2.1

University of Connecticut & UConn Health

Joint Audit & Compliance Committee Meeting

March 18, 2022

Status of External Audit Engagements

Auditor	Area	Scope	Current Status of Audit	Recent Report Issued	Status of Findings–Recent Report Issued			
					Total	No Further Action	Open	Disagreed
Marcum, LLP	UConn Health	Annual audits of Financial Statements of UConn Health's JDH, UMG, & Finance Corp.	FY 21 Completed	FY 21 Issued 12/13/21	3	0	3	0
James Moore	UConn Athletics	NCAA agreed upon procedures performed on all revenues, expenses, and capital expenditures for the Athletics Program	FY 21 Completed	FY 21 Issued 11/17/21	No Findings Reported			
Mayor Hoffman McCann	UConn & UConn Health	Annual audit of UCONN 2000 agreed upon procedures	FY 21 Underway	FY 20 Issued 3/4/21	No Findings Reported			
Pharmacy Optimization Consultants	UConn Health	Audit of UConn Health's Covered Entities 340B Drug Pricing Program required by Health Resources and Services Administration	CY 21 Underway	CY 20 Issued 3/21 and 6/21	8	7	1	0
State Auditors	UConn	Annual Audit of Federal Funds required under the Federal Single Audit Act	FY 21 Underway	FY 20 Issued 7/30/21	No Findings Reported			
State Auditors	UConn Health	Annual Audit of Federal Funds required under the Federal Single Audit Act	FY 21 Underway	FY 20 Issued 7/30/21	No Findings Reported			
State Auditors	UConn	Annual audit of financial statements included in the Annual Comprehensive Financial Reports	FY 21 Completed	FY 21 Issued 12/7/21	No Findings Reported			
State Auditors	UConn Health	Annual audit of financial statements included in the Annual Comprehensive Financial Reports	FY 21 Completed	FY 21 Issued 12/15/21	No Findings Reported			
State Auditors	UConn	Departmental Statutory Required Audit (CGS Sec 2-90)	FYs 19, 20 Underway	FYs 16, 17, 18 Issued 4/13/21	28	18	5	5
State Auditors	UConn Health	Departmental Statutory Required Audit (CGS Sec 2-90)	FYs 19, 20 Completed	FYs 19, 20 Issued 2/22/22	10	0	6	4

ATTACHMENT 2.2

CLA (CliftonLarsonAllen LLP)

To: Members of the Joint Audit & Compliance Committee

From: Angelo Quaresima, CIA, CFE, CHRC
Audit Director

Date: March 18, 2022

Subject: Appointment of Auditors – CLA (CliftonLarsonAllen, LLP)

Recommendation

It is recommended that the Joint Audit and Compliance Committee (JACC) approve the appointment of the accounting firm, CLA, as the independent auditors of the John Dempsey Hospital, University Medical Group, and the UCHC Finance Corporation for the fiscal years 2022, 2023 and 2024. The proposed fee for the above services is $186,425 plus expenses. The engagement will commence in April 2022. In accordance with the terms of the current contract, UConn Health may elect to utilize the services of CLA for two additional one-year terms not to exceed a total of five years.

Background

A bid process was conducted through the UConn Health Procurement Operations and Contracts Department to select the independent accounting firm to perform audits for the fiscal years 2022, 2023, and 2024. Three audit firms submitted proposals. A committee of five employees representing UConn Health independently evaluated the three proposals based on a set of predetermined qualifications. Evaluation criteria included knowledge and experience, proposer's references, staffing plan, affirmative action and competitive pricing. Proposed statement of fees from all three vendors ranged from approximately $186,425 to $201,500. The Purchasing Department collected and tabulated the committee members' scoring and the committee voted to select CLA pending approval of the JACC. The firm's profile is enclosed for your review.

The Office of Audit and Management Advisory Services seeks JACC approval to move forward with this engagement.

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CLA (CliftonLarsonAllen LLP)

Overview and Background of CLA

Firm Background and Profile

CLA (CliftonLarsonAllen, LLP) is on the list of top 10 largest accounting firms that serves privately owned firms, along with not-for-profits and government agencies. CLA has developed one of the nation's largest health care practices. They serve over 900 hospitals and health systems around the country, which includes academic medical centers. CLA also serves over 5,800 medical group practices, which includes dentist group practices, large multi-specialty groups, and stand-alone physician practices.

CLA offers resources of more than 7,400 professionals in 120 locations with global reach through Nexia, a global network of independent accounting and consulting firms. CLA's dedicated Connecticut health care staff include 3 directors, 1 principal and 2 seniors. Their nearby New England offices have an additional 5 associates, 11 directors, 7 managers, 8 principals, 14 seniors and 1 signing director.

CLA has assembled a team with in-depth experience in health care accounting, auditing and tax matters that spend 100% of their time serving health care organizations. CLA has significant experience with regulatory requirements including Medicare, Medicaid, and the 340B program.

ATTACHMENT 2.3

University of Connecticut Health Center

Audit of the Annual Comprehensive Financial Report for the Year Ended June 30, 2021

Communication to the Joint Audit and Compliance Committee

Auditors of Public Accounts

Audit Opinion

We have audited and expressed an unmodified opinion on the University of Connecticut Health Center's (UConn Health) basic financial statements. We did not audit the activity of John Dempsey Hospital, the Finance Corporation, or the UConn Health Medical Group, which are included in UConn Health's basic financial statements. These entities were audited by other auditors, whose work we relied upon.

Required Communications

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by UConn Health are described in Note 1 of the Annual Comprehensive Financial Report (ACFR). No new accounting policies were adopted and the application of the existing policies was not changed during fiscal year 2021. We noted not transactions entered into by UConn Health during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Required Communications

Significant Audit Matters (Continued):

Difficulties encountered in performing the audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted to report.

Disagreements with Management

For purposes of this communication, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Audit Matters (Continued):

Management Representation

We have requested certain representations from management that are included in the management representation letter dated December 15, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to UConn Health’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants during the audited period.

Required Communications

Other Matters:

We applied certain limited procedures to the management's discussion and analysis, pension plan schedules and information, and the other post-employment benefits schedules and information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the consolidating statements, which accompany the financial statements but are not RSI, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The introductory and statistical sections, which accompany the financial statements but are not RSI, are presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Annual Comprehensive Financial Report

FOR THE YEAR ENDED JUNE 30, 2021

Included as an Enterprise Fund of the State of Connecticut

UCONN HEALTH

UCONN
HEALTH

Annual Comprehensive Financial Report

For the Year Ended June 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal

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

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

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

Established in 1961, with a mission of teaching, research and patient care. UConn Health is Connecticut's only public academic medical center comprised of UConn School of Medicine, School of Dental Medicine and their associated Education Clinics, a Research Enterprise, John Dempsey Hospital (the Hospital), UConn Medical Group (UMG) and the University of Connecticut Finance Corporation (Finance Corporation) and its subsidiaries on the campus in Farmington. There are an additional nine clinical care community locations throughout the state. UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. UConn Health will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

With approximately 4,600 full time employees (FTE's), UConn Health is one of Connecticut's largest employers and an important contributor to the local and regional economy. UConn Health's campus in Farmington is situated on 209 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University's main campus is in Storrs, about 30 miles east of Hartford.) UConn Health's campus includes 26 buildings totaling close to 2.8 million total square feet.

Educational Programs

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

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

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.

In the fall of 2020, UConn School of Medicine and School of Dental Medicine welcomed their largest classes ever at 110 students and 49 students, respectively. These classes represent the fulfillment of the initial Bioscience 2000 initiative to grow class size in each school.

The School of Medicine has been named by U.S. & News Report as one of the top 10 medical schools in the nation for diversity of its student body. The School of Medicine's population of underrepresented individuals in medicine has steadily grown to nearly 23%. Of this, African American medical students represent approximately 12% of the student body.

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

Research Programs

High-quality research programs are one of the cornerstones of UConn Health's mission. The strength of UConn Health's research programs allows it to attract distinguished researchers with expertise in neuroscience, molecular biology and biochemistry, molecular pharmacology, cell physiology, toxicology, and immunology, among other fields. The Alcohol Research Center is one of only twenty-two such federally supported centers in the nation and is the longest-funded center at the National Institute on Alcohol Abuse and Alcoholism (NIAAA). In FY2021, UConn Health was awarded the largest grant in the University's history, a $40.0 million award from the National Science Foundation (NSF) to establish a new distributed Network for Advanced Nuclear Magnetic Resonance (NMR) in collaboration with the University of Georgia and the University of Wisconsin. This grant will enable UCH and its collaborators to make NMR technology and high performance computational resources available to researchers nationally and globally. In total, research awards (committed funds from sponsors) in fiscal 2021 reached a record high for UConn Health of $112.6 million.

Health Care Services

Through John Dempsey Hospital (234 licensed beds, 186 staffed acute care beds), UConn Health provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular, cancer, and musculoskeletal services, as well as, high risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region's health in other ways. UConn Medical Group, one of the largest medical practices in Greater Hartford, offers primary care and services in more than 50 specialties.

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

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

COVID-19
In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. UConn Health elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. As a result, UConn Health experienced significant operating losses in fiscal 2020 which were only partially offset via Federal and other aid programs. Although UConn Health remained open for elective procedures throughout fiscal 2021, it continued to be affected by the pandemic. Many patients were at least initially reluctant to return for routine procedures. At the same time, staffing and supply shortages, increased cleaning and safety protocols, and changing community needs (including testing and vaccination) have increased costs and challenged operations.

UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory, supply chains, patient trends, payments, and the industry in general, in addition to the impact on its employees. Due to the continued rapid development and fluidity of this situation, it is difficult to assess the impact that the pandemic will continue to have on UConn Health's financial condition or results of operations is uncertain as of the date of this report. See note 16 for additional details.

Economic Condition
Connecticut's revenues are projected to exceed expenses at the State level, resulting in a fiscal year 2022 projected surplus. Connecticut's economy continues to recover from the COVID-19 pandemic. In June 2021, the State's biennial budget for fiscal years 2022 and 2023 were approved by the Special Session Budget Implementer (SB 1202) and signed into law by the Governor. The approved appropriations for UConn Health were $133.7 million for both fiscal years 2022 and 2023. In addition to the appropriation, the state allocated $6.9 million for temporary operating support in FY22 and $30.2 million in FY2023. It also distributes American Rescue Plan Spending (ARPA) funds for COVID-19 revenue losses in the amount of $73.0 million for FY22.

No assurance can be made that the State will not change the fiscal year funding prior to the end of such fiscal year. Any State funding cuts are expected to be managed by UConn Health through reduced hiring, reduced operating costs, fewer projects, and other deficit mitigation efforts.

UConn Health's fiscal 2022 budget is projected to be break even. This is reliant upon current state aid in active budget legislation. Changes at the State level may impact State support and UConn Health's overall results. UConn Health remains in constant contact with the State to monitor trends and needs.

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

Awards and Acknowledgements

In fiscal year 2021, patient and employee safety was the top priority given the COVID-19 pandemic. UConn Health devoted considerable time and resources to enhancing both the State's and the University's response to the continually evolving public health emergency.

UConn Health helped drastically increase our state's COVID-19 testing in partnership with The Jackson Laboratory for Genomic Medicine (JAX). In fact, JAX and UConn Health came together in collaboration to conduct over 1.5 million SARS-COV-2 tests and implement over 40,000 vaccinations, to protect the health and lives of the residents of Connecticut. In addition to UConn Health's robust COVID-19 vaccine programs on its Farmington and Storrs's campuses, in spring 2021 UConn Health partnered with the Department of Public Health, FEMA and the Governor's office to deploy a FEMA Mobile Vaccination Unit in towns throughout Eastern Connecticut in the ongoing effort to bring the vaccine to under-served communities reducing barriers to care.

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

UConn School of Medical and School of Dental Medicine celebrated their 50th anniversary of producing doctors of medicine and dental medicine. Over the last five decades the School of Medicine has graduated 3,874 physicians and the School of Dental Medicine 1,845 dentists. Many of these practitioners stay in Connecticut to practice. This year the UConn School of Dental Medicine was honored with its highest ranking in the School's history. It now ranks 8th among all 67 dental schools in the United States for overall research funding from the National Institutes of Health (NIH).

The Hospital continued to be recognized for its outstanding care and dedication to quality, earning its second consecutive "A" grade in the Leapfrog Groups annual safety ratings. The Hospital was ranked as a high performing hospital for stroke and kidney failure care by U.S. News & World Report Best Hospitals. Once again The American Heart Association (AHA) has recognized the Hospital for its excellence in heart attack and stroke care with gold-level honors. And, Newsweek named the Hospital a 2021 Best Maternity Care Hospital.

In the past year, we opened several new clinics focused on enhancing access to advanced care to the residents of Connecticut. UConn Health brought together its world-renowned experts from neurology, neurosurgery, spine surgery, non-operative spine care, and radiology to offer comprehensive, personalized care at The Brain and Spine Institute at UConn Health. In addition, we opened a new Psoriasis Center for coordinated care of psoriasis patients and the new Esophageal Diseases Center brings together specialists equipped to focus on problems with the gateway to our digestive system. Plus, UConn was first in Connecticut to offer severe emphysema patients an innovative, minimally invasive valve implant called the Zephyr Valve to help them breathe easier. It also was first in New England to use the 3D surgical navigation system by EnVisio for breast-conserving surgery.

The National Institute on Aging at NIH awarded UConn Health a prestigious $7.0 million grant to establish a Claude D. Pepper Older Americans Independence Center (OAIC) at UConn. UConn is joining a network of only 14 other such centers of excellence across the country that promote research designed to maintain or restore independence in older adults. This multidisciplinary effort is led by the UConn Center on Aging and will advance the new field of "precision gerontology".

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

Respectfully Submitted,

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

Jeffrey P. Geoghegan
Chief Financial Officer

UConn Health

DIRECTORS AND FINANCIAL OFFICERS
As of June 30, 2021

BOARD OF DIRECTORS

Members at Large		***Appointed by the Governor***	
Dr. Kenneth Alleyne	*Bloomfield*	Kathleen D. Woods	*Avon*
Francis X. Archambault, Jr.	*Hartford*	Teresa M. Ressel	*New Canaan*
		Joel Freedman	*South Glastonbury*
Richard M. Barry	*Avon*		
Richard T. Carbray, Jr.	*Rocky Hill*		
Cheryl A. Chase	*Hartford*		
John F. Droney	*West Hartford*	***Members Ex Officio***	
Timothy A. Holt	*Glastonbury*	Thomas Katsouleas	*Storrs*
Dr. Wayne Rawlins	*Cromwell*	Mike Walsh	*Hartford*
		Dr. Deidre Gifford	*Hartford*

Appointed by Chairperson, Board of Trustees

Sanford Cloud Jr, Chairperson	*Farmington*
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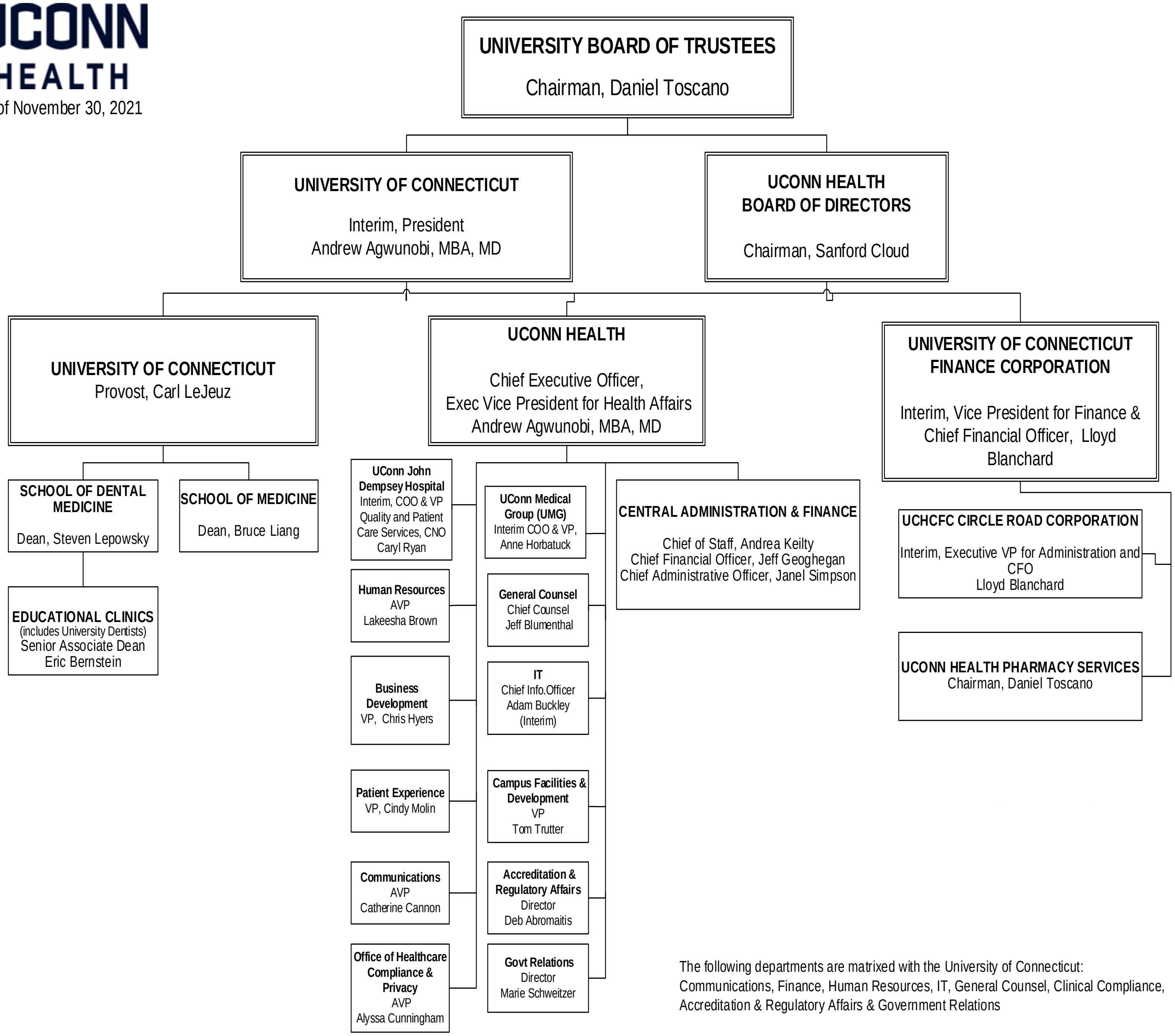
Lloyd Blanchard, UConn, Interim, Vice President for Finance and Chief Financial Officer
Jeffrey P. Geoghegan, UConn Health Chief Financial Officer
Chad A. Bianchi, UConn Health Controller

TRUSTEES
As of June 30, 2021

UCONN HEALTH

As of November 30, 2021



The following departments are matrixed with the University of Connecticut: Communications, Finance, Human Resources, IT, General Counsel, Clinical Compliance, Accreditation & Regulatory Affairs & Government Relations

FINANCIAL SECTION

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CLARK J. CHAPIN

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the University of Connecticut Health Center (UConn Health), a component unit of the University of Connecticut system, which includes the University of Connecticut, UConn Health and the University of Connecticut Foundation, Inc. The accompanying financial statements, which consist of the statement of net position as of June 30, 2021 and the related statements of revenues, expenses and changes in net position and cash flows and for the year then ended, and the related notes to the financial statements, which collectively comprise UConn Health's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit:

- The financial statements of John Dempsey Hospital, which represents 39.2% of the assets and 44.8% of the revenues of UConn Health;
- The financial statements of UConn Medical Group, which represents 2.7% of the assets and 11.1% of the revenues of UConn Health; and
- The financial statements of the Finance Corporation, which represents 18.4% of the assets and 4.2% of the revenues of UConn Health.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those amounts is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of John Dempsey

Hospital, UConn Medical Group, and the Finance Corporation were audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of UConn Health, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other 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.

The consolidating financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, based on our audit, the procedures performed as described above, and the reports of the other auditors, the consolidating financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Clark J. Chapin

John C. Geragosian
State Auditor

Clark J. Chapin
State Auditor

December 15, 2021
State Capitol
Hartford, Connecticut

Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Connecticut Health Center ("UConn Health") for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

The financial statements presented here represent the transactions and balances of UConn Health only. UConn Health offers medical and dentistry degrees as well as operating a physician/dentist practice and a teaching and research hospital. UConn Health's component parts are the School of Medicine, the School of Dental Medicine (and its associated Educational Clinics), UConn Medical Group (UMG), the Finance Corporation (and its subsidiaries University of Connecticut Health Finance Corporation Circle Road Corporation (Circle Road Corporation) and UConn Health Pharmacy Services, Inc. (UHPSI) , and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2021 was 449 students in the School of Medicine, 197 in the School of Dental Medicine, and 287 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal year 2021 with 4,555 FTE's. Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. John Dempsey Hospital (JDH) has 186 staffed acute care beds. In fiscal year 2021, adjusted patient days (a measure of total hospital volume) were 122,228, a 10.3% increase from the prior year. During 2021, UMG had 764,495 unique patient visits, a 22.3% 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, 2021, based on currently known facts, decisions, and conditions. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of Management's Discussion and Analysis and the financial statements. The basic financial statements (statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows) present the financial position of UConn Health at June 30, 2021, and the results of operations and financial activities for the year then ended. These statements report information about UConn Health using accounting methods similar to those used by private-sector companies. The statement of net position includes all of UConn Health's assets and liabilities. The statement of revenues, expenses and changes in net position reflects the year's activities on the accrual basis of accounting, i.e., when services are provided or obligations are incurred, not when cash is received or paid. This statement reports UConn Health's net assets and how they have changed. Net position (the difference between assets and liabilities) is one way to measure financial health or position. The statement of cash flows provides relevant information about each year's cash receipts and cash payments and classifies them as to operating, investing, noncapital financing and capital and related financing activities. The financial statements include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

UConn Health's financial position at June 30, 2021, consisted of assets of $1.2 billion and liabilities of $3.4 billion. Net assets, which represent the residual interest in UConn Health's assets after liabilities are deducted, decreased $239.9 million in fiscal year 2021 after non-operating and other changes in net positon. 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 $32.2 million.

The financial statements contained herein show an operating loss of $583.4 million for the year ending June 30, 2021 (fiscal year 2021). The measure more indicative of normal and recurring activities is Net Income (Loss) Before Other Changes in Net Position, which includes revenue from State Appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the state and issuance of UCONN 2000 bond funds (included in the Other Changes in Net Position above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income (loss), so a loss under this measurement is expected. UConn Health experienced a loss before Other Changes in Net Position of $242.6 million in fiscal year 2021.

Some sources of recurring operating and non-operating revenues increased in 2021, including federal grants and contracts. Net patient revenues increased from the prior year. Increases were attributed to resuming elective procedures. The focus remains on cautiously returning to full patient care, while assuring patients that it is safe to do so. State support, including state funded capital appropriations, increased 11.6% in fiscal year 2021. The increase is primarily attributed to the deficiency appropriation to pay COVID-19 related losses and a portion of the State's unfunded accrued liabilities assigned to UConn Health. In fiscal year 2022, UConn Health has been approved for $73.0 million in American Rescue Plan Spending (ARPA) funding to cover prior year clinical revenue losses. UConn Health received an appropriation of $140.6 million for fiscal year 2022.

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 2021 and 2020. The statement includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of UConn Health. Net position represents assets plus deferred outflows, less liabilities and deferred inflows. Assets represent what is owned by or what is owed to UConn Health. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period. UConn Health's net position is the residual value in UConn Health's assets and deferred outflows, after liabilities and deferred inflows are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year.

The total assets of UConn Health increased by $29.9 million, or 2.5%, over the prior year. The increase was primarily attributable to the advance funding from Medicare Advance Program increasing cash and cash equivalents.

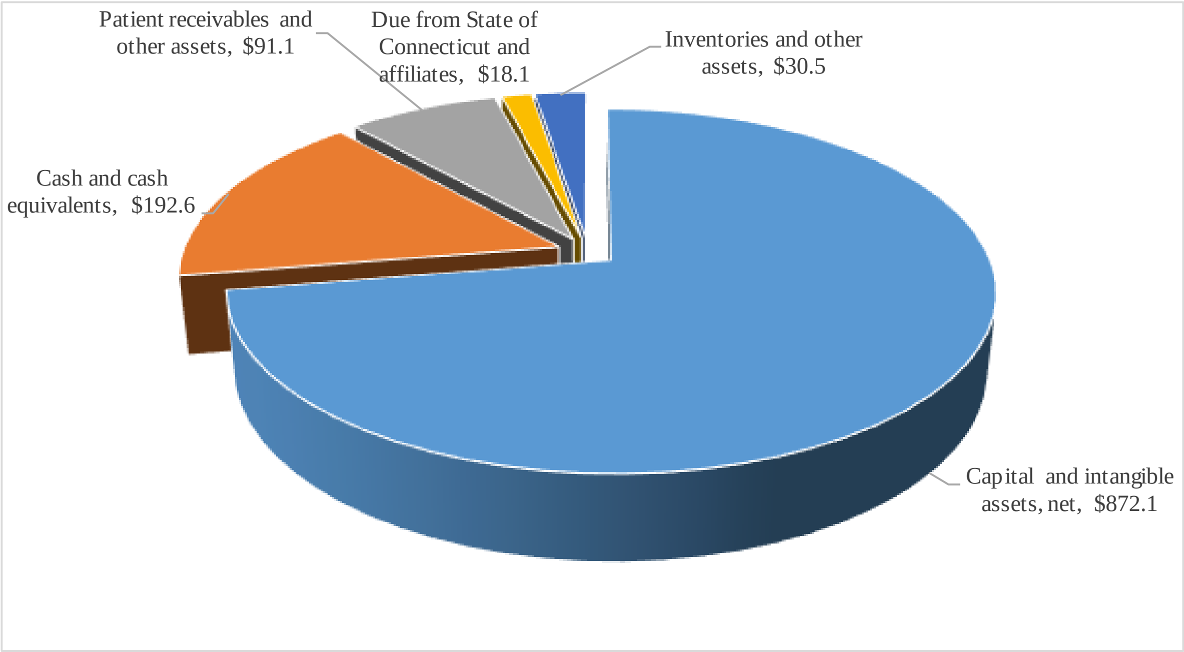
Total liabilities increased by $512.6 million or 17.6% from 2020. The driver of the increase was the $450.4 million increases related to pension and OPEB liabilities. Increases in pension and OPEB expenses reflect both UConn Health's increasing percentage of overall plan contribution and changes at the state plan level to underlying assumptions such as discount rates.

Deferred outflows of resources increased $128.4 million and deferred inflows of resources decreased $114.4 million based on changes to the respective plans as evaluated in the most recent actuary reports.

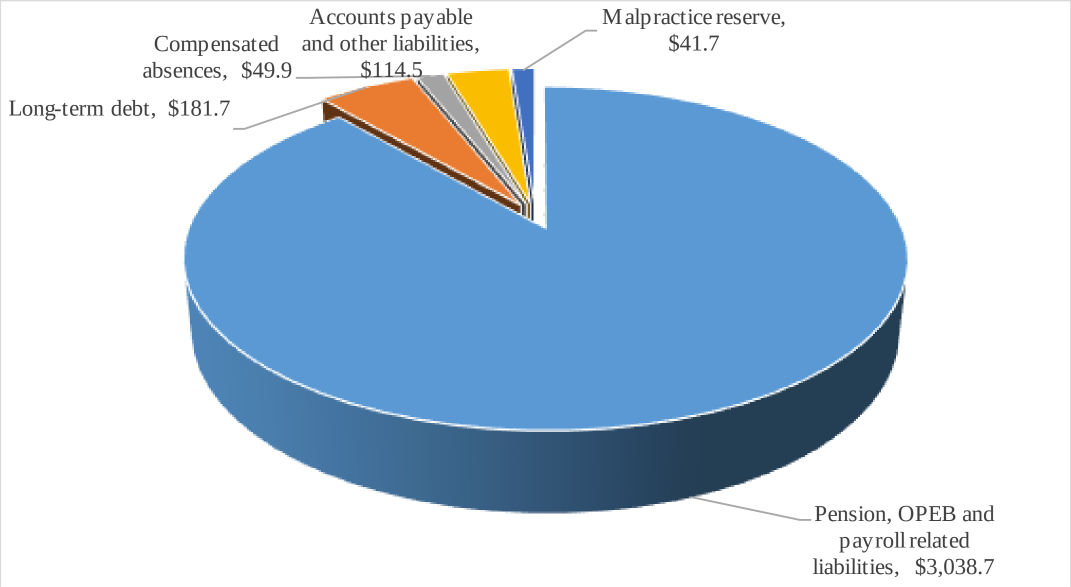
The following table shows a Condensed Schedule of Net Position at June 30:

	2021	2020	$ Change	% Change
		($ in millions)		
Assets:				
Current assets	$ 319.7	$ 250.6	$ 69.1	27.6%
Capital and intangible assets, net	872.1	921.7	(49.6)	-5.4%
Other noncurrent assets	12.6	2.2	10.4	472.7%
Total assets	1,204.4	1,174.5	29.9	2.5%
Deferred outflows of resources	1,010.0	881.6	128.4	14.6%
Liabilities:				
Current liabilities	202.4	170.6	31.8	18.6%
Noncurrent liabilities	3,224.1	2,743.3	480.8	17.5%
Total liabilities	3,426.5	2,913.9	512.6	17.6%
Deferred inflows of resources	327.1	441.5	(114.4)	-25.9%
Net position:				
Net investment in capital assets	690.4	731.7	(41.3)	-5.6%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	4.8	6.4	(1.6)	-25.0%
Unrestricted	(2,234.5)	(2,037.5)	(197.0)	9.7%
Total net position	$ (1,539.2)	$ (1,299.3)	$ (239.9)	18.5%

The following graph shows total assets of $1.2 billion by major category as of June 30, 2021 ($ in millions):



The following graph shows total liabilities of $3.4 billion by major category as of June 30, 2021 ($ in millions):



Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, represents UConn Health's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes and is included with investments on UConn Health's Statement of Net Position. Expendable restricted net position is available for expenditure by the institution. However, it must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to UConn Health for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic, clinical and research programs, capital programs, and auxiliary enterprise activities. The Statement of Net Position presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of UConn Health as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement and is used as a measure of the financial condition of UConn Health. This statement presents a snapshot concerning assets, classified as current (expected to be available for use within one year) and noncurrent (expected to be available after one year), liabilities, categorized as current (expected to mature and due within one year), and noncurrent (expected to mature and became due after one year), and net position.

Assets represent what is owned by or what is owed to UConn Health, including payments made to others before a service was received. Assets are recorded at their current value except for property and equipment, which is recorded at historical cost net of accumulated depreciation and amortization and inventory which is valued using 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:

	2021	2020	$ Change	% Change
		($ in millions)		
Net Position				
Net investment in capital assets	$ 690.4	$ 731.7	$ (41.3)	-5.6%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	4.8	6.4	(1.6)	-25.0%
Unrestricted	(2,234.5)	(2,037.5)	(197.0)	9.7%
Total net positon	(1,539.2)	(1,299.3)	(239.9)	18.5%
Pension (GASB 68) impact	929.4	864.9	64.5	7.5%
OPEB (GASB 75) impact	1,368.6	1,225.4	143.2	11.7%
Net position, exluding pension and OPEB	$ 758.8	$ 791.0	$ (32.2)	-4.1%

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

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

Other changes in net position are composed of capital appropriations and losses on disposal.

The statements of revenues, expenses and changes in net position present UConn Health's results of operating and non-operating activities. A summary of UConn Health's revenues, expenses and changes in net assets for the years ended June 30, 2021 and 2020 is presented below:

Operating revenues:	2021	2020	$ Change	% Change
		($ in millions)		
Student tuition and fees (net of scholarship allowances)	$ 23.5	$ 21.6	$ 1.9	8.8%
Patient services	628.9	513.6	115.3	22.4%
Federal grants and contracts	68.2	58.1	10.1	17.4%
Nonfederal grants and contracts	25.0	27.9	(2.9)	-10.4%
Contract and other operating revenues	155.4	162.7	(7.3)	-4.5%
Total operating revenues	901.0	783.9	117.1	14.9%
Operating expenses:				
Instruction	178.9	170.5	8.4	4.9%
Research	57.6	55.2	2.4	4.3%
Patient services	966.5	846.5	120.0	14.2%
Academic support	25.0	20.1	4.9	24.4%
Institutional support	159.1	89.6	69.5	77.6%
Operations and maintenance of plant	26.9	25.1	1.8	7.2%
Depreciation and amortization	70.4	72.9	(2.5)	-3.4%
Student aid	0.0	0.0	0.0	0.0%
Total operating expenses	1,484.4	1,279.9	204.5	16.0%
Operating Loss	(583.4)	(496.0)	(87.4)	17.6%
Nonoperating revenues (expenses):				
State appropriations	330.9	296.5	34.4	11.6%
Gifts	3.5	7.0	(3.5)	-50.0%
COVID-19 relief revenue	15.6	22.5	(6.9)	-30.7%
Loss on disposal	(0.2)	(0.3)	0.1	-33.3%
Investment income (net of investment expense)	0.0	0.6	(0.6)	100.0%
Interest on capital asset - related debt	(9.0)	(9.4)	0.4	-4.3%
Net nonoperating revenues	340.8	316.9	23.9	7.5%
Loss before other changes in net position	(242.6)	(179.1)	(63.5)	35.3%
Other changes in net position:				
Transfer from affiliate	2.0	-	2.0	100.0%
Capital appropriations	0.7	-	0.7	100.0%
Net other changes in net position	2.7	-	2.7	100.0%
Decrease in net position	(239.9)	(179.1)	(60.8)	33.8%
Net position-beginning of year	(1,299.3)	(1,120.2)	(179.1)	16.0%
Net position-end of year	$ (1,539.2)	$ (1,299.3)	$ (239.9)	18.5%

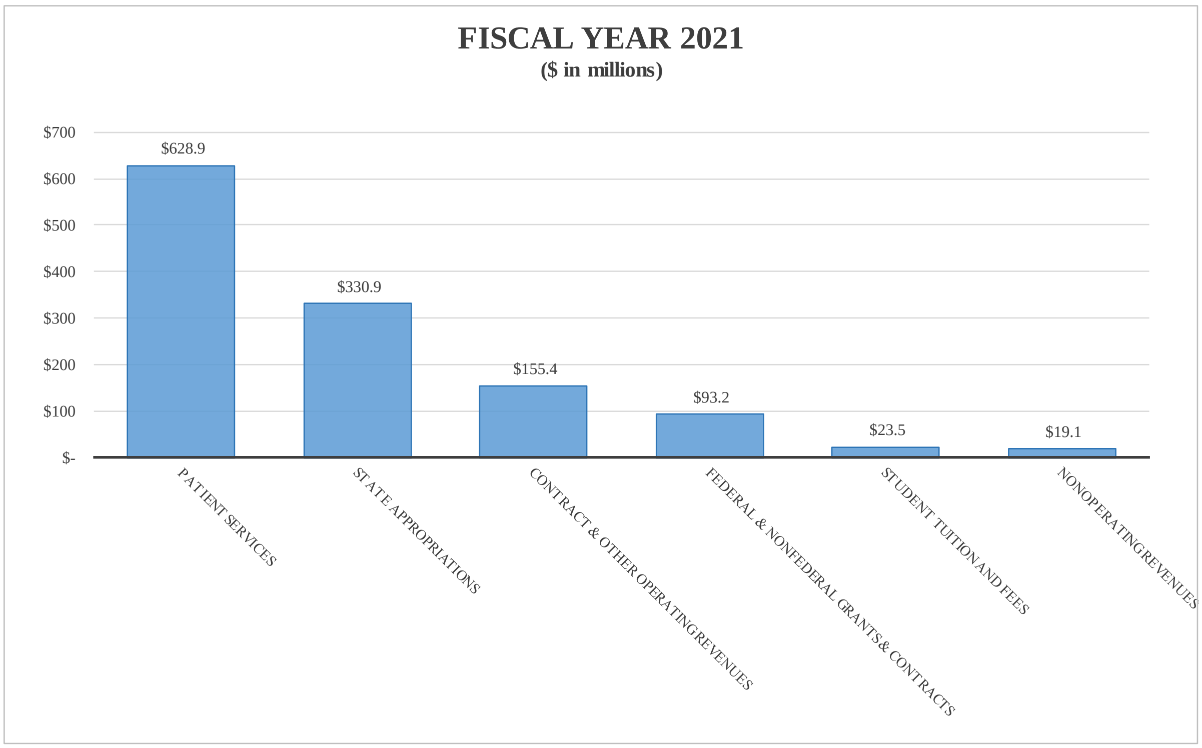
Revenue

Revenue highlights for the year ending June 30, 2021, including operating and non-operating revenues, presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

The largest source of revenue was patient service revenue. UConn Health's overall net patient service revenue increased $115.3 million or 22.4% from the prior year. Clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic numbers. In fiscal year 2021, UHPSI began providing pharmaceuticals to primarily patients from various clinics related to UConn Health. That service has accounted for approximately $37.4 million of increased net patient service revenue.

The State Appropriation (including In Kind Fringe Benefits), which is included in non-operating revenues, totaled $330.9 million. This represents an 11.6% increase from the prior year. The increase was attributed to the one-time funding from the Comptroller to pay a portion of the State's unfunded accrued liabilities assigned to UConn Health and increased In-Kind fringe benefits recognized as the result of higher overall fringe benefit costs.

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



Expenses

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

Patient service expense is the largest expense category for UConn Health; it accounts for 65.1% of total operating expenses. It increased by $120.0 million or 14.2% from the prior year. The increase is attributed to recognition of increased pension and OPEB expense under GASB No. 68 and 75. Increases were driven by increasing percentage allocations under the plans as well as underlying assumption changes such as a lower discount rate in the current actuarial analysis.

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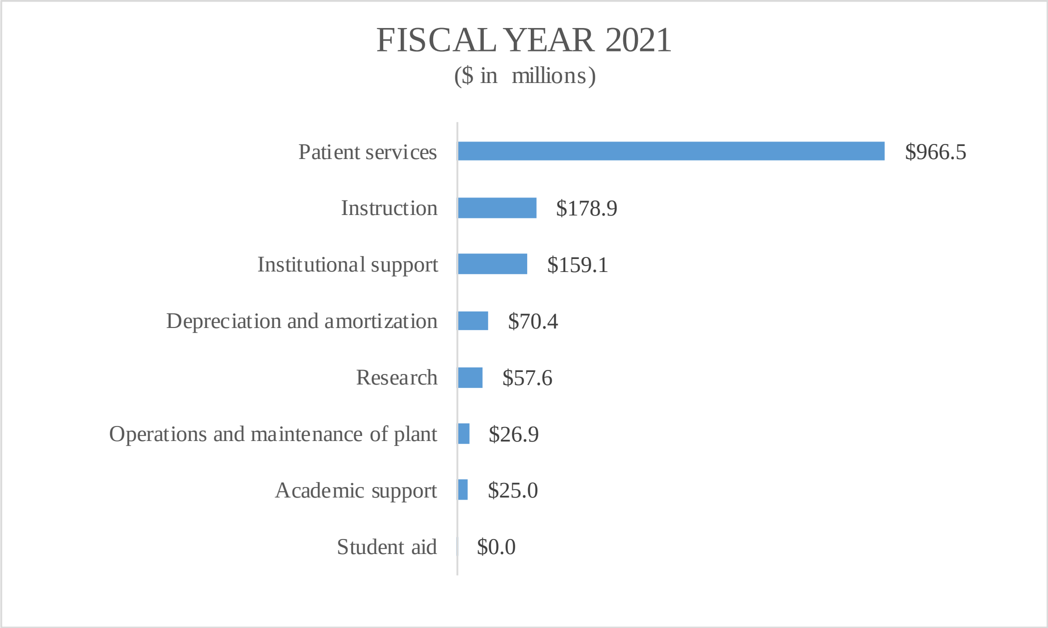
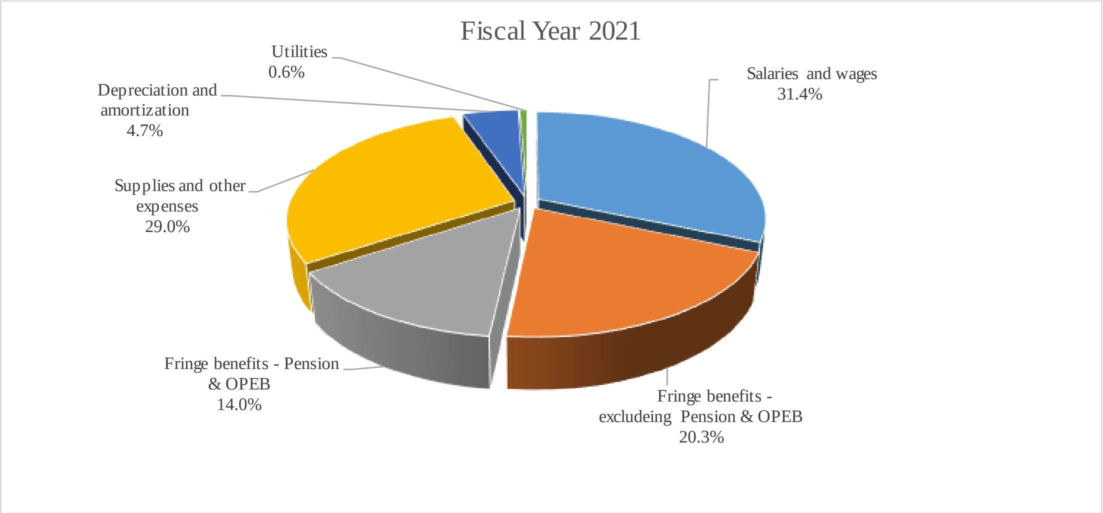
The following graph shows the functional expenses of UConn Health:



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



STATEMENTS OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of UConn Health during the year. The first section of this Statement, Cash Flows from operating activities, will always be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from non-cash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Cash Flows, on the other hand, shows cash inflows and outflows without regard to accruals.

The Statement of Cash Flows has four additional sections. The second section consists of cash flows from investing activities showing the purchases, proceeds, and interest provided from investing activities. The third section reflects cash flows from non-capital financing activities including State Appropriation, debt transactions, gifts, and other non-operating revenues and expenses. The fourth section shows cash flows from capital and related financing activities. The final section is a reconciliation of the operating loss shown on the Statement of Revenues, Expenses and Changes in Net Position to net cash used in operating activities.

The Statements of Cash Flows provides additional information about UConn Health's financial results by reporting the major sources and uses of cash. A summary of the Statements of Cash Flows for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020	$ Change	% Change
		($ in millions)		
Cash received from operations	$ 931.2	$ 796.1	$ 135.1	17.0%
Cash expended for operations	(1,055.6)	(940.3)	(115.3)	12.3%
Net cash used in operating activities	(124.4)	(144.2)	19.8	-13.7%
Net cash provided by investing activities	0.1	0.6	(0.5)	-83.3%
Net cash provided by noncapital financing activities	220.7	203.7	17.0	8.3%
Net cash used in capital and related financing activities	(32.9)	(26.6)	(6.3)	23.7%
Net increase/(decrease) in cash and cash equivalents	63.5	33.5	30.0	89.6%
Cash and cash equivalents, beginning of the year	129.1	95.6	33.5	35.0%
Cash and cash equivalents, end of the year	$ 192.6	$ 129.1	$ 63.5	49.2%

CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets, net of accumulated depreciation, consisted of the following:

	2021	2020	$ Change	% Change
		($ in millions)		
Land	$ 13.5	$ 13.5	$ -	0.0%
Construction in Progess	6.78	10.69	(3.9)	-36.4%
Fine art	1.24	1.27	(0.1)	-7.7%
Buildings and Building Improvements	1,260.98	1,247.38	13.6	1.1%
Equipment	262.00	268.82	(6.8)	-2.5%
Computer Software	77.56	77.43	0.2	0.3%
Capital Leases	18.30	18.31	(0.0)	0.0%
Less Accumulated Depreciation	(768.33)	(715.65)	(52.6)	7.3%
Capital assets, net	$ 872.1	$ 921.7	$ (49.6)	-5.4%

Construction in progress decreased approximately $3.9 million driven by continued progress on UCONN 2000 construction initiatives and the capitalization of the Clinic Building Renovations.

As mentioned above, the UCONN 2000 program has had a dramatic impact on our campus. This is the third phase of the program also known as 21st Century UCONN, which provides for improvements to facilities at the University and UConn Health. UConn Health has received $825.9 million over the life of this program. UConn Health received approximately $680,000 in capital appropriations during 2021 from the UCONN 2000.

UConn Health's fiscal year 2022 capital funding requests will be considered for funding by the senior executive committee of UConn Health on an individual basis.

DEBT ACTIVITIES

UConn Health did not enter into new capital lease agreements in 2021. Scheduled lease payments continued on existing leases in 2021. More detailed information about UConn Health's capital assets and debt activities are presented in notes 9 and 10 of the financial statements.

BIOSCIENCE CONNECTICUT

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

FISCAL YEAR 2022 OUTLOOK

As we look forward to fiscal year 2022, UConn Health continues to adapt its business models to changing landscapes: operational, pandemic, and regulatory. UConn Health continues to work and plan for new operational realities, including labor and supply shortages, through continual re-prioritization, forward thinking, teamwork, and creativity. The COVID-19 pandemic continues to evolve creating new community needs and challenges. UConn Health will continue to respond to these new needs, such as for vaccine boosters and community resources, and to serve the people of Connecticut. Healthcare, already a high oversight industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds will continue to be a focus for UConn Health moving forward to monitor the increasing levels of regulations from authoritative agencies, including those assisting with pandemic relief.

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

A combination of institution-wide financial initiatives and additional state funding allowed UConn Health to balance its 2021 spending plan. UConn Health approaches fiscal year 2022 cautiously optimistic. While vaccines have helped stem some of the impact of COVID-19, the surging Delta variant, new Omicron variant and pandemic fatigue have contributed to an uncertain outlook. While clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic volumes, a continued spike in cases could impact UConn Heath's ability to perform elective surgeries, which are essential for the continued fiscal health of the institution. At the same time, the Hospital's Medicare Advance program funding will begin repayment in fiscal year 2022. Repayment of these amounts will reduce operating liquidity over future months.

Clinically, the focus remains on cautiously returning to patient care, while assuring patients that it is safe to do so. Significant concerns nationally about patients putting off care due to COVID-19 have lent greater urgency to handling the current Delta spike effectively and safely. UConn Health has worked continually over the past 12 months to strengthen its supply lines and broaden its access to the required types and amounts of PPE. We continue to update our treatment protocols and have proactively taken steps to ensure patient and staff safety across all our clinical units.

Among the initiatives that UConn Health has implemented are joining with the Connecticut Hospital Association in implementing mandatory vaccination at our facilities, universal masking, and screening of all staff and visitors in all facilities regardless of vaccination status.

UConn Health continues to work at leveraging its electronic medical record system (EPIC system). In the current year, our EPIC system allowed us to track and facilitate vaccine roll outs for staff and the public, and helped transmit COVID-19 testing results from Jackson Labs to other EPIC facilities in Connecticut. We also continued progress towards upgrading and optimizing the system. UConn Health is now on a quarterly upgrade schedule and is up-to-date with current EPIC functionality.

On June 30, 2021, all existing bargaining unit contracts concluded without new agreements being ratified and approved by the legislature. Affected unions are currently working under an extension agreement that runs through June 30, 2022, and keeps substantially all of the prior contract provisions, but which does not allow for general wage increases during the hold-over period.

The State, lifted by strong tax receipts and federal aid, reported a surplus for fiscal year 2021, and is anticipating a robust fiscal year 2022. The State's financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State's economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care.

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

CONTACTING UCONN HEALTH'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

UCONN HEALTH
STATEMENT OF NET POSITION
As of June 30, 2021

		2021
		($ in thousands)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$	192,142
Patient receivables, net		61,257
Contract and other receivables		22,711
Due from Affiliates (Note 12)		2,979
Due from State of Connecticut		14,586
Due from Department of Correction		21
Inventories		18,886
Prepaid expenses		7,138
Total current assets		319,720
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)		494
Deposits with vendors		11,166
Other assets		483
Due from State of Connecticut		465
Capital and intangible assets, net (Note 9)		872,061
Total noncurrent assets		884,669
Total assets	$	1,204,389
Deferred outflows of resources pension (Note 11)	$	426,482
Deferred outflows of resources OPEB (Note 11)	$	583,544

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

UCONN HEALTH
STATEMENT OF NET POSITION (continued)
As of June 30, 2021

		2021
		($ in thousands)
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$	53,124
Due to State of Connecticut		23,210
Accrued salaries		34,643
Compensated absences - current portion (Note 10)		20,390
Due to third party payors		56,392
Due to Affiliates (Note 14)		3,364
Unearned revenue		731
Malpractice reserve (Note 10)		2,218
Long-term debt - current portion (Note 10)		8,390
Total current liabilities		202,462
Noncurrent Liabilities		
Malpractice reserve (Note 10)		39,452
Compensated absences - net of current portion (Note 10)		29,501
Due to Affiliates - net of current portion (Note 14)		1,000
Pension liability (Note 11)		1,194,580
OPEB liability (Note 11)		1,786,265
Long-term debt - net of current portion (Note 10)		173,269
Total noncurrent liabilities		3,224,067
Total liabilities	$	3,426,529
Deferred Inflows of Resources Pension (Note 11)	$	161,297
Deferred Inflows of Resources OPEB (Note 11)	$	165,835
NET POSITION		
Net investment in capital assets	$	690,402
Restricted for		
Nonexpendable		
Scholarships		61
Expendable		
Research		1,107
Loans		244
Capital projects		3,444
Unrestricted		(2,234,504)
Total net position	$	(1,539,246)

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, 2021

		2021
		($ in thousands)
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $6,874)	$	23,475
Patient services (net of charity care of $3,658) (Note 4 & 5)		628,899
Federal grants and contracts		68,185
Nonfederal grants and contracts		24,977
Contract and other operating revenues		155,419
Total operating revenues		900,955
OPERATING EXPENSES		
Educational and General		
Instruction		178,910
Research		57,554
Patient services		966,535
Academic support		24,986
Institutional support		159,055
Operations and maintenance of plant		26,886
Depreciation and amortization (Note 9)		70,375
Student aid		39
Total operating expenses		1,484,340
Operating loss		(583,385)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 14)		330,872
Gifts		3,496
COVID-19 relief revenue (Note 16)		15,598
Loss on disposal		(196)
Investment income		31
Interest on capital asset - related debt		(9,028)
Net nonoperating revenues		340,773
Loss before other changes in net position		(242,612)
OTHER CHANGES IN NET POSITION		
Transfer from Affiliate (Note 14)		2,000
Capital appropriations (Note 12)		680
Net other changes in net position		2,680
Decrease in net position		(239,932)
NET POSITION		
Net position-beginning of year		(1,299,314)
Net position-end of year	$	(1,539,246)

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

		2021
		($ in thousands)
Cash flows from operating activities:		
Cash received from patients and third-party payors	$	655,755
Cash received from tuition and fees		23,475
Cash received from grants, contracts and other revenue		252,016
Cash paid to employees for personal services and fringe benefits		(622,186)
Cash paid for other than personal services		(433,366)
Net cash used in operating activities		(124,306)
Cash flows from investing activities:		
Interest received		31
Net cash provided by investing activities		31
Cash flows from noncapital financing activities:		
State appropriations		199,273
Due from State of Connecticut		2,057
COVID-19 relief revenue (Note 16)		15,598
Gifts		3,737
Net cash provided by noncapital financing activities		220,665
Cash flows from capital and related financing activities:		
Additions to property and equipment		(20,191)
Capital appropriations		862
Interest paid		(9,045)
Loan issued from Affiliate		1,800
Transfer from Affiliate		2,000
Net repayment from long-term debt		(8,294)
Net cash used in capital and related financing activities		(32,868)
Net increase in cash and cash equivalents		63,522
Cash and cash equivalents at beginning of year		129,114
Cash and cash equivalents at end of year	$	192,636

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2021

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

		2021
		($ in thousands)
Operating loss	$	(583,385)
Adjustments to reconcile operating loss to net cash		
Used in operating activities:		
Depreciation and amortization		70,375
Personal services and fringe benefits In Kind from State		131,599
Changes in assets and liabilities:		
Patients receivables, net		(12,017)
Contract and other receivables		3,260
Due from DOC		767
Inventories		(4,511)
Third party payors		38,106
Prepaid expenses		(3,739)
Deposits with vendors		(3,245)
Other assets		234
Deferred outflow of resources		(128,403)
Accounts payable and accrued liabilities		(3,057)
Due to State of Connecticut		3,561
Due to Affiliates		(9,483)
Accrued salaries		2,148
Net pension and net OPEB liabilities		450,443
Compensated absences		5,224
Unearned revenue		(126)
Deferred inflow of resources		(114,372)
Malpractice reserve		32,315
Net cash used in operating activities	$	(124,306)

Schedule of Non-Cash Financing Transactions

Mortgage proceeds held by Trustee in construction escrow account	$	27
Loss on disposal of capital and intangible assets	$	(196)
In kind Coronavirus Relief donation	$	59
Change in endowment	$	300

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Connecticut Health Center ("UConn Health") is a part of a comprehensive institution of higher education, the University of Connecticut (the "University"). Although governed by a single Board of Trustees, UConn Health and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State Appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. These financial statements represent transactions and balances of UConn Health for the year ended June 30, 2021, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), Finance Corporation and Subsidiaries, 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of significant estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, malpractice reserves, third-party reimbursement reserves, compensated absences, pension, and OPEB liabilities.

Recently Adopted Accounting Pronouncements

In January 2017, GASB Issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments and to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This statement establishes criteria for identifying fiduciary activities with the focus on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. UConn Health has evaluated this statement and believes it does not materially impact its consolidated financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this Statement are effective for the reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 extended the effective dates to reporting periods beginning after December 15, 2020. UConn Health evaluated the impact of this Statement and determined there are no such transactions at the present time and therefore this Statement does not impact the consolidated financial statements.

In June 2018, GASB issued Statement No. 90, *Majority Equity Interests.* The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. A majority equity interest in a legally separate organization that meets the definition of an investment as defined by GASB should be measured using the equity method. Majority equity interests that do not meet the definition of an investment are required to be reported as a component unit. GASB 90 also provides guidance for reporting a component unit if a government acquired a 100% equity interest in that component unit. The provisions of this Statement are effective for the reporting periods beginning after December 15, 2018. However, GASB Statement No. 95 extended the effective dates to reporting periods beginning after December 15, 2019. UConn Health has evaluated this statement and believes it does not materially impact its consolidated financial statements.

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

In October, 2021 GASB issued Statement No. 98, *The Annual Comprehensive Financial Report.* The objective of this Statement is to address references in authoritative literature to the term comprehensive annual financial report. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR.* This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The introduction of the new term is founded on a commitment to promoting inclusiveness. This Statement replaces an existing term but does not establish new accounting and financial reporting requirements. The requirements of this Statement apply to all state and local governments and is effective for fiscal years ending after December 15, 2021 with earlier application encouraged. UConn Health has adopted this Statement.

Upcoming Accounting Pronouncement

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. The original effective date of this statement was for reporting periods after December 15, 2019. However, GASB Statement No. 95 postponed the effective date to fiscal years beginning after June 15, 2021 and all reporting periods thereafter. UConn Health is currently evaluating the impact this Statement will have on its financial statements.

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

In January 2020, GASB issued Statement No. 92, Omnibus 2020 (GASB 92). The objectives of this Statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing, and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments.

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

In March, 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availablity Payment Arrangements.* Public-private and public-public partnerships collectively referred to hereinafter as PPPs comprise a wide variety of arrangements between a government and another party that are engaged in providing services to a government's constituents. Availability payment arrangements (APAs) also have been used in practice to procure government services.
The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. UConn Health is currently evaluating the impact of this Statement on the consolidated financial statements.

In May 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of the Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Statement extended the effective dates of GASB 84 to reporting periods beginning after December 15, 2019. It also extended the effective date of GASB 87 to fiscal years beginning after June 15, 2021 and all reporting periods thereafter. The Statement also extended the effective dates of GASB Statement 92: paragraphs 6, 7. These areas specifically cover intra entity transfers regarding pensions and OPEB plans, as well as reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet certain criteria. Paragraphs 8, 9 and 12 cover the applicability of GASB No. 84 to post employment benefit arrangements and nonrecurring fair value measurements to reporting periods beginning after June 15, 2021. Paragraph 10 relates to government acquisitions occurring in reporting periods beginning after June 15, 2021.

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

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

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

Effective June, 2020 Section 457 plans that are legally separate entities should be reported as component units if a primary government is legally or otherwise obligated to make contributions to the pension or OPEB plan.

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

Cash and Cash Equivalents:

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

Investments and Investment Income

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

Research Foundation Fund and Malpractice Fund assets in excess of immediate cash needs are invested in the State of Connecticut Short-Term Investment Fund (STIF). Most restricted Research Foundation Fund assets are not invested, though there are certain exceptions including gift accounts and funds invested at the request of sponsoring organizations. Local student activity funds 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 day of withdrawal. STIF participants have daily access to their account balances. Underlying investments of the STIF are mainly in money market instruments.

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

Investment Income also includes amounts received from endowments.

Accounts Receivable and Net Patient Service Revenues

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

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

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 note 12 and 14.

Due from/to State

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

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

Inventories

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

Prepaid Expense

Prepaid expenses include payments to vendors before the 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 over the next twelve months.

Deposits with Vendors

Deposits with vendors are required payments based on certain contractual arrangements. Approximately 96% of the current balance is for deposits held with AmerisourceBergen. This is the primary pharmaceutical vendor used by UConn Health. As part of its contract UConn Health is required to maintain a deposit with the vendor based on a percentage of the prior quarter's purchases in order to access preferred pricing. These deposits are non-interest bearing and are considered subject to the credit risk of the vendor. We do not expect a return of these funds within the next twelve months.

Capital and Intangible Assets

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

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

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they were incurred in the primary project stage, application development state, or post-implementation state, and the nature of the costs.

Assets acquired under capital leases and leasehold improvements are depreciated no longer than the lease term.

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 2021, UConn Health disposed of Medical Equipment including a Sequencing System, X-ray Units, Ultrasound Scanner and Cerebral Oximeter. The combined loss on disposal was approximately $121,000. UConn Health also disposed of or traded in a number of smaller items leading to a total loss on disposal of $75,000. None of these items were individually significant.

As of June 30, 2021, UConn Health disposed of information technology equipment and general equipment to fit out the EPIC project in the University Tower. The combined value of these assets was approximately $5.0 million. These assets were reported in equipment in note 9 and there was no loss on disposal.

Medical Malpractice

Health care providers and support staff of UConn Health are fully protected by state statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment ("statutory immunity"). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity have been charged against UConn Health's malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital, UMG, and Dental practices. For the year ended June 30, 2021, these costs are included in the statement of revenues, expenses and changes in net position.

Compensated Absences

UConn Health's employees earn vacation, personal, compensatory, and sick time at varying rates depending on their collective bargaining units. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience.

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

Third-Party Payors

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

Pension Liabilities

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

OPEB Liabilities

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

Deferred Outflows of Resources and Deferred Inflows of Resources

UConn Health reports its proportionate share of collective deferred outflows of resources or collective deferred inflows of resources related to its defined-benefit pension and OPEB plans. Differences between expected and actual experience in the measurement of the total pension liability and OPEB liability, changes of assumptions or other inputs, and differences between actual contributions and proportionate share of contributions are classified as either deferred outflows or deferred inflows, and are recognized over the average of the expected remaining service lives of employees eligible for pension benefits and OPEB benefits. The net differences between projected and actual earnings on pension and OPEB plan investments are reported as deferred outflows or deferred inflows and are recognized over the average remaining service lives of the plan participants. Contributions to the pension and OPEB plan from UConn Health subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as a deferred outflow of resources related to pensions and OPEB and recognized in the subsequent year.

Net Position

GASB requires that resources be classified for accounting and reporting purposes into the following categories of net position:

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

UConn Health's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred is based on a variety of factors. These factors include consideration of prior or future revenue sources, the type of expense incurred, UConn Health's budgetary policies surrounding the various revenue sources, and whether the expense is a recurring cost.

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

Revenues and Expenses

UConn Health breaks out revenues 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, 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 15 for operating expenses presented by natural classification.
- Non-operating revenues and expenses: All other revenues and expenses for UConn Health are reported as non-operating revenues and expenses including State appropriations, including capital, noncapital gifts, investment income and Coronavirus Relief Funds. 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 14 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 15.

Other Significant Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. UConn Health's clinical operations elected to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. As a result, clinical volumes and results were lower in fiscal 2020 than in fiscal 2021. UConn Health continues to diligently navigate the pandemic and its many associated business challenges including PPE shortages, supply chain disruption, aid application and reporting requirements, variant waves, and staffing shortages. Management remains focused on providing exceptional, reliable, and safe patient care to our community. UConn Health implemented a mandatory masking policy for patients, staff, and visitors in 2021 and has adopted a mandatory vaccine policy in fiscal 2022. Both policies focus on ensuring the health of our patients, staff, and visitors. Due to the rapid development and fluidity of the pandemic, including variant spread, the magnitude and duration of the pandemic and its impact on UConn Health's financial condition or results remain uncertain as of the date of this report.

During fiscal year 2021, clinical operations received \$14.6 million via the Coronavirus Aid, Relief, and Economic Security (CARES) Act General Distribution Phase 3 based on lost revenue. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. UConn Health has met these requirements.

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

UConn Health may also apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health is eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration, and UConn Health has obtained a commitment from the State of Connecticut as part of the CRF to assist with eligible pandemic related expenses not reimbursed by FEMA. The FEMA application process can be time intensive and UConn Health only recently received confirmation of FEMA funding for expenses from fiscal year 2020. See note 16 for additional details.

2. CASH DEPOSITS AND INVESTMENTS

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

UConn Health's cash and cash equivalents, current and noncurrent, balance was $192,635,651 as of June 30, 2021 and included the following:

		2021
Cash maintained by State of Connecticut Treasurer	$	160,998,346
Invested in State of Connecticut Short-Term		
Investment Fund		31,446,911
Deposits with Financial Institutions and Other		182,669
Currency (Change Funds)		7,725
Total cash and cash equivalents		192,635,651
Less: current balance		192,141,679
Total noncurrent balance	$	493,972

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 $31,446,911 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 2021.

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 $2,558,200 as of June 30, 2021. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income earned from those sources was $5,660 for the year ended June 30, 2021.

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, 2021, the Hospital and UMG had the following draws and availability under the State statute:

		2021		
		John Dempsey Hospital		UConn Medical Group
Amount Drawn under Hypothecation	$	-	$	4,882,505
Remaining amounts available under Hypothecation	$	47,630,465	$	5,342,142

4. NET PATIENT SERVICE REVENUE

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

Patient service revenues reported net of allowances and provisions for bad debt. UHPSI also deducts Direct and Indirect Remuneration (DIR) fees. DIR refers to the compensation received by Medicare Part D sponsors or their Pharmacy Benefits Manager (PBM) after point-of-sale. The year ended June 30 were:

	2021	
John Dempsey Hospital		
Gross patient services revenue	$ 1,342,597,608	
Less contractual allowances and provision for bad debt	886,037,519	
		$ 456,560,089
UConn Medical Group		
Gross patient services revenue	284,464,823	
Less contractual allowances and provision for bad debt	159,531,116	
		124,933,707
UHPSI		
Gross patient services revenue	49,356,197	
Less contractual allowances, Direct and Indirect Remuneration (DIR) fees and provision for bad debt	11,979,063	
		37,377,134
All other		10,028,428
Total net patient revenue		$ 628,899,358

Significant Concentrations

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of net patient revenues and associated year-end receivables for these programs are shown in the table below as of June 30, 2021.

	Medicare	Medicaid
John Dempsey Hospital		
Net Revenue	33%	21%
Accounts Receivable	27%	12%
Uconn Medical Group		
Net Revenue	29%	16%
Accounts Receivable	25%	9%
UHPSI		
Net Revenue	22%	61%
Accounts Receivable	24%	51%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. UConn Health believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on UConn Health.

5. 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 are the charity care services provided along with the associated cost for the year ended June 30.

	2021	
	Charity Care Services	Cost of Services
John Dempsey Hospital	$ 3,075,486	$ 881,434
Uconn Medical Group	470,698	140,890
Educational Clinics	106,499	96,914
UHPSI	4,959	176
Total	$ 3,657,642	$ 1,119,414

6. 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 14.

7. RESIDENCY TRAINING PROGRAM

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

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

8. CONTINGENCIES

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

On June 29, 2021, a judge decided for the plaintiffs in the case *Monroe Lynch, et al v. State of Connecticut*. The original judgment awarded the plaintiffs \$37.6 million. Based on UConn Health's post-trial motions, the amount was reduced to \$34.6 million, subsequent to year end. UConn Health has accrued a liability based on the initial judgment as adjusted. UConn Health believes there are substantial grounds for appeal and intends to vigorously pursue an appeal. Appeal documents were filed in September 2021.

9. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2021, consisted of the following:

		2021
Land	$	13,537,051
Construction in progress		6,776,894
Fine art		1,240,302
Buildings		1,260,979,707
Equipment		261,999,129
Computer software		77,556,034
Capital leases		18,304,966
		1,640,394,083
Less accumulated depreciation		768,333,022
Capital and intangible assets, net	$	872,061,061

Construction in progress at June 30, 2021, 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 year ended June 30, 2021 was as follows:

	2020	Additions	Deletions	2021
Capital assets not being depreciated				
Land	$ 13,537,051	$ -	$ -	$ 13,537,051
Construction in progress	10,690,101	10,689,346	(14,602,553)	6,776,894
Fine art	1,271,363	1,580	(32,641)	1,240,302
Total capital assets not being depreciated	25,498,515	10,690,926	(14,635,194)	21,554,247
Depreciable capital assets				
Buildings and building improvements	1,247,382,940	13,596,767	-	1,260,979,707
Equipment	268,821,045	10,760,698	(17,582,614)	261,999,129
Computer software	77,425,705	503,593	(373,264)	77,556,034
Capital leases	18,308,464	-	(3,498)	18,304,966
Total depreciable capital assets	1,611,938,154	24,861,058	(17,959,376)	1,618,839,836
Less accumulated depreciation:				
Buildings and building improvements	467,389,490	41,796,590	-	509,186,080
Equipment	209,532,072	19,041,793	(17,419,254)	211,154,611
Computer software	24,938,687	8,223,721	(373,264)	32,789,144
Capital leases	13,893,719	1,312,966	(3,498)	15,203,187
Total accumulated depreciation	715,753,968	70,375,070	(17,796,016)	768,333,022
Depreciable capital assets, net				
Buildings and building improvements	779,993,450	(28,199,823)	-	751,793,627
Equipment	59,288,973	(8,281,095)	(163,360)	50,844,518
Computer software	52,487,018	(7,720,128)	-	44,766,890
Capital leases	4,414,745	(1,312,966)	-	3,101,779
Total depreciable capital assets, net	896,184,186	(45,514,012)	(163,360)	850,506,814
Capital and intangible assets, net	$ 921,682,701	$ (34,823,086)	$ (14,798,554)	$ 872,061,061

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 was as follows:

	June 30, 2020 Balance	Additions	Reductions	June 30, 2021 Balance	Amounts due within 1 year
Long-Term debt:					
Capital Leases					
Capital lease obligation(GE Capital) - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed MRI equipment	$ 576,189	$ -	$ (430,757)	$ 145,432	$ 145,432
Capital lease obligation (Sysmex America)- Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed Hemotology equipment	125,669	-	(83,385)	42,284	42,284
Capital lease obligation (GE Capital) - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed Davinci surgical robot	1,728,846	-	(350,393)	1,378,453	361,050
Capital lease obligation (GE Capital) - Payments including interest at 1.76% began July 2019 and continue until August 2024*, collateralized by financed Voluson P8 ultrasound	34,567	-	(5,598)	28,969	6,456
Capital lease obligation (GE Capital)- Payments including interest at 2.82% began October 2019 and continue until September 2024*, collateralized by financed 6 C-arms x-ray machines	799,674	-	(158,908)	640,766	182,941
Capital lease obligation (GE Capital) - Payments including interest at 1.85% began November 2019 and continue until October 2024*, collateralized by financed 1 C-arm x-ray machine	147,568	-	(28,354)	119,214	32,769
Capital lease obligation (Avaya) - Payments including interest at 5.65% began April 2020 and continue until March 2026, collateralized by financed phone system	877,011	-	(132,833)	744,178	140,556
Total Capital Leases	4,289,524	-	(1,190,228)	3,099,296	911,488
Business -type activities:					
Notes from Direct Borrowings -					
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 2004 and continue until November 2024, with interest at 6.34%	7,741,328	-	(1,568,443)	6,172,885	1,670,824
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040	177,922,242	-	(5,535,524)	172,386,718	5,807,674
Total Notes From Direct Borrowing	185,663,570	-	(7,103,967)	178,559,603	7,478,498
Other long-term liabilities:					
Malpractice reserve	9,355,000	37,289,005	(4,974,205)	41,669,800	2,218,000
Compensated absences	44,666,600	30,805,684	(25,581,461)	49,890,823	20,390,379
Pension liability	1,018,772,595	320,279,548	(144,471,911)	1,194,580,232	-
OPEB liability	1,511,625,530	353,430,393	(78,790,734)	1,786,265,189	-
Total other long-term liabilities	2,584,419,725	741,804,630	(253,818,311)	3,072,406,044	22,608,379
Total Long - Term Liabilities	$ 2,774,372,819	$ 741,804,630	$ (262,112,506)	$ 3,254,064,943	$ 30,998,365

*In fiscal year 2021, 3 of the GE leases were amended due to a COVID-19 restructure deferral payment agreement. This agreement allowed for a one-month lease payment deferral due to the COVID-19 pandemic, which extended the lease termination dates by one month each.

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statement of Net Position; depreciation on these assets is included in depreciation in the accompanying Statement of Revenues, Expenses, and Changes in Net Position (see note 9). Loans related to these capital lease agreements are included in long-term debt on the accompanying Statement of Net Position.

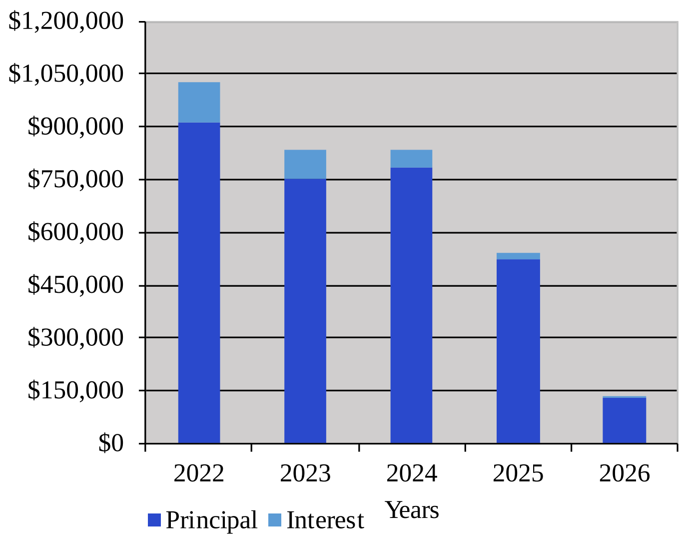
Outstanding notes from direct borrowings related to business-type activities of $178,559,603 as of June 30, 2021 are secured by the UConn Musculoskeletal Institute building, the Outpatient Pavilion, the Leasehold (as to Land) and Fee (as to improvements) Mortgage, Security Agreement, Assignment of Lease and Rents and Fixture Filing. The outstanding notes from direct borrowings related to business-type activities contain a provision that in an event of default, outstanding amounts become immediately due if payment has not been made when due.

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

	Future Minimum Capital Lease Payments	
Year Ending June 30,	Principal	Interest
2022	$ 911,488.00	$ 113,555
2023	752,370	84,125
2024	782,181	54,306
2025	522,160	18,622
2026	131,097	3,016
Total minimum payments	$ 3,099,296	$ 273,624

In fiscal year 2021, UConn Health recorded interest expense of $163,626 related to capital leases.

Capital Leases

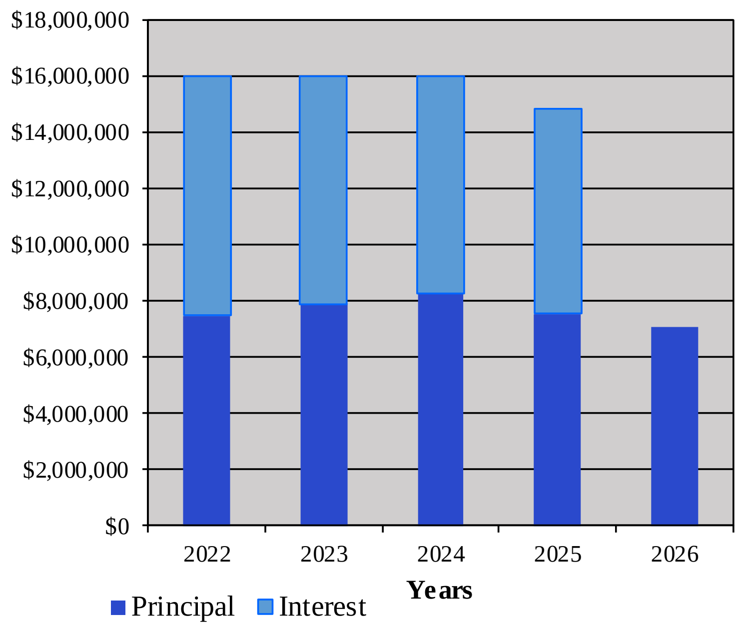


Estimated cash basis interest and principal requirements for notes from direct borrowings for the remaining years of the notes are as follows:

Year Ending June 30,	Notes from Direct Principal	Interest
2022	$ 7,478,497	$ 8,506,542
2023	7,873,090	8,111,949
2024	8,288,841	7,696,199
2025	7,533,172	7,276,924
2026	7,036,815	6,934,037
2027-2031	40,726,442	29,127,818
2032-2036	51,771,874	18,082,385
2037-2040	47,850,872	4,539,822
	$ 178,559,603	$ 90,275,676

In fiscal year 2021, UConn Health recorded interest expense of $8,864,456 related to note borrowings.

Notes from Direct Borrowing Requirement



Medical Malpractice Insurance

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

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

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by UConn Health, UConn Health may petition the State to make up any difference. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program. At June 30, 2021, UConn Health Malpractice Fund had actuarial reserves of approximately $41.7 million and assets of approximately $3.8 million.

11. RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS

State Retirement Systems

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

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

State Employees' Retirement System (SERS)

Pension plan - SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. SERS is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. As of June 30, 2021, 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 65.3% in fiscal year 2021. 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, 2021 were:

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

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

Tier I Plan C – 7.0% of earnings

Tier II Hazardous – 6.0% of earnings

Tier II (all others) – 2.0% of earnings

Tier IIA and III Hazardous – 7.0 % of earnings

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

Tier IV Hazardous – 8% of earnings

Tier IV (all others) – 5% of earnings

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

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

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

UConn Health makes contributions on behalf of the employees, through a fringe benefit charge assessed by the State. These amounts are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. UConn Health's contributions were $99.9 million for fiscal year 2021.

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, 2020. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of SERS was 5.01% which was an increase of .56% from its proportion measured as of June 30, 2019.

At June 30, 2021, UConn Health reported liabilities of $1,188.7 million for its proportionate share of the SERS collective NPL.

SERS Expense - For the year ended June 30, 2021, UConn Health recognized a SERS pension expense of $163.5 million.

Actuarial assumptions - For SERS, the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females is used for the period after disability.

The TPL was based on actuarial study for the period July 1, 2011–June 30, 2015 for SERS using the following key assumptions:

Inflation	2.50 %
Salary increases	3.50% - 19.50%, including inflation
Investment rate of return	6.9%, net of pension plan investment expense, including inflation

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

The target assets allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2020 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Market Intl. Stock Fund	9.00%	7.90%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternative Investments	7.00%	2.90%
Core Fixed Income Fund	16.00%	2.10%
High Yield Bond Fund	6.00%	4.00%
Emerging Market Debt Fund	5.00%	2.70%
Inflation Linked Bond Fund	5.00%	1.10%
Liquidity Fund	1.00%	0.40%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL at June 30, 2020 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 2140.

Based on those assumptions, SERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL and a municipal bond rate was not used in determining the discount rate.

Sensitivity analysis - The following table presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 6.9%, as well as what UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate (amounts in thousands):

1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
$ 1,412,269	$ 1,188,704	$1,001,862

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, 2020.

<u>Connecticut Teachers' Retirement System (TRS)</u>

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 10-183ww of the State General Statutes.

Contributions - The contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 7.0% of their annual salary. According to Section 10-183z of the State General Statutes, a special funding situation requires the State to contribute 100.0% of employer's contributions on behalf of its municipalities at an actuarially determined rate. However, a special funding situation does not apply to UConn Health because it is an agency of the State and is not a separate non-employer contributing entity. Therefore, like SERS, UConn Health makes contributions on behalf of these employees, through a fringe benefit charge assessed by the State. UConn Health's TRS contributions for the year ended June 30, 2021, was $491,023.

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, 2020. 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, 2020.

TRS Expense - For the year ended June 30, 2020, UConn Health recognized a TRS pension expense of $1,344,380.

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

The TPL was based on an actuarial study for the period July 1, 2015 – June 30, 2019 for TRS, using the following key actuarial assumptions:

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2020 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Markets Intl. Stock Fund	9.00%	7.90%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternate Investment	7.00%	2.90%
Core Fixed Income	16.00%	2.10%
High Yield Bond Fund	6.00%	4.00%
Emerging Market Debt Fund	5.00%	2.70%
Inflation Linked Bond fund	5.00%	1.10%
Liquidity Fund	1.00%	0.40%
Total	100.00%	

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%)
$ 7,350	$ 5,877	$ 4,653

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, 2020.

Deferred outflows and deferred inflows of resources related to pensions -At June 30, 2021, 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
Deferred Outflows of Resources			
Changes in assumptions	$ 31,663	$ 1,284	$ 32,947
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	207,082	1,641	208,723
Net differences between projected and actual earnings on pension plan investments	20,036	241	20,277
UConn Health contributions subsequent to the measurement date	99,867	491	100,358
Difference between expected and actual experience	64,157	-	64,157
Difference between expected and actual contributions	-	20	20
Total Deferred Outflows	$ 422,805	$ 3,677	$ 426,482
Deferred Inflows of Resources			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	$ 160,878	$ 243	$ 161,121
Difference between expected and actual experience	-	176	176
Total Deferred Inflows	$ 160,878	$ 419	$ 161,297

The $100.4 million in deferred outflows relating to contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30,

2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year	SERS	TRS	Total
2022	$ 47,064	$ 753	$ 47,817
2023	12,726	712	13,438
2024	33,440	552	33,992
2025	54,066	448	54,514
2026	12,628	239	12,867
Thereafter	2,136	63	2,199
Total	$ 162,060	$ 2,767	$ 164,827

Alternate Retirement Plan

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

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

ARP contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. Participants hired prior to July 1, 2017, must contribute 6% of their eligible compensation, except for participants who elected the one-time option to remain at the previous employee contribution rate of 5%, and their employer must contribute 7% of eligible compensation. Participants hired on or after July 1, 2017, have the option to contribute 6.5% or 5% of their eligible compensation and their employer must contribute 6.5% of eligible compensation. There is no minimum vesting period for ARP. Other ARP provisions are described in Chapter 66 of the State General Statutes, State Employees Retirement Act.

UConn Health contributes its employer share through a fringe benefit charge assessed by the State; which includes OPEB. UConn Health contributed 14.82% during the year ended June 30, 2021, an increase from the contribution rate of 14.61% in the prior year. For fiscal year 2020, UConn Health's employer contributions to ARP were $27.3 million. Participant and employer contributions are both 100% vested immediately. The commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

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

Post-Employment Benefits other than Pension

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

General Information about the SEOPEBP

Plan description - The State's defined benefit OPEB plan, State of Connecticut State Employee OPEB Plan (SEOPEBP), provides OPEB benefits for employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is administered by the State Comptroller's Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

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

Employees covered by benefit terms - Demographic data for individual State entities in the OPEB plan are not readily available. At June 30, 2019, SEOPEBP in total covered the following:

Inactive employees or beneficiaries currently receiving benefit payments	77,141
Inactive employees entitled to but not yet receiving benefit payments	649
Active employees	48,015
Total covered employees	125,805

Contributions – SEOPEBP is primarily funded on a pay-as-you-go basis. The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3% of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing 10 years of service.

Similar to pension, UConn Health contributes to SEOPEBP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. UConn Health's rate of actual contributions as a percentage of covered payroll was 15.7% and the total amount contributed to the plan was $66.8 million for the fiscal year ended June 30, 2021.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2019 were due to a decrease in the discount rate. In addition, demographic assumptions, per capita health costs, administrative costs, contributions and adjustments to future trends were also updated.

At June 30, 2021, UConn Health reported a liability of $1,786.3 million for its proportionate share of the collective net OPEB liability. UConn Health's proportion of the collective NOL was based on UConn Health's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, UConn Health's proportion was 7.6%, which was an increase of 0.3% from its proportion measured as of June 30, 2019.

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

*Discount rat*e - The discount rate changed to 2.38% as of June 30, 2021, from 3.58% as of June 30, 2020. The projection of cash flows used in calculating the discount rate included employer contributions actuarially determined in accordance with GASB 75 and employee contributions made in accordance with the current SEBAC agreements. The discount rate used is a blend of the long-term expected rate of return on OPEB trust assets and the municipal bond rate. The municipal bond rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.21% as of June 30, 2020). The blending is based on sufficiency of projected assets to make projected benefits.

Mortality rates for healthy personnel were based on the RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females. For disabled employees, the RP-2014 Disabled Mortality Table at 65% for males and 85% for females was used.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011—June 30, 2015.

Payroll growth rate:	3.5%
Salary increase:	3.25% to 4.5% varying by years of service
Discount rate:	2.38 % as of June 30, 2020

Healthcare cost trends rates

Medical *	6.0% graded to 4.5% over 6 years
Prescription drug*	6.0% graded to 4.5% over 6 years
Dental and Part B	3.0% and 4.5%, respectively
Administrative expense	3.0%

*Short-term rates were altered to reflect changes from the SEBAC 2017 agreement

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of UConn Health, as well as what the UConn Health's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.38%) or 1- percentage-point higher (3.38%) than the current discount rate:

	1% Decrease 1.38%	Discount Rate 2.38%	1% Increase 3.38%
	($ in thousands)		
Net OPEB Liability	$ 2,101,166	$1,786,265	$ 1,533,122

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		
	1% Decrease	Current Valuation	1% Increase
	($ in thousands)		
Net OPEB Liability	$ 1,497,474	$1,786,265	$ 2,157,646

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, 2020.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2021, UConn Health recognized an OPEB expense of $209.9 million. At June 30, 2021, 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	$ 216,736	$ -
UConn Health contributions subsequent to measurement date	66,784	-
Changes in assumptions or other inputs	296,502	34,688
Net difference between projected and actual earnings	3,522	-
Changes in expected and actual experience on Total OPEB Liability		41,231
Changes in proportion between employe and proportionate share of contributions		89,916
Total	$ 583,544	$ 165,835

UConn Health contributions subsequent to the measurement date totaling $66.8 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
	($ in thousands)
2022	$ 87,770
2023	86,521
2024	107,698
2025	59,928
2026	9,008
Total	$ 350,925

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Markets Intl. Stock Fund	9.00%	7.90%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternate Investment	7.00%	2.90%
Core Fixed Income	16.00%	2.10%
High Yield Bond Fund	6.00%	4.00%
Emerging Market Debt Fund	5.00%	2.70%
Inflation Linked Bond fund	5.00%	1.10%
Liquidity Fund	1.00%	0.40%
Total	100.00%	

12. BOND FINANCED ALLOTMENTS

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

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act). The Act authorized additional projects for the University and for the first time UConn Health for what is called Phase III of UCONN 2000. This Act amended PA No. 95-230 and extended the UCONN 2000 financing program.
The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a $25.0 million reallocation from existing UCONN 2000 UConn Health allocations, and a $207.0 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018.

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

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

In December 2020, the University issued general obligation bonds at face value of $279.3 million, comprising $160.2 million of 2020 Series A Bonds and $119.1 million of 2020 Refunding Series A Bonds. The total bonds were issued at a premium of $63.7 million. Total net proceeds realized from the 2020 Series A Bonds were $200.0 million after the payment of issuance costs and underwriter fees. Of this amount, $680,000 was allocated to finance projects at UConn Health.

As of June 30, 2021, approved projects receiving bond funding from UConn General Obligation Bonds secured by the State's Debt Service Commitment had an allocated total of $825.9 million. The Act also requires UConn Health to contribute not less than $69.0 million through operations, eligible gifts, or other sources towards new UConn Health construction.

UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, the current Phase III commitment to fund projects totals $825.9 million for UConn Health. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for UConn Health. A corresponding receivable, Due from Affiliates, is recorded for the unspent portion of the bonds, $3.0 million, at June 30, 2021, in the Statement of Net Position.

13. COMMITMENTS

On June 30, 2021, UConn Health had individual outstanding commitments exceeding $300,000 in amount, totaling $6,861,302. Portions of this amount were included in the June 30, 2021 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 $63,426,788 during the 2021-2022 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for interns and residents participating in the School of Medicine and Dental Medicine Residency Training Programs. These costs are to be funded by participating hospitals, which will remit payments to UConn Health, in accordance with an established rate schedule, for services provided. Dental Residency costs will be funded by the School of Dental Medicine.

UConn Health leases various building space under operating lease commitments, which expire at various dates through fiscal year 2027. Expenses related to these leases were $5,506,807 for the year ended June 30, 2021. Future minimum rental payments at June 30, 2021 under non-cancelable operating leases are approximately as follows:

Year		Payments
2022	$	4,172,828
2023		3,522,865
2024		2,918,892
2025		2,456,513
2026		2,402,195
2027-2031		8,638,826
Total	$	24,112,119

14. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the "Foundation") is a tax-exempt organization whose objective is the betterment of the University, including UConn Health. UConn Health has an agreement through the University to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse UConn Health for certain services performed and for operating expenses of the Foundation. The following material transactions occurred between UConn Health and the Foundation during the year ended June 30, 2021:

		2021
Amount paid to University for Foundation services	$	945,000
Amount received from Foundation for personnel services and operating expenses	$	1,482,141
Amount received from Foundation from endowments and gifts	$	2,999,514

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 2021, UConn Health recorded expenses of approximately $15.1 million to the University related to those MOU's. UConn Health also paid the University for other expenses related to grants and contracts, services of educational departments, and for miscellaneous goods and services.

The University and UConn Health executed a MOU with UConn Health to provide up to $2.6 million in funding to support the Dermatology Clinic Renovation project. In fiscal year 2021, UConn Health received $1.8 million related to this MOU. UConn Health will repay the University $800,000 in fiscal year 2022 and $1.0 million in fiscal year 2023.

Listed in the table below are the material transactions with the University excluding payments for Foundation services. Not included in this list are certain cost share arrangements for shared services and transactions related to UCONN 2000 as noted in note 12.

Agreements under an MOU	2021 ($ in thousands)	
Public safety	$	8,620
Library		1,549
Communications		1,043
Technology commercialization Services		948
Information Technology		856
Audit, Compliance and Privacy		683
Document production		554
Ombudsman and institutional equity		359
Government relations		256
Miscellaneous		191
Total MOUs with University of Connecticut ^	$	15,059

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

UConn Health recorded a payable to the University for $4.4 million related to these agreements. Additionally, the University transferred $2.0 million from unrestricted funds to UConn Health for partial support of our Nuclear Magnetic Resonance Facility Upgrade project in fiscal year 2021.

UConn Health provides pharmaceutical, medical, dental, and psychiatric care to inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Corrections (DOC). UConn Health billed DOC $6.5 million in fiscal year 2021 for services.

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

For the year ended June 30, 2021, the amounts of the benefits recognized were as follows:

State of Connecticut Appropriations	$	116,932,522
Deficiency Appropriation Special Act 21-15		50,000,000
Bioscience CT Appropriation		15,923,000
Fringe Benefit Differential Sec 3-123i		13,500,000
Worker Compensation Appropriation		2,917,484
Amount of General Fund Appropriations from State of Connecticut	$	199,273,006
Amount of In Kind Fringe Benefits from State of Connecticut:	$	131,598,918
Total Appropriations and In Kind Fringe Benefits received from State of Connecticut	$	330,871,924

15. OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

The table below details UConn Health's operating expenses by natural and functional classification for the year ended June 30, 2021 (amounts in thousands).

	Natural Classification					
Functional Classification	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	Total
Instruction	$ 81,373	$ 47,074	$ 48,621	$ 1,842	$ -	$ 178,910
Research	26,291	13,105	16,473	1,685	-	57,554
Patient services	307,129	392,396	263,777	3,233	-	966,535
Academic support	10,265	8,159	6,562	-	-	24,986
Institutional support	29,588	36,525	92,942	-	-	159,055
Operations and maintenance of plant	11,113	11,901	2,438	1,434	-	26,886
Depreciation and amortization	-	-	-	-	70,375	70,375
Student aid	-	-	39	-	-	39
Total	$ 465,759	$ 509,160	$ 430,852	$ 8,194	$ 70,375	$ 1,484,340

16. COVID-19 RELIEF REVENUE

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated $175 billion to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services HHS). GASB issued the Technical Bulletin 2020-1, Accounting and Financial Reporting Issues Related to the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases*. UConn Health qualified for funding from various programs and received a total of $32.8 million.

UConn Health received funding from three different rounds, or tranches, of Provider Relief Funding. The first tranche was based on previous Medicare payments and totaled approximately $7.8 million. The second tranche was based on total revenue from Medicare Cost Report or net revenue and totaled $3.3 million. The final payment received in fiscal year 2020 was received under the Safety Net distribution and totaled approximately $7.2 million.

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

UConn Health also received approximately $2.1 million for Phase 3 which was based on lost revenue. Criteria and reporting requirements for the Provider Relief Funding have been established and continue to be updated by HHS. Regardless of the changes to the criteria, management believes that eligibility requirements have been met for the complete amount received based on increased operating expenses and lost revenue. As such, UConn Health recognized the funds received as non-operating revenue in 2021 statement of revenues, expenses and changes in net position.

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

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

UConn Health also received in-kind support in the form of personal protection equipment and other equipment to facilitate its efforts to provide clinical care to COVID-19 patients. These items; which UConn Health valued at $58,828 are recorded as gifts in the statement of revenues, expenses and changes in net positon.

17. SUBSEQUENT EVENTS

In September of 2021, the Hospital began repayment on funds received under the Medicare Advance program. These funds were obtained from CMS (Medicare) on September 17, 2020. Under the program, the previous advance of roughly $45.3 million will be recouped beginning one year from the issuance date. The recoupment is scheduled to be achieved via Medicare withholding 25% of payments for the first eleven months and 50% of payments for the remaining six months. The advance was interest free, however, if amounts are not fully recouped using this methodology there will be a 4% interest rate charged on any outstanding advances not repaid at the end of the recoupment period.

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

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	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	5.01%	4.45%	3.62% *	5.50%	5.36%	5.29%	4.99%
Proportionate share of the collective NPL	$ 1,188,704	$ 1,014,303	$ 784,023	$ 1,159,362	$ 1,230,753	$ 873,351	$ 799,061
UConn Health's covered payroll	$ 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	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	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	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	$ 99,867	$ 80,994	$ 70,177	$ 52,170	$ 84,860	$ 80,493	$ 72,496
Actual UConn Health contribution	99,867	80,994	70,177	52,170	84,860	80,493	72,496
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
UConn Health's covered payroll	$ 237,938	$ 222,553	$ 175,810	$ 150,434	$ 205,188	$ 200,050	$ 184,762
Actual UConn Health contributions as a percentage of covered payroll	41.97%	36.39%	39.92%	34.68%	41.36%	40.24%	39.24%

NOTES TO REQUIRED SCHEDULES

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

Changes in Benefit Terms

2020 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Plan.

Other Factors

2021, 2020, 2019, and 2018 – The discontinuation of CMHC and the transfer of staff to DOC contributed to the decline in the 2018 %. The SERS contractually required employer contribution and covered payroll did not include CMHC as a result of this.

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

	TRS ($ in thousands)						
Fiscal Year Ended June 30	2021	2020	2019	2018	2017	2016	2015
Proportion of collective NPL	0.031%	0.026%	0.026%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	$ 5,877	$ 4,469	$ 3,447	$ 2,508	$ 2,646	$ 1,042	$ 963
UConn Health's covered payroll	$ 1,263	$ 1,138	$ 1,103	$ 834	$ 762	$ 573	$ 384
Proportionate share of the collective NPL as a percentage of covered payroll	465.32%	392.71%	312.51%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	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,

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

NOTES TO REQUIRED SCHEDULES

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

Changes in Benefit Terms

2020 – Beginning July 1, 2019, annual interest credited on mandatory contributions is set at 4 percent. For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the member's mandatory contributions plus interest frozen at the date of the benefit commnecement, 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.
2017 – Amounts reported reflect adjustments to rates of withdrawal, disability, retirement, mortality and assumed rates of salary to more closely reflect actual and anticipated experience.

Changes in Assumptions

2021 - Decrease in the annual reate of real wage increase assumption from .75% to .50%; decrease in the payroll growth assumption from 3.25% to 3.0%.
2020 – Reduction in the inflation assumption from 2.75% to 2.50%. Reduction to the real reate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.00% to 6.90%. Increase the annual rate of wage increase assumption from .50% to .75%. Phase in to a level amortization method for the June 30, 2024 valuation.

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

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

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

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

NOTES TO REQUIRED SCHEDULES

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

2021, 2020, 2019 and 2018 – The OPEB contractually required employer contribution and covered payroll did not include CMHC.

Changes of Assumptions

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

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

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

OTHER SUPPLEMENTARY INFORMATION

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2021

	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	$ 143,568,960	$ 48,572,719	$ -	$ 192,141,679
Patient receivables, net	12,136,442	49,120,166	-	61,256,608
Contract and other receivables	18,908,094	3,802,573	-	22,710,667
Due from Affiliates (Note 12)	2,979,136	-	-	2,979,136
Due from State of Connecticut	7,743,786	6,842,171	-	14,585,957
Due from Primary Institution	-	9,515,844	(9,515,844)	-
Due from Department of Correction	21,298	-	-	21,298
Inventories	3,819,467	15,066,359	-	18,885,826
Prepaid expenses	5,914,141	1,223,674	-	7,137,815
Total current assets	195,091,324	134,143,506	(9,515,844)	319,718,986
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	493,972	-	-	493,972
Deposits with vendors	2,054,135	9,112,315	-	11,166,450
Other assets	365,843	117,543	-	483,386
Due from State of Connecticut	464,693	-	-	464,693
Capital and intangible assets, net (Note 9)	543,757,234	328,303,827	-	872,061,061
Total noncurrent assets	547,135,877	337,533,685	-	884,669,562
Total assets	$ 742,227,201	$ 471,677,191	$ (9,515,844)	$ 1,204,388,548
Deferred Outflows of Resources Pension	278,298,773	148,183,467	-	426,482,240
Deferred Outflows of Resources OPEB	388,518,962	195,025,424	-	583,544,386
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 32,930,687	$ 20,194,042	$ -	$ 53,124,729
Due to State of Connecticut	14,225,896	8,983,684	-	23,209,580
Accrued salaries	22,907,372	11,735,345	-	34,642,717
Compensated absences - current portion (Note 10)	12,894,275	7,496,104	-	20,390,379
Due to John Dempsey Hospital	9,515,844	-	(9,515,844)	-
Due to third party payors	(5,230,443)	61,622,763	-	56,392,320
Due to Affiliates - current portion (Note 14)	3,364,187	-	-	3,364,187
Unearned revenue	726,529	4,419	-	730,948
Malpractice reserve (Note 10)	2,218,000	-	-	2,218,000
Long-term debt - current portion (Note 10)	7,625,510	764,476	-	8,389,986
Total current liabilities	101,177,857	110,800,833	(9,515,844)	202,462,846
Noncurrent Liabilities				
Malpractice reserve (Note 10)	39,451,800	-	-	39,451,800
Compensated absences - net of current portion (Note 10)	18,655,211	10,845,233	-	29,500,444
Due to Affiliates - net of current portion (Note 14)	1,000,000	-	-	1,000,000
Pension liability (Note 11)	760,350,153	434,230,079	-	1,194,580,232
OPEB liability (Note 11)	1,157,590,710	628,674,479	-	1,786,265,189
Long-term debt - net of current portion (Note 10)	171,707,241	1,561,672	-	173,268,913
Total noncurrent liabilities	2,148,755,115	1,075,311,463	-	3,224,066,578
Total liabilities	$ 2,249,932,972	$ 1,186,112,296	$ (9,515,844)	$ 3,426,529,424
Deferred Inflows of Resources Pension	$ 161,213,513	$ 83,298	$ -	$ 161,296,811
Deferred Inflows of Resources OPEB	$ 139,115,456	$ 26,719,717	$ -	$ 165,835,173
NET POSITION				
Net investment in capital assets	$ 364,424,483	$ 325,977,679	$ -	$ 690,402,162
Restricted for				
Nonexpendable				
Scholarships	61,451	-	-	61,451
Expendable				
Research	1,106,638	-	-	1,106,638
Loans	243,649	-	-	243,649
Capital projects	3,443,829	-	-	3,443,829
Unrestricted	(1,510,497,055)	(724,006,908)	-	(2,234,503,963)
Total net position	$ (1,141,217,005)	$ (398,029,229)	$ -	$ (1,539,246,234)

UCONN HEALTH
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 23,474,837	$ -	$ 23,474,837	$ -	$ 23,474,837
Patient services, net	172,339,269	456,560,089	628,899,358	-	628,899,358
Federal grants and contracts	68,185,125	-	68,185,125	-	68,185,125
Nonfederal grants and contracts	24,977,125	-	24,977,125	-	24,977,125
Contract and other operating revenues	133,579,805	71,877,122	205,456,927	(50,038,312)	155,418,615
Total operating revenues	422,556,161	528,437,211	950,993,372	(50,038,312)	900,955,060
OPERATING EXPENSES					
Educational and General					
Instruction	205,454,445	-	205,454,445	(26,544,684)	178,909,761
Research	57,554,262	-	57,554,262	-	57,554,262
Patient services	298,153,720	688,202,101	986,355,821	(19,820,440)	966,535,381
Academic support	24,986,382	-	24,986,382	-	24,986,382
Institutional support	162,510,327	-	162,510,327	(3,455,279)	159,055,048
Operations and maintenance of plant	27,103,603	-	27,103,603	(217,909)	26,885,694
Depreciation and amortization (Note 9)	46,405,997	23,969,073	70,375,070	-	70,375,070
Student aid	38,735	-	38,735	-	38,735
Total operating expenses	822,207,471	712,171,174	1,534,378,645	(50,038,312)	1,484,340,333
Operating loss	(399,651,310)	(183,733,963)	(583,385,273)	-	(583,385,273)
NONOPERATING REVENUES (EXPENSES)					
State appropriations (Note 14)	330,871,924	-	330,871,924	-	330,871,924
Gifts	3,795,155	(299,587)	3,495,568	-	3,495,568
COVID-19 relief revenue (Note 16)	3,148,519	12,450,000	15,598,519	-	15,598,519
Hospital transfer	(20,137,056)	20,137,056	-	-	-
Loss on Disposal	(129,958)	(66,043)	(196,001)	-	(196,001)
Investment income, net	31,048	-	31,048	-	31,048
Interest on capital asset - related debt	(8,912,855)	(115,227)	(9,028,082)	-	(9,028,082)
Net nonoperating revenues	308,666,777	32,106,199	340,772,976	-	340,772,976
Loss before other revenues, expenses, gains or losses	(90,984,533)	(151,627,764)	(242,612,297)	-	(242,612,297)
OTHER CHANGES IN NET POSITION					
Transfer from Affiliate (Note 14)	2,000,000	-	2,000,000	-	2,000,000
Capital appropriations (Note 12)	679,684	-	679,684	-	679,684
Net other changes in net position	2,679,684	-	2,679,684	-	2,679,684
Decrease in net position	(88,304,849)	(151,627,764)	(239,932,613)	-	(239,932,613)
NET POSITION					
Net position-beginning of year	(1,052,912,156)	(246,401,465)	(1,299,313,621)	-	(1,299,313,621)
Net position-end of year	$ (1,141,217,005)	$ (398,029,229)	$ (1,539,246,234)	$ -	$ (1,539,246,234)

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Student tuition and fees (net of scholarship allowances)	$ 23,475	$ 21,636	$ 20,655	$ 18,613	$ 17,499	$ 15,728	$ 16,557	$ 15,794	$ 13,812	$ 13,746
Patient services	628,899	513,608	534,494	580,697	539,777	532,876	512,960	450,315	432,032	429,546
Federal grants and contracts	68,185	58,055	58,196	50,748	58,148	59,529	57,920	62,527	60,651	56,904
Nonfederal grants and contracts	24,977	27,872	30,016	29,337	29,009	27,116	24,407	23,803	27,593	27,690
Contract and other operating revenues	155,419	162,725	159,745	127,188	114,284	108,017	109,324	106,771	102,574	93,730
Total operating revenues	900,955	783,896	803,106	806,583	758,717	743,266	721,168	659,210	636,662	621,616
State appropriations	330,872	296,520	250,846	279,513	278,211	289,287	280,645	266,139	213,371	202,997
Transfer from/(to) State and outside programs	-	-	-	-	-	-	-	-	-	1,312
Gifts	3,496	6,950	6,146	5,706	4,079	6,865	7,175	7,300	7,658	7,435
Coronavirus Relief Funding	15,598	22,518	-	-	-	-	-	-	-	-
Investment income (net of investment expense)	31	600	1,385	654	104	141	176	93	124	101
Net nonoperating revenues	349,997	326,588	258,377	285,873	282,394	296,293	287,996	273,532	221,153	211,845
Total Revenues	**$ 1,250,952**	**$ 1,110,484**	**$ 1,061,483**	**$ 1,092,456**	**$ 1,041,111**	**$ 1,039,559**	**$ 1,009,164**	**$ 932,742**	**$ 857,815**	**$ 833,461**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Student tuition and fees (net of scholarship allowances)	2.0%	2.0%	2.0%	1.7%	1.7%	1.5%	1.6%	1.7%	1.6%	1.7%
Patient services	50.3%	46.3%	50.4%	53.2%	51.8%	51.3%	50.8%	48.3%	50.3%	51.6%
Federal grants and contracts	5.5%	5.2%	5.5%	4.6%	5.6%	5.7%	5.8%	6.7%	7.1%	6.8%
Nonfederal grants and contracts	2.0%	2.5%	2.8%	2.7%	2.8%	2.6%	2.4%	2.6%	3.2%	3.3%
Contract and other operating revenues	12.4%	14.7%	15.0%	11.6%	11.0%	10.4%	10.9%	11.4%	12.0%	11.2%
Total operating revenues	72.2%	70.7%	75.7%	73.8%	72.9%	71.5%	71.5%	70.7%	74.2%	74.6%
State appropriations	26.3%	26.6%	23.6%	25.6%	26.7%	27.8%	27.8%	28.5%	24.9%	24.3%
Transfer from/(to) State and outside programs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Gifts	0.3%	0.6%	0.6%	0.5%	0.4%	0.7%	0.7%	0.8%	0.9%	0.9%
Coronavirus Relief Funding	1.2%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income (net of investment expense)	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net nonoperating revenues	27.8%	29.3%	24.3%	26.2%	27.1%	28.5%	28.5%	29.3%	25.8%	25.4%
Total Revenues	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY FUNCTION

	For the Year Ended June 30, (amounts in thousands)									
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Expenses:										
Instruction	$ 178,910	$ 170,526	$ 157,396	$ 179,948	$ 169,130	$ 168,299	$ 163,703	$ 152,618	$ 141,182	$ 129,217
Research	57,554	55,173	52,832	56,102	59,400	58,233	56,961	59,518	60,918	63,080
Patient services	966,535	846,526	663,701	747,637	713,342	648,071	607,435	581,558	522,825	506,720
Academic support	24,986	20,087	15,173	19,322	19,186	18,070	22,458	20,824	20,011	20,200
Institutional support	159,055	89,592	126,922	112,126	82,233	80,638	83,260	66,416	53,114	53,059
Operations and maintenance of plant	26,886	25,112	37,659	38,223	37,295	38,714	35,363	31,548	33,606	28,031
Depreciation and amortization	70,375	72,893	72,575	52,637	52,046	41,469	37,830	32,780	32,365	30,875
Student aid	39	25	71	364	194	84	32	50	136	165
Total operating expenses	1,484,340	1,279,934	1,126,329	1,206,359	1,132,826	1,053,578	1,007,042	945,312	864,157	831,347
Transfer to State and outside programs	-	-	1,991	-	-	-	-	-	-	-
Interest on capital asset - related debt	9,028	9,354	9,619	9,909	10,214	10,487	3,820	1,007	1,072	1,095
Total nonoperating expenses	9,028	9,354	11,610	9,909	10,214	10,487	3,820	1,007	1,072	1,095
Total Expenses	**$ 1,493,368**	**$ 1,289,288**	**$ 1,137,939**	**$ 1,216,268**	**$ 1,143,040**	**$ 1,064,065**	**$ 1,010,862**	**$ 946,319**	**$ 865,229**	**$ 832,442**

Notes to required schedules

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

	For the Year Ended June 30, (percent of total expenses)									
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Expenses:										
Instruction	12.0%	13.2%	13.8%	14.8%	14.8%	15.8%	16.2%	16.1%	16.4%	15.5%
Research	3.9%	4.3%	4.6%	4.6%	5.2%	5.5%	5.7%	6.3%	7.0%	7.6%
Patient services	64.7%	65.7%	58.3%	61.5%	62.4%	60.9%	60.1%	61.5%	60.5%	60.9%
Academic support	1.7%	1.6%	1.3%	1.6%	1.7%	1.7%	2.2%	2.2%	2.3%	2.4%
Institutional support	10.7%	6.9%	11.2%	9.2%	7.2%	7.6%	8.2%	7.0%	6.1%	6.4%
Operations and maintenance of plant	1.7%	1.9%	3.4%	3.2%	3.3%	3.6%	3.5%	3.3%	3.9%	3.4%
Depreciation and amortization	4.7%	5.7%	6.4%	4.3%	4.5%	3.9%	3.7%	3.5%	3.7%	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	99.4%	99.3%	99.0%	99.2%	99.1%	99.0%	99.6%	99.9%	99.9%	99.9%
Transfer to State and outside programs	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%
Total nonoperating expenses	0.6%	0.7%	1.0%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%
Total Expenses	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Salaries and wages	$ 465,759	$ 443,132	$ 418,558	$ 438,122	$ 444,948	$ 452,363	$ 430,988	$ 418,305	$ 403,159	$ 391,890
Fringe benefits	509,160	396,019	254,030	369,185	331,533	264,911	239,288	223,850	180,323	128,613
Supplies and other expenses	430,852	353,870	368,279	333,986	291,166	282,218	286,170	258,778	237,013	266,778
Utilities	8,194	14,020	12,887	12,429	13,133	12,617	12,766	11,599	11,297	13,191
Depreciation and amortization	70,375	72,893	72,575	52,637	52,046	41,469	37,830	32,780	32,365	30,875
Total operating expenses	1,484,340	1,279,934	1,126,329	1,206,359	1,132,826	1,053,578	1,007,042	945,312	864,157	831,347
Transfer to State and outside programs	-	-	1,991	-	-	-	-	-	-	-
Interest on capital asset - related debt	9,028	9,354	9,619	9,909	10,214	10,487	3,820	1,007	1,072	1,095
Total nonoperating expenses	9,028	9,354	11,610	9,909	10,214	10,487	3,820	1,007	1,072	1,095
Total Expenses	**$ 1,493,368**	**$ 1,289,288**	**$ 1,137,939**	**$ 1,216,268**	**$ 1,143,040**	**$ 1,064,065**	**$ 1,010,862**	**$ 946,319**	**$ 865,229**	**$ 832,442**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Salaries and wages	31.2%	34.4%	36.8%	36.0%	38.9%	42.5%	42.6%	44.2%	46.6%	47.1%
Fringe benefits	34.1%	30.7%	22.3%	30.4%	29.0%	24.9%	23.7%	23.7%	20.8%	15.5%
Supplies and other expenses	28.9%	27.4%	32.4%	27.5%	25.5%	26.5%	28.3%	27.3%	27.4%	32.0%
Utilities	0.5%	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%	1.2%	1.3%	1.6%
Depreciation and amortization	4.7%	5.7%	6.4%	4.3%	4.6%	3.9%	3.7%	3.5%	3.8%	3.7%
Total operating expenses	99.4%	99.3%	99.0%	99.2%	99.1%	99.0%	99.6%	99.9%	99.9%	99.9%
Transfer to State and outside programs	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on capital asset - related debt	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%
Total nonoperating expenses	0.6%	0.7%	1.0%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%
Total Expenses	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

	For the Year Ended June 30, (amounts in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total revenues (from Schedule of revenues by source)	$ 1,250,952	$ 1,110,484	$ 1,061,483	$ 1,092,456	$ 1,041,111	$ 1,039,559	$ 1,009,164	$ 932,742	$ 857,815	$ 833,461
Total expenses (from schedule of expenses by natural classification and function)	1,493,368	1,289,288	1,137,939	1,216,268	1,143,040	1,064,065	1,010,862	946,319	865,229	832,442
Loss before other changes in net position	(242,416)	(178,804)	(76,456)	(123,812)	(101,929)	(24,506)	(1,698)	(13,577)	(7,414)	1,019
Transfer from affliliate	2,000	-	-	-	-	-	-	-	-	-
Capital appropriations	680	-	13,000	88,806	43,479	175,000	159,810	193,214	5,000	62,500
Loss on disposal	(196)	(332)	(1,898)	(3,092)	(989)	(695)	(3,902)	(573)	(2,978)	(7)
Net other changes in net position	2,484	(332)	11,102	85,714	42,490	174,305	155,908	192,641	2,022	62,493
Total changes in net position	(239,932)	(179,136)	(65,354)	(38,098)	(59,439)	149,799	154,210	179,064	(5,392)	63,512
Net position-beginning of year (as previously stated)	(1,299,314)	(1,120,178)	(1,014,953)	126,332	185,771	35,972	576,794	397,730	403,122	339,610
Cumulative effect of implementing GASB 68 and 71	-	-	-	-	-	-	(695,032)	-	-	-
Cumulative effect of implementing GASB 75	-	-	-	(1,103,187)	-	-	-	-	-	-
Cumulative effect of accounting changes and error corrections	-	-	(39,871)							
Net position-beginning of year as restated	-	(1,120,178)	(1,054,824)	(976,855)	185,771	35,972	(118,238)	397,730	403,122	339,610
Net position, ending	**$ (1,539,246)**	**$ (1,299,314)**	**$ (1,120,178)**	**$ (1,014,953)**	**$ 126,332**	**$ 185,771**	**$ 35,972**	**$ 576,794**	**$ 397,730**	**$ 403,122**
Net investment in capital assets	$ 690,402	$ 731,730	$ 784,280	$ 867,913	$ 823,325	$ 734,480	$ 579,241	$ 405,672	$ 335,015	$ 301,969
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	1,107	1,792	1,588	(127)	(8)	(876)	(139)	547	1,982	3,436
Loans	244	283	589	523	31	953	1,348	104	794	1,081
Capital projects	3,444	4,363	7,881	37,660	37,061	117,466	104,082	152,707	30,829	51,287
Unrestricted	(2,234,504)	(2,037,543)	(1,914,577)	(1,920,983)	(734,138)	(666,313)	(648,621)	17,703	29,049	45,288
Total net position	**$ (1,539,246)**	**$ (1,299,314)**	**$ (1,120,178)**	**$ (1,014,953)**	**$ 126,332**	**$ 185,771**	**$ 35,972**	**$ 576,794**	**$ 397,730**	**$ 403,122**

SCHEDULE OF LONG-TERM DEBT

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Bonds Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans Payable	-	-	-	-	-	-	-	-	-	415
Capital Leases	3,099	4,289	3,275	1,701	2,187	-	-	-	-	472
Mortgage Agreement	178,560	185,664	192,412	198,823	204,914	210,700	216,198	168,024	62,889	17,281
Total long-term debt	**$ 181,659**	**$ 189,953**	**$ 195,687**	**$ 200,524**	**$ 207,101**	**$ 210,700**	**$ 216,198**	**$ 168,024**	**$ 62,889**	**$ 18,168**

FACULTY AND STAFF

For the Year Ended June 30,

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
BARGAINING UNIT										
Faculty	579.2	566.7	565.6	539.6	529.4	517.6	507.8	512.8	508.0	505.7
University Health Professionals	2,681.0	2,630.0	2,558.9	2,526.6	2,477.0	2,462.8	2,420.4	2,457.9	2,440.1	2,375.1
All Other	728.2	747.1	730.7	1,299.0	1,356.0	1,404.6	1,422.1	1,437.9	1,436.9	1,430.8
Total FTE's	3,988.5	3,943.9	3,855.2	4,365.2	4,362.4	4,385.0	4,350.3	4,408.6	4,385.0	4,311.6
EXEMPT										
Faculty	60.0	54.9	54.3	55.2	56.2	56.8	60.6	61.5	60.5	60.1
Managerial	139.0	133.0	131.8	139.1	153.9	160.6	159.3	158.3	156.2	151.9
All Other	367.8	350.2	334.9	340.7	335.1	329.3	353.2	392.7	404.1	408.9
Total FTE's	566.8	538.1	521.0	535.0	545.2	546.7	573.1	612.5	620.8	620.9
TOTAL FTE's	4,555.2	4,481.9	4,376.2	4,900.2	4,907.6	4,931.7	4,923.4	5,021.1	5,005.8	4,932.5

Notes to required schedules

The FTE information prior to 2019 includes CMHC

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

	For the Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Academic										
Net assignable square feet (in thousands)	84	84	84	82	82	74	74	74	74	74
Number of buildings/major areas of Main Building*	2	2	2	2	2	1	1	1	1	1
Research buildings										
Net assignable square feet (in thousands)	478	478	478	456	456	456	435	435	435	442
Number of buildings/major areas of Main Building*	7	7	7	6	6	6	6	6	6	17
Patient care buildings										
Net assignable square feet (in thousands)	873	868	868	885	885	885	662	529	529	529
Number of buildings/major areas of Main Building*	6	6	6	6	6	6	6	8	8	8
Administrative and support buildings										
Net assignable square feet (in thousands)	985	985	985	865	865	873	769	769	698	179
Number of buildings/major areas of Main Building*	11	11	11	11	11	12	11	11	10	9
Total net assignable square feet (in thousands)	2420	2415	2415	2288	2288	2288	1940	1807	1736	1224
Number of buildings/major areas of Main Building*	26	26	26	25	25	25	24	26	25	35

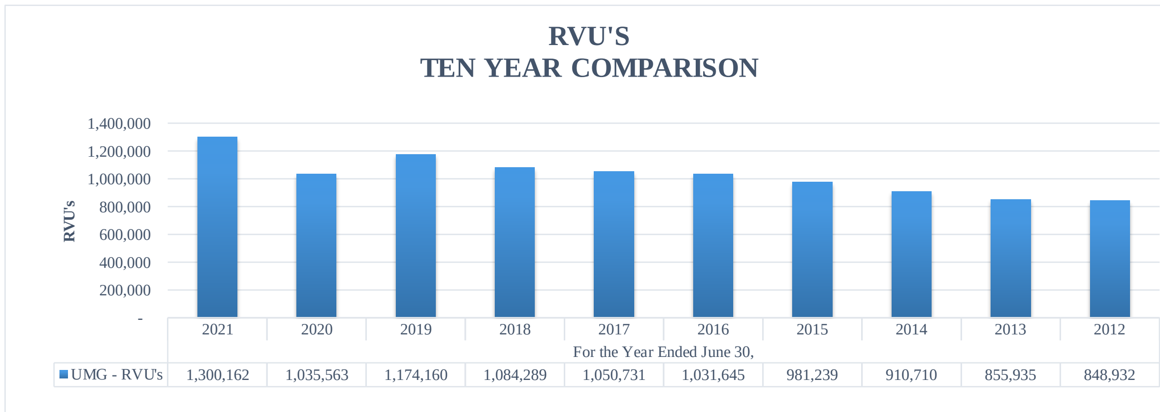
*** Notes to required schedules**

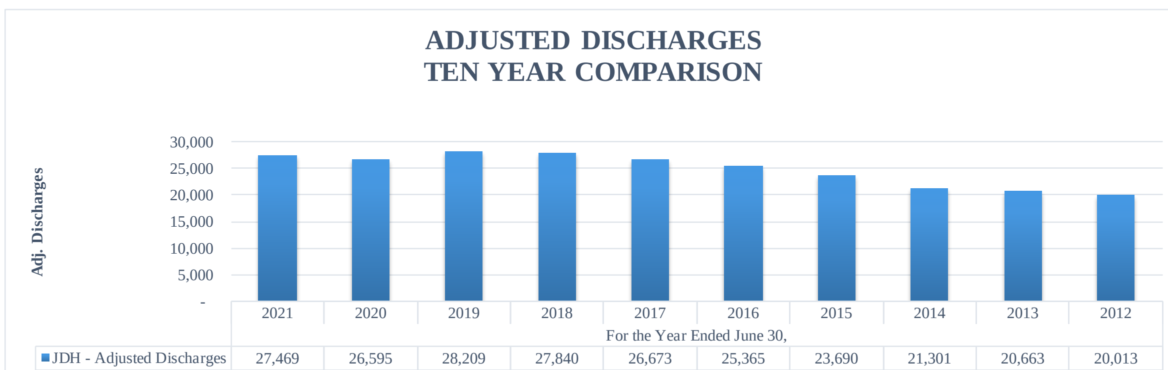
The Main Building at UConn Health has commonly been understood and tracked by major areas assigned separate names and alphanumeric identifiers. These areas are counted as buildings here.
Many buildings have more than one usage. For the purposes of this schedule, the buildings (or areas of the Main Building) are categorized according to their primary use.
Parking garages are included under administrative and support buildings, and the parking is included in the NASF. Total NASF for G1, G2, and G3 = 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,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
UMG - RVU's	1,300,162	1,035,563	1,174,160	1,084,289	1,050,731	1,031,645	981,239	910,710	855,935	848,932

	For the Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
JDH - Adjusted Discharges	27,469	26,595	28,209	27,840	26,673	25,365	23,690	21,301	20,663	20,013





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)
2021	$ 290,146,700,000	3,544,930	$ 81,848	8.5%
2020	290,641,600,000	3,561,513	81,606	5.1%
2019	284,136,600,000	3,570,160	79,587	3.8%
2018	265,636,709,000	3,588,236	74,030	4.5%
2017	251,389,254,000	3,568,714	70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%

(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

	2021		
Name	**Employees in CT**	**Percentage of Total CT Employment**	**Rank**
Hartford HealthCare	33,000	1.9%	1
Yale New Haven Health Sys	20,474	1.2%	2
United Technologies Corp. UTC	19,000	1.1%	3
Yale University	15,404	0.9%	4
General Dynamics/Electric Boat	12,000	0.7%	5
Sikorsky Air/Lockheed Martin Co.	8,200	0.5%	6
Wal-Mart Stores, Inc.	8,345	0.5%	7
Mohegan Sun Casino	7,400	0.4%	8
The Travelers Cos., Inc.	7,000	0.4%	9
The Hartford	6,600	0.4%	10
Total	137,423	8.0%	

	2012			
Name	**Employees in CT**	**Percentage of Total CT Employment**	**Rank**	
United Technologies Corp. UTC	27,000	1.6%	1	
Hartford HealthCare	16,621	1.0%	2	
Yale University	14,980	0.9%	3	
Stop & Shop Cos., Inc.	13,574	0.8%	4	(1)
Hartford Financial Services	10,300	0.6%	5	
Wal-Mart Stores, Inc.	9,204	0.5%	6	(1)
Yale New Haven Hospital	8,953	0.5%	7	
Foxwoods Resort Casino	8,700	0.5%	8	
General Dynamics/Electric Boat	8,346	0.5%	9	
Mohegan Sun Casino	8,200	0.5%	10	
Total	125,878	7.4%		

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

ATTACHMENT 2.4

University of Connecticut Health Center

Departmental Audit Report

For the Fiscal Years Ended June 30, 2019 and 2020

Communication to the Joint Audit and Compliance Committee

Auditors of Public Accounts

Audit Scope and Objectives

We have audited certain operations of UConn Health in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. We conducted our audit in accordance with the performance audit standards contained in generally accepted government auditing standards. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit included, but was not limited to, the fiscal years ended June 30, 2019 and 2020

The objectives of our audit were to:

1. Evaluate the health center's internal controls over significant management and financial functions;
2. Evaluate the health center's compliance with policies and procedures internal to the health center or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

STATE OF CONNECTICUT

AUDITORS' REPORT
UNIVERSITY OF CONNECTICUT HEALTH CENTER
FISCAL YEARS ENDED JUNE 30, 2019 AND 2020

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

Table of Contents

February 22, 2022

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the University of Connecticut Health Center (UConn Health) for the fiscal years ended June 30, 2019 and 2020. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and a need for improvement in practices and procedures that warrant the attention of management. The significant findings and recommendations are presented below:

Page 11	Our review of $555,955 in clinical incentive payments to five faculty members in the School of Dental Medicine disclosed that, in all instances, the employment letters did not contain adequate language detailing the terms of these payments. The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee's personnel file. (Recommendation 1.)
Page 12	We noted 21 instances in which annual performance evaluations were not completed for managerial employees. Of those, 19 received $290,492 in salary increases during the audit period. The University of Connecticut Health Center should conduct annual performance evaluations and maintain them in personnel files. (Recommendation 2.)
Page 13	Our review of timesheets for 30 employees during the audited period disclosed that 29 of them had multiple instances in which proper approval was not obtained. UConn Health paid these 29 employees $7,126,847 for the pay periods their timesheets were not approved. The University of Connecticut Health Center should not process timesheets for payment that lack employee and manager approvals. (Recommendation 3.)
Page 14	We noted four instances in which UConn Health hired management employees at a salary higher than the established pay range. In these instances, starting salaries ranged from four to 17 percent higher than the maximum of the pay range. The University of Connecticut Health Center should follow established pay ranges when hiring. If UConn Health believes its pay ranges are outdated, it should perform the necessary steps to appropriately update and comply with them. (Recommendation 4.)
Page 15	UConn Health provided long-term disability insurance coverage to several managers hired prior to November 2011, and to union employees who receive disability retirement benefits through the State Employees' Retirement System. The University of Connecticut Health Center should eliminate long-term disability insurance coverage for managerial employees and renegotiate bargaining contracts to avoid payments for benefits that are included in the State Employees' Retirement System. (Recommendation 5.)
Page 18	During the audited period, UConn Health only requested $800,000 of the $1,177,542 it was owed through the Residency Training Program, leaving $377,542 with the Capital Area Health Consortium. The University of Connecticut Health Center should request the full amount it is owed through the Residency Training Program each year to maximize its operational cash flow. (See Recommendation 7.)

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

CLARK J. CHAPIN

February 22, 2022

AUDITORS' REPORT
UNIVERSITY OF CONNECTICUT HEALTH CENTER
FISCAL YEARS ENDED JUNE 30, 2019 AND 2020

We have audited certain operations of the University of Connecticut Health Center (UConn Health) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2019 and 2020. The objectives of our audit were to:

1. Evaluate the health center's internal controls over significant management and financial functions;

2. Evaluate the health center's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and

3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the health center; and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, UConn Health's management and the state's information systems, and was not subjected to the procedures applied in our audit of UConn Health. For the areas audited, we:

1. Identified deficiencies in internal controls;

2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and

3. Identified a need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the University of Connecticut Health Center.

COMMENTS

FOREWORD

The University of Connecticut and the University of Connecticut Health Center (UConn Health) operate primarily under the provisions of Title 10a, Chapter 185, where applicable; Chapter 185b, Part III; and Chapter 187c of the General Statutes. The university and UConn Health are governed by the Board of Trustees of the University of Connecticut, consisting of 21 members appointed or elected under the provisions of Section 10a-103 of the General Statutes.

The board of trustees makes rules for the governance of the university and health center and sets policies for the administration of the university and health center pursuant to duties set forth in Section 10a-104 of the General Statutes. The members of the board of trustees as of June 30, 2020, were:

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 alumni:

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

Elected by students:

Justin M. Fang, Willington
Renukanandan Tumu, Storrs

Other members who served during the audited period include the following:

Dannel P. Malloy, Governor
Steven K. Reviczky, Commissioner of Agriculture
Catherine H. Smith, Commissioner of Economic and Community Development
Dianna R. Wentzell, Commissioner of Education
Denis J. Nayden, Stamford
Richard T. Carbray, Jr., Rocky Hill
Samuel Surowitz, Storrs
Thomas E. Kruger, Cos Cob

Section 10a-104(c) of the General Statutes authorizes the Board of Trustees of the University of Connecticut to create a board of directors for the governance of UConn Health and delegate such duties and authority, as it deems necessary and appropriate. The members of the board of directors as of June 30, 2020, were:

Ex officio members:

Thomas Katsouleas, President, University of Connecticut
Mike Walsh, Hartford
Dr. Deidre Gifford, Hartford

Appointed by the Chair of the Board of Trustees:

Sanford Cloud Jr., Chairperson, Farmington
Andy F. Bessette, West Hartford
Richard T. Carbray, Jr., Rocky Hill

Appointed by the Governor:

Kathleen D. Woods, Avon
Teresa M. Ressel, New Canaan
Joel Freedman, South Glastonbury

Members at Large:

Dr. Kenneth Alleyne, Bloomfield
Francis X. Archambault, Jr., Storrs
Richard M. Barry, Avon
Cheryl A. Chase, Hartford
John F. Droney, West Hartford
Timothy A. Holt, Glastonbury
Dr. Wayne Rawlins, Cromwell

Other members who served during the audited period include the following:

Susan Herbst, President, University of Connecticut
Anne Foley, Hartford
Paul Rino, Commissioner, Department of Public Health
Renee Coleman-Mitchell, Department of Public Health
Robert Dakers, Designee of the Secretary of the Office of Policy and Management

Pursuant to Section 10a-108 of the General Statutes, the Board of Trustees of the University of Connecticut appoints a president of the university and health center to be the chief executive and administrative officer of the university, health center, and the board of trustees. Susan Herbst served as president until resigning in July 2019. Thomas Katsouleas was appointed as the President of the University of Connecticut in August 2019 by the university's board of trustees and served the remainder of the audited period.

The UConn Health Farmington complex houses John Dempsey Hospital, the School of Medicine, the School of Dental Medicine, and related research laboratories. Additionally, the medical and dental schools provide health care to the public through the UConn Medical Group and the University Dentists at facilities located on the Farmington campus and in neighboring towns.

The University of Connecticut Health Center Finance Corporation, a body politic and corporate, constituting a public instrumentality and political subdivision of the state, operates generally under the provisions of Title 10a, Chapter 187c of the General Statutes. The finance corporation exists to provide operational flexibility with respect to hospital operations, including the clinical operations of the schools of medicine and dental medicine.

The finance corporation is empowered to acquire, maintain, and dispose of hospital facilities and to make and enter into contracts, leases, joint ventures, and other agreements and instruments. It also acts as a procurement vehicle for the clinical operations of UConn Health. The Hospital

Insurance Fund (otherwise known as the John Dempsey Hospital Malpractice Fund), which accounts for a self-insurance program covering claims arising from health care services, is administered by the finance corporation in accordance with Section 10a-256 of the General Statutes. Additionally, Section 10a-258 of the General Statutes gives the finance corporation the authority to determine which hospital accounts receivable shall be treated as uncollectible.

The finance corporation acts as an agent for UConn Health and is administered by a board of directors, consisting of members appointed under the provisions of Section 10a-253 of the General Statutes. The members of the board of directors as of June 30, 2020, were:

Ex officio members:

Andrew Agwunobi, Executive Vice President for Health Affairs UConn Health
Thomas Katsouleas, President, University of Connecticut
Melissa McCaw, Secretary of the Office of Policy and Management

Appointed by the Governor:

Daniel Toscano, Chairman

Other members who served during the audited period include the following:

Susan Herbst, President, University of Connecticut
Benjamin Barnes, Secretary of the Office of Policy and Management
Thomas Kruger, Cos Cob

Significant Legislation

Public Act 19-117, Effective July 1, 2019 – Section 44 of this act required the State Comptroller to fund the portion of the State Employees' Retirement System (SERS) fringe benefit recovery rate that is attributable to the unfunded liability of the system for certain employees. The act requires the State Comptroller to fund, for the UConn Health Center in fiscal year 2020, the portion of the SERS fringe benefit recovery rate that is attributable to the system's unfunded liability. The funding, totaling $33,200,000, (1) covers employees who are not supported by General Fund resources, and (2) must be provided from the amounts appropriated to the Comptroller for SERS unfunded liability.

Enrollment Statistics

Statistics compiled by the University of Connecticut's Office of Institutional Research and Effectiveness present the following enrollment totals during the audited period and prior fiscal year:

Student Status	2017-2018		2018-2019		2019-2020	
	Fall	Spring	Fall	Spring	Fall	Spring
Medicine – Students	411	411	425	425	444	441
Medicine – Residents	661	660	674	673	683	683
Dental – Students	181	181	186	186	202	203
Dental – Residents	102	102	98	98	102	101
Totals	**1,355**	**1,354**	**1,383**	**1,382**	**1,431**	**1,428**

RÉSUMÉ OF OPERATIONS

Under the provisions of Section 10a-105(a) of the General Statutes fees for tuition were fixed by the university's board of trustees. The following summary presents annual tuition charges during the audited period and prior fiscal year.

Student Status	School of Medicine			School of Dental Medicine		
	2017-2018	2018-2019	2019-2020	2017-2018	2018-2019	2019-2020
In-State	$34,706	$40,092	$41,495	$32,599	$37,137	$38,437
Out-of-State	$67,318	$74,172	$75,575	$68,726	$74,891	$76,191
Regional	$60,735	$67,791	$70,434	$57,048	$63,086	$65,294

During the audited period, the State Comptroller accounted for UConn Health's operations in:

- General Fund appropriation accounts;
- The University of Connecticut Health Center Operating Fund;
- The University of Connecticut Health Center Research Foundation Fund;
- The University Health Center Hospital Fund;
- The John Dempsey Hospital Malpractice Fund; and
- Accounts established in capital project and special revenue funds for appropriations financed primarily with bond proceeds.

During the audited period, patient services were UConn Health's largest source of revenue, with John Dempsey Hospital being the largest single source. The UConn Medical Group generated significant patient services revenues as well.

The UConn Medical Group functions similarly to a private group practice for faculty clinicians providing patient services in a variety of specialties. The UConn Medical Group's operation is considered essential for the education and training of medical students in the School of Medicine.

Other significant sources of revenue included state General Fund appropriations, federal and state grants, and payments for services related to the Residency Training Program.

Under the Residency Training Program, residents appointed to local health care organizations are paid through the Capital Area Health Consortium. UConn Health reimburses the consortium for personnel service costs and the participating organizations reimburse UConn Health.

Health care providers and support staff of UConn Health are granted statutory immunity from any claim for damage or injury caused in the discharge of their duties or within the scope of their employment, unless it is wanton, reckless, or malicious. Any claims paid for actions brought against the state as permitted by waiver of statutory immunity are charged against UConn Health's malpractice self-insurance fund. UConn Health developed a methodology by which it allocates malpractice costs between the hospital, UConn Medical Group, and University Dentists.

UConn Health's financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. UConn Health utilizes the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis.

UConn Health's financial statements are adjusted as necessary and incorporated into the state's Annual Comprehensive Financial Report (formerly Comprehensive Annual Financial Report). The financial balances and activity of UConn Health, including John Dempsey Hospital, are combined with those of the university and included as a single proprietary fund.

UConn Health employment remained relatively stable during the audited period. UConn Health position summaries show that permanent full-time filled positions totaled 4,314 as of June 2018; 4,376 as of June 2019; and 4,486 as of June 2020.

Operating Revenues

Operating revenue results from the sale or exchange of goods and services that relate to UConn Health's mission of instruction, research, and patient services. Major sources of operating revenue include patient services, federal and state grants, contracts, and other operating revenues. Operating revenue as presented in UConn Health's financial statements for the audited period and prior fiscal year follows:

	2017-2018	2018-2019	2019-2020
Student Tuition and Fees (net of scholarship allowances)	$ 18,613,210	$ 20,655,478	$ 21,635,605
Patient Services (net of charity care)	580,697,001	534,494,221	513,607,719
Federal Grants and Contracts	50,747,542	58,196,455	58,055,210
Non-Governmental Grants and Contracts	29,337,407	30,015,553	27,872,359
Contract and Other Operating Revenues	127,188,189	159,744,536	162,724,699
Total Operating Revenue	**$ 806,583,349**	**$ 803,106,243**	**$ 783,895,592**

Total operating revenue decreased by $3.5 million (0.4%) in fiscal year 2019 as compared to the prior fiscal year, and $19.2 million (2.4%) in 2020.

The decrease in fiscal year 2019 was primarily due to a $46.2 million (8%) reduction in patient services revenue resulting from the discontinuance of the Correctional Managed Health Care Program. This decrease was mostly offset by a $32.6 million (25.6%) increase in contract and other operating revenues primarily due to the UConn Medical Group's increased patient mix. The

UConn Medical Group also received $10 million in supplemental payments from the Department of Social Services during 2019.

The reduction in total operating revenue in 2020 was primarily due to the decrease in patient service revenue of $20.9 million (3.9%), which can be attributed to the temporary halt of elective procedures caused by the coronavirus pandemic. This decrease was slightly offset by increases in contract and other operating revenues of $3 million (1.9%) and student tuition and fees.

Operating Expenses

Operating expenses generally result from payments made for goods and services to assist in achieving UConn Health's mission of instruction, research, and patient services. Operating expenses do not include interest expense or capital additions and deductions. Operating expenses include employee compensation and benefits, supplies, services, utilities, depreciation, and amortization.

The largest source of operating expenses relates to patient services, followed by instruction expenses. Total operating expenses decreased $80 million (6.6%) in fiscal year 2019 as compared to 2018, and increased $153.6 million (13.6%) in 2020.

The decrease in operating expenses in fiscal year 2019 was primarily caused by a $83.9 million (11.2%) reduction in patient services expenses due to the discontinuance of the Correctional Managed Health Care Program in June 2018.

The increase in operating expenses in fiscal year 2020 was due in large part to a $182.8 million (27.5%) growth in patient services expenses attributed to recognition of increased pension and other post-employment benefit (OPEB) expenses under Government Accounting Standards Board (GASB) No. 68 and 75. The increase was slightly offset by decreases of $37.3 million (29.3%) and $12.5 million (33.3%) in institutional support and operations and maintenance expenses, respectively.

Operating expenses by functional classification as presented in UConn Health's financial statements for the audited period and prior fiscal year follows:

	2017-2018	2018-2019	2019-2020
Education and General			
Instruction	$ 179,948,363	$ 157,395,671	$ 170,525,552
Research	56,101,543	52,832,264	55,173,426
Patient Services	747,636,888	663,701,483	846,525,783
Academic Support	19,322,369	15,172,782	20,086,425
Institutional Support	112,126,363	126,921,544	89,592,285
Operations and Maintenance	38,222,827	37,659,200	25,112,128
Depreciation	52,636,977	72,575,091	72,892,965
Student Aid	363,550	71,015	25,051
Total Operating Expenses	**$ 1,206,358,880**	**$ 1,126,329,050**	**$ 1,279,933,615**

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include items such as the state's General Fund appropriation, gifts, investment income, and interest expense. Nonoperating revenues and expenses as presented in UConn Health's financial statements for the audited period and prior fiscal year follows:

	2017-2018	2018-2019	2019-2020
State Appropriations (including fringe benefits)	$ 279,513,429	$ 250,845,544	$ 296,519,926
Transfer to State and Outside Programs	-	(1,991,106)	-
Gifts	5,705,886	6,146,116	6,949,604
Covid-19 Relief Revenue	-	-	22,518,407
Investment Income	653,917	1,384,904	599,816
Interest on Capital Assets - Related Debt	(9,908,469)	(9,618,027)	(9,353,457)
Net Non-operating Revenue	**$ 275,964,763**	**$ 246,767,431**	**$ 317,234,296**

State appropriations, which include fringe benefits, decreased $28.7 million (10.3%) from fiscal year 2018 to 2019, and increased $45.7 million (18.2%) in fiscal year 2020.

The increase in 2020 was primarily due to one-time funding from the State Comptroller to pay a portion of the state's unfunded accrued liabilities assigned to UConn Health and increased in-kind fringe benefits recognized as the result of higher overall fringe benefit costs.

Investment income is derived primarily from UConn Health's unspent cash balances and endowments. The gift component of nonoperating revenue is comprised of amounts received from the University of Connecticut Foundation, private organizations, and individuals.

Other Changes in Net Position

Other changes in net position as presented in UConn Health's financial statements for the audited period and prior fiscal year follows:

	2017-2018	2018-2019	2019-2020
Capital Appropriations	$ 88,805,966	$ 13,000,000	$ -
Loss on Disposal	(3,092,398)	(1,897,952)	(332,304)
Net Other Changes in Net Position	**$ 85,713,568**	**$ 11,102,048**	**$ (332,304)**

The capital appropriations are primarily made up of UCONN 2000 bond funds. The reductions in fiscal years 2019 and 2020 were caused by the completion of UCONN 2000 funded construction projects. UConn Health received $13 million from the UCONN 2000 bond issuances in fiscal year 2019, which was the final payment under this phase of the program

Net Position

Net position includes investment in capital assets net of liabilities, restricted funds, and unrestricted funds. Net position, as presented in UConn Health's financial statements for the audited period and prior fiscal year, follows:

	2017-2018	2018-2019	2019-2020
Invested in Capital Assets, Net of Related Debt	$ 867,913,301	$ 784,279,882	$ 731,729
Restricted for Non-expendable:			
Scholarships	61,451	61,451	61,451
Restricted for Expendable:			
Research	(127,423)	1,588,339	1,791,744
Loans	523,294	588,979	283,089
Capital Projects	37,659,646	7,881,415	4,363,025
Unrestricted	(1,920,983,795)	(1,914,577,657)	(2,037,542,537)
Total Net Position	**$(1,014,953,526)**	**$(1,120,177,590)**	**$(1,299,313,621)**

Amounts listed as invested in capital assets, net of related debt, reflect the value of capital assets such as buildings and equipment after subtracting the outstanding debt used to acquire such assets. Decreases in this category reflect reductions in capital and intangible assets, which is the result of depreciation outpacing new capital investments.

Related Entities

UConn Health did not hold significant endowment and similar fund balances during the audited period, as its longstanding practice has been to deposit funds raised with the University of Connecticut Foundation, Inc. The foundation provides support for the university and UConn Health. Its financial statements reflect balances and transactions associated with both entities, not only those exclusive to UConn Health.

A summary of the foundation's assets, liabilities, support and revenues, and expenditures for the audited period and prior fiscal year follows:

	University of Connecticut Foundation, Inc. Fiscal Year Ended		
	June 30, 2018	June 30, 2019	June 30, 2020
Assets	$ 575,448,524	$ 597,609,541	$ 617,492,296
Liabilities	$ 41,018,971	$ 47,566,068	$ 40,993,461
Net Position	$ 534,429,553	$ 550,043,473	$ 576,498,835
Support and Revenue	$ 110,040,723	$ 75,007,415	$ 75,585,766
Expenditures	$ 51,186,359	$ 59,393,495	$ 49,130,404

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the University of Connecticut Health Center (UConn Health) disclosed the following ten recommendations, of which six have been repeated from the previous audit:

Faculty Incentive Payments

Criteria: Sound business practice dictates that employers and employees document their agreement on compensation, including incentive payments. In cases where incentive payments are offered, the terms that must be met should be clearly outlined and agreed to by both parties.

Condition: Our review of $555,955 in clinical incentive payments to five faculty members in the School of Dental Medicine disclosed that, in all instances, the employment letters did not contain adequate language detailing the terms of these payments.

Context: The School of Dental Medicine issued incentive payments totaling $1,174,118 during the audited period.

Effect: Verbal agreements did not provide faculty members with a sufficient understanding of the incentive payment terms.

Cause: Past practice of the School of Dental Medicine has not required written agreements with faculty members for clinical incentive payments. Budget uncertainty was also a factor for the lack of written compensation agreements.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2017 through 2018.

Recommendation: The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee's personnel files. (See Recommendation 1.)

Agency Response: "Management agrees with the recommendation. Management has been working with an external consulting group to develop a supplemental compensation plan for the various groups within the Dental Faculty Practice Group. Once a new compensation model(s) are developed, appropriate documentation will be generated for the personnel files. We anticipate implementation of changes recommended by the consultant to commence by Q4 of the 2021 calendar year."

Lack of Performance Evaluations for Managers

Criteria:	Sound business practice and UConn Health's policy require that an annual evaluation be completed for each permanent employee at least three months prior to their annual salary increase or performance bonus date. Such annual performance evaluation should be included in the employee's personnel file for transparency and performance monitoring.
Condition:	Our review of 25 managerial employees disclosed 21 instances in which annual performance evaluations were not completed. Of those employees, 19 received salary increases.
Effect:	In the instances noted, UConn Health awarded $290,492 in pay increases to employees during the audited period without a performance evaluation to indicate that those increases were warranted. In addition, UConn Health did not always comply with its own performance evaluation policies.
Cause:	A high turnover rate with the management team contributed to the lack of annual performance evaluations.
Prior Audit Finding:	This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2017 through 2018.
Recommendation:	The University of Connecticut Health Center should conduct annual performance evaluations and maintain them in personnel files. (See Recommendation 2.)
Agency Response:	"Management agrees with this recommendation. UConn Health is committed to ensuring that annual performance evaluations are conducted for its management employees. In the past performance evaluations were more routinely conducted in concert with performance-based wage increases. UConn Health will follow up to ensure that completed performance evaluations are maintained in the personnel file and that any outstanding performance evaluations are completed. It should be noted that promotional increases or a salary increase related to increased responsibility are not strictly tied to the performance evaluation process. Some of the increases for individuals identified were related to changes in the individual's scope of responsibility, a change in position or a promotion. Salary increases that are associated with a cost of living increase or a market adjustment are not tied to the performance evaluation process."

Lack of Timesheet Approval

Criteria:	Sound business practice dictates that employees certify time worked and managers approve employee timesheets prior to issuing payment. UConn Health policies require non-faculty employees to certify their timesheets each biweekly pay period. Faculty employees are required to sign their timesheets every four weeks. In all instances, managers are required to review and sign off on their employees' timesheets every pay period.
Condition:	Our review of timecards for 30 employees during the audited period disclosed that 29 of them had multiple instances in which proper approval was not obtained. UConn Health paid these 29 employees $7,126,847 for the pay periods their timesheets were not approved.
Effect:	There was reduced assurance that UConn Health paid employees for the time they actually worked.
Cause:	UConn Health personnel did not always follow timesheet approval procedures.
Prior Audit Finding:	This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2017 and 2018.
Recommendation:	The University of Connecticut Health Center should not process timesheets for payment that lack employee and manager approvals. (See Recommendation 3.)
Agency Response:	"Management disagrees with this recommendation. There is no UConn Health policy that requires non-faculty employees to certify their timesheets. It is recommended that salaried timekeepers approve their timesheets, but only the time approver is required to approve. In fact, hourly employees have no access to their timesheets and can only swipe at Kronos badge readers. Faculty are leave reporters and are not required to report their time worked. We have controls to elicit compliance from managers to approve their timecards. Reminders are routinely sent out to managers who have timesheet approvals that are needed before payroll close. In addition, those managers who have not approved receive a targeted email with the employees needing approval. It certain instances, if payroll has closed, a manager will provide email confirmation of approval to payroll.

We do not agree that unapproved timesheets should remain unprocessed as it equates to non-payment to the employee. Non-payment for hours worked and recorded is against federal and state law."

Auditors' Concluding Comments:

Best practices require employees and supervisors to certify the accuracy of work hours on timesheets. Furthermore, it is inconsistent to require only certain groups of employees to certify their time. UConn Health should not pay its employees for hours they did not work.

Starting Salaries for Managers

Criteria: UConn Health establishes job descriptions for all positions, which include salary ranges.

Condition: Our review of starting salaries for 15 new managers disclosed four instances in which their starting salary was higher than the established pay range. In the instances noted, starting salaries ranged from four to 17-percent higher than the maximum of the pay range for the position.

Context: We identified 96 managers that were hired by UConn Health during the audited period.

Effect: UConn Health did not follow the established pay ranges for positions when hiring new managers. In effect, it incurred an additional $58,590 in initial annual salary costs by hiring these managers at rates higher than their maximum pay range. This could also lead to increased future costs caused by salary increases and retirement liabilities.

Cause: UConn Health informed us that it has not updated the salary ranges for various management positions in years and the existing ranges do not reflect current market salaries. UConn Health indicated that it hired the identified management employees at starting salaries consistent with the current market.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The University of Connecticut Health Center should follow established pay ranges when hiring. If UConn Health believes its pay ranges are outdated, it should perform the necessary steps to appropriately update and comply with them. (See Recommendation 4.)

Agency Response: "Management agrees with this recommendation. The current managerial salary ranges have been in effect since June 14, 2013. In May of 2014, in conjunction with the University, a salary assessment of executive management compensation was conducted by Sibson Consulting. The 2014 assessment did not include all managerial positions, nor did it result in any changes to the executive manager salary ranges.

UConn Health often utilizes the data from the Connecticut Hospital Association salary survey to determine the market rate for a particular position. The data has indicated in some cases that we are behind the current market.

Management agrees that it needs to review and update its salary ranges for certain managerial job classes and positions in order to reflect the current market conditions."

Payments for Long-Term Disability Insurance Coverage

Background: UConn Health has historically provided long-term disability coverage for its employees, including those that are members of the Connecticut State Employees' Retirement System (SERS). However, because the SERS plan contains provisions for disability retirement, additional long-term disability coverage appears to be unnecessary.

Criteria: Sound business practice dictates that costs be incurred only when necessary. Applying this to UConn Health, it should not incur additional expenses beyond the state's comprehensive fringe benefits package.

Condition: Although UConn Health ceased long-term disability coverage for managerial employees hired after November 1, 2011, it continued to provide coverage for nine managerial employees hired prior to that date at a cost of $6,122 per year.

In addition, our review of state bargaining unit contracts and comparison with other state universities identified that only a small segment of state university and board of regents' employees received long-term disability insurance coverage. Conversely, UConn Health paid for long-term disability insurance coverage for approximately 67% of its workforce (approximately 3,379 employees) during the audited period. Approximately 1,800 (53%) of these employees participated in SERS, which includes disability retirement benefits.

Context: UConn Health paid $871,650 for employee long-term disability insurance in fiscal year 2019 and $1,214,080 in fiscal year 2020.

Effect: UConn Health incurred additional costs by providing long-term disability insurance coverage for SERS employees. SERS contains disability retirement provisions.

Cause:	UConn Health believes the SERS coverage is inadequate. In addition, one UConn Health bargaining unit contract included a long-term disability insurance coverage provision.
Prior Audit Finding:	This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.
Recommendation:	The University of Connecticut Health Center should eliminate long-term disability insurance coverage for managerial employees and renegotiate bargaining contracts to avoid payments for benefits that are included in the State Employees' Retirement System. (See Recommendation 5.)
Agency Response:	"Management disagrees with the recommendation. UConn Health currently has eight (8) managerial employees who are covered by the long-term disability insurance coverage. All eight employees were hired prior to November 1, 2011 and UConn Health no longer provides this benefit to managerial and confidential employees who are participants in SERS retirement plans. UConn Health is currently in negotiations with its bargaining units over a successor collective bargaining agreement, however, the parties have not reached agreement and the details of those negotiations are not public."

Payment for Compensatory Leave Balances

Criteria:	The prevailing State of Connecticut policy on managerial compensatory time states, "Compensatory time earned during the twelve months of the calendar year must be used by the end of the succeeding calendar year and cannot be carried forward. In no event will compensatory time be used as the basis for additional compensation and shall not be paid as a lump sum at termination of employment." The University of Connecticut and UConn Health's Leave Benefits for Managerial and Confidential Exempt Employees allows the payout of unexpired holiday compensatory time upon leaving state service or returning to a faculty position.
Condition:	Our review of payments for compensatory leave balances during the audited period disclosed 36 payouts to managers and confidential employees totaling $140,195. We were unable to determine whether the payments were consistent with UConn Health's policies. Because holiday and compensatory time are combined in the payouts, we could not determine how much of the $140,195 in compensatory time payouts were proper.

Effect:	The practice of paying out for accrued managerial and confidential employee compensatory leave balances is not consistent with state or UConn Health policy. In effect, UConn Health incurred costs for unnecessary payouts of compensatory time.
Cause:	Limitations in UConn Health's compensatory time tracking system made it difficult to ensure that payouts of compensatory leave balances were only for holiday time.
Prior Audit Finding:	This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.
Recommendation:	The University of Connecticut Health Center should not include unused compensatory time in payments to separating managerial and confidential employees. (See Recommendation 6.)
Agency Response:	"Management disagrees with the recommendation. Analysis of the paid compensatory time is complex and the determination as to what portion of the payout is "legacy" non-holiday compensatory time earned prior to the policy change and the payment of holiday compensatory time is difficult. It should be noted that managers earn compensatory time for working on a holiday in accordance with UConn Health's policy for management and confidential employees adopted and effective on 7/1/2019. Compensatory time earned prior to the effective date of the new policy does not expire and is, under the former policy, eligible for payout to employees who are separating from UConn Health or in certain circumstances upon request. UConn Health after 7/1/2019 routinely monitors to ensure that managers are not credited with non-holiday compensatory time. The new policy does require holiday compensatory time to expire at the end of the calendar year in the year after it was earned, i.e. if earned on 11/11/2021 it would expire on 12/31/2022. If a management or confidential employee separates with unexpired holiday compensatory time "on the books" the employee per the policy is entitled to be paid for such earned time. For managers in the clinical operations UConn Health, per the policy, are paid out for compensatory time that is earned prior to its expiration. The decision regarding paying out compensatory time for clinical managers is a cost saving measure for UConn Health based on staffing needs in the clinical operations. Further, clinical managers who had compensatory time as bargaining unit employees are entitled to be paid out for their time accrued when they were hourly employees and entitled to overtime."

Auditors' Concluding Comments: UConn Health's response notes that legacy non-holiday compensatory time is difficult to identify in its system during payout. Our finding and recommendation seek to resolve this issue.

Residency Training Program Operations

Background: Graduate Medical Education (GME) Residency Training Programs (RTP) at UConn Health exist in the School of Medicine (SOM) and School of Dental Medicine (SODM). They have approximately 800 residents and fellows in both schools across approximately 75 programs. SOM is just under 700 residents while SODM has approximately 100 residents and fellows. UConn residents and fellows are considered frontline workers receiving education while treating patients primarily at six Hartford area hospitals that make up the Capital Area Health Consortium (CAHC).

The Capital Area Health Consortium is a 501(c)(3) non-profit organization and is considered the employer of all residents and fellows in the program. As such, CAHC coordinates the payroll and benefit services for the residency training programs and pays all residents. UConn Health pays CAHC on a biweekly schedule (26 payments) for related costs. CAHC has separate contracts with the medical and dental schools. These contracts result in significant annual fringe benefit savings for all CAHC hospitals.

Criteria: The School of Dental Medicine and Capital Area Health Consortium contract requires CAHC to perform and provide SODM with an annual reconciliation of actual program costs to UConn Health funding. The contract also requires CAHC to refund any amounts received from UConn Health that were not expensed under the program during the year.

Condition: Our review of the Residency Training Program reconciliations within the audited period disclosed that School of Dental Medicine did not request the full amount it was owed for overpayments. Based on our review, the Capital Area Health Consortium owed SODM $875,856 for unexpended funds during fiscal year 2019. CAHC rolled these funds forward into fiscal year 2020. At the end of the 2020 fiscal year, CAHC owed SODM $1,177,542 in refunds of unexpended funds. Of the $1,177,542, SODM requested an $800,000 refund.

Effect: UConn Health reduced its available cash flow by $377,542 during the audited period by not requesting the CAHC full refund.

Cause: UConn Health informed us that the School of Dental Medicine is in discussions with the Capital Area Health Consortium about increasing resident salaries and wanted to ensure it had a robust reserve to cover a potential increase.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The University of Connecticut Health Center should request the full amount it is owed through the Residency Training Program each year to maximize its operational cash flow. (See Recommendation 7.)

Agency Response: "Management agrees with the recommendation. We agree that each year, after analysis of potential changes within the programs, the School of Dental Medicine should request the full amount refundable excluding our working capital balance. At this time we are still in discussion about the calculation and potential accuracy of the dollar magnitude on cash flow. When this analysis is complete, any adjustments will be made if needed."

Special Payroll for Temporary Non-Faculty Employees

Background: UConn Health requires the use of project based, seasonal, durational, and temporary professional personnel to meet staffing needs in research support, limited assignment managerial support, and grant and research project activities. To meet these needs, UConn Health hires temporary, non-faculty employees and pays them through its special payroll.

Criteria: Proper internal controls dictate that, at a minimum, department heads sign off on the hiring, termination, and continuation of employment for personnel within their departments.

Condition: UConn Health utilizes the personnel transaction request (PTR) form when hiring and continuing employment for temporary, non-faculty employees. PTR forms do not require an approval signature from the relevant department head or their supervisor.

Context: UConn Health employed 184 temporary, non-faculty employees during the fiscal year ended June 30, 2020, who earned approximately $1,400,000 in gross pay.

Effect: There is an increased risk that temporary, non-faculty employees could be added to UConn Health's special payroll without being properly vetted.

Cause: UConn Health informed us that it requires a non-faculty justification form for budgetary approval to be submitted with the related personnel transaction request form. UConn Health management considers the department head's signature on the non-faculty justification form to be sufficient.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The University of Connecticut Health Center should strengthen controls over personnel decisions concerning temporary, non-faculty employees to provide sufficient segregation of duties and transparency in the decision-making process. (See Recommendation 8.)

Agency Response: "Management disagrees with this recommendation. Temporary, non-faculty employees on special payroll are vetted in the same manner as regular payroll positions. No PTR (Personnel Transaction Request) form for temporary, non-faculty personnel is processed if it is not accompanied by the Non-Faculty Position Justification Form which must be signed by the department head, and approved at the Division Level/AVP if applicable, and the senior leader for the operational unit. All positions, with the exception of those that are 100% grant funded, are reviewed by the PTR Committee and budget, and the PTR committees' recommendations are approved by the Executive Vice President and/or the Dean. Grant funded positions do not require a PTR form because they are supported by external funding, however, the class of position must be approved by HR before it can be filled."

Auditors' Concluding Comments: Department heads use the non-faculty position justification form solely for budgetary purposes. We recommend that department heads utilize and approve position justification forms to document that temporary, non-faculty personnel have been vetted and approved.

Participation in Group Purchasing Organizations

Background: A group purchasing organization (GPO) is marketed as an arrangement in which members expect to benefit from vendor discounts due to collective purchasing power. GPOs rank its members by tiers based on monthly spending and provide higher discount percentages to members with larger monthly spending.

Criteria: To maximize savings, sound business practice requires UConn Health to perform regular qualitative and quantitative assessments of the benefits of its participation in group purchasing organizations.

Condition: We reviewed six equipment purchases, totaling $740,256, made through group purchasing organizations during the audited period. Our review disclosed five instances, totaling $596,056, in which UConn Health could not provide evidence that it compared and considered pricing from the different vendors included in the GPO before making the purchases. In addition, we were unable to verify that UConn Health performed periodic quantitative and qualitative assessments to evaluate the benefits from purchasing through GPOs rather than directly from other medical suppliers.

Effect: Continuous participation in group purchasing organizations without UConn Health sufficiently assessing its potential purchasing power and other available offers could result in higher costs.

Cause: Purchasing through group purchasing organizations was convenient due to established distribution channels and employee familiarity with the ordering process. Limited procurement resources may have prevented UConn Health from reviewing other alternatives.

Prior Audit Finding: This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2015 through 2018.

Recommendation: The University of Connecticut Health Center should perform periodic assessments of its purchasing power and available product offers to determine whether it is prudent to continue procuring from group purchasing organizations. (See Recommendation 9.)

Agency Response: "Management agrees with this recommendation. Management will seek the services of a third party to perform periodic assessments of UConn Health's purchasing power and available product offers to determine whether it is prudent for UConn Health to continue procuring from group purchasing organizations.

UConn Health strongly believes that utilizing GPOs is beneficial and the most cost-effective way to do business. This belief is based, in part, on the fact that the vast majority of other hospitals utilize GPOs for their clinical purchasing, meaning that UConn Health would be an outlier and would diverge from industry best practices if it did not utilize GPOs.

In the case of the five equipment purchases specifically identified above, UConn Health utilized a recognized benchmarking tool (ECRI) to obtain the price comparisons that were available. In each case, UConn Health also attempted to negotiate the price of the equipment; in these instances, the vendors would not agree to further price reductions beyond the discounts that had already been offered. UConn Health cannot always consider purchasing another vendor's equipment in place of the equipment being requested because of standardization within clinical departments on specific equipment for patient care, system integration, staff training, and other considerations."

Asset Management and Property Control Records

Criteria: UConn Health's Asset Inventory Control Manual sets forth the policies and procedures to record and track capital and controllable inventory. These policies require, among other things, that equipment with a value greater than $5,000 be capitalized, and biannual physical inventories be performed. It also identifies the information to be recorded in the inventory records for proper tracking.

Condition: An analysis of UConn Health's controllable and capital equipment inventory records disclosed the following:

- The controllable asset records included 1,773 items with incomplete or missing information, such as cost and purchasing source.
- The controllable asset inventory records included 30 items costing $5,000 or more with a total cost of $2,323,910.
- UConn Heath has not conducted a physical inspection of 972 controllable assets costing $838,833 in more than two years (at the time of our review in January 2021).
- UConn Health did not promptly capitalize 73 equipment items costing $1,994,162 from the time the items were put in service. Differences between the in-service dates and capitalization dates ranged from 31 to 361 days.

Effect: Inaccurate property control records and the absence of annual physical inspections increases the risk of loss or theft of equipment occurring and going undetected.

UConn Health did not fully comply with the policies and procedures set forth in its asset inventory control manual.

Cause: UConn Health's existing controls were not always being followed. In addition, UConn Health informed us that some of these issues were caused by data entry errors, which it corrects.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The University of Connecticut Health Center should strengthen controls over capital assets, maintain accurate inventory records, and perform physical inspections in accordance with its policies. It should also ensure that it promptly capitalizes equipment. (See Recommendation 10.)

Agency Response: "Management agrees with the recommendation.

Many of the 1,773 assets noted with incomplete purchasing and demographic data resulted from a change in capitalization thresholds. After capitalization thresholds were increased to $5,000 there was a period of time where UConn Health did not deem computers controllable and therefore procurement data did not flow through to our fixed asset system. This oversight was rectified however, there was no cost-effective way to populate the data retroactively. UConn Health has restored the flow of procurement information into its tracking database for all new assets. UConn Health will continue to track the other assets until they fully depreciate and are disposed, which generally occurs in three to five years.

Management has reviewed the 30 assets mentioned above. All assets have been corrected. We have also reviewed our procedures to minimize the potential for this error to recur.

The number of total controllable assets managed currently exceed 11,000. Management continues to pursue the list of 972 items that were not inspected to reduce the number of missing controllable assets. We continue to seek and identify these assets during our annual inventory sweeps and continue to refine procedures to capture more controllable assets each year.

In regards to the delay in capitalization of assets, we note that several assets were delayed due to the start of the pandemic and resources were redistributed to emergency operational needs. Management is working to refine its processes to allow for more timely capitalization."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the University of Connecticut Health Center (UConn Health) contained 14 recommendations. Eight have been implemented or otherwise resolved and six have been repeated or restated with modifications during the current audit.

- The University of Connecticut Health Center should consider limitations on consulting activities and require managers with a faculty title to use leave time for their consulting activities. UConn Health should conduct annual performance evaluations and maintain them in personnel files. **Our current audit disclosed some improvement in this area; however, further improvement is needed. The recommendation is being repeated with modification. (Recommendation 2.)**

- The University of Connecticut Health Center should review its telecommuting policy, practice, and enforcement tools to support measurable productivity, consistency in implementation, transparent attendance records, and the ability to monitor the program's benefits. The University of Connecticut Health Center should report its annual approval of telecommuting arrangements to the Department of Administrative Services. **The recommendation has been implemented and will not be repeated.**

- The University of Connecticut Health Center should improve coordination among various departments to take advantage of prompt payment discounts. The University of Connecticut Health Center should hold vendors to their payment and discount terms. **Our current audit disclosed that sufficient improvement was made in this area. The recommendation is not being repeated.**

- The University of Connecticut Health Center should ensure that invoice prices and quantities are supported and can be verified for accuracy and compliance with contract terms. Invoice approvers should have direct knowledge of services ordered and received. **Our current audit disclosed that sufficient improvement was made in this area. The recommendation is not being repeated.**

- The University of Connecticut Health Center should require employees to use compensatory time within a reasonable period and should not include unused compensatory time in payments to separating managerial and certain bargaining contract employees. **Our current audit disclosed that further improvement is needed. The recommendation is being repeated with modification. (Recommendation 6.)**

- The University of Connecticut Health Center should stop paying for long-term disability insurance for managerial employees and renegotiate bargaining contracts to avoid payments for benefits that are already part of the State Employees' Retirement System. **Our current audit disclosed that this issue still exists. The recommendation is being repeated. (Recommendation 5.)**

- The University of Connecticut Health Center should complete employee disciplinary investigations in a timely manner. **Our current audit disclosed sufficient improvement in this area. The recommendation is not being repeated.**

- The University of Connecticut Health Center should ensure that changes to employee compensation plans in excess of $1 million are presented to the board of directors for approval. UConn Health and its employees should agree on compensation terms and include them in the employee's personnel file. **Our current audit disclosed some improvement in this area. However, further improvement is needed. The recommendation is being repeated with modification. (See Recommendation 1.)**

- The University of Connecticut Health Center should institute mandatory procurement training for new managers and managers who failed to comply with UConn Health procurement policies. When there is a substantial change in service needs, UConn Health should competitively bid for new services rather than amending existing contracts. **Our current audit disclosed sufficient improvement in this area. The recommendation is not being repeated.**

- The University of Connecticut Health Center should not process timesheets that lack employee and manager approvals for payment. Managers should periodically review employee vacation leave balances and discuss the lack of vacation leave with employees who record little or no leave. **Our current audit disclosed some improvement. However, further improvement is needed. The recommendation is being repeated with modification. (See Recommendation 3.)**

- The University of Connecticut Health Center should plan and coordinate large information technology projects using UConn Health employees rather than consultants. UConn Health should hold vendors to their contractual terms. **Our current audit disclosed that the recommendation has been implemented. The recommendation is not being repeated.**

- The University of Connecticut Health Center should consider centralizing its recordkeeping of user training and service history of expensive equipment to ensure that records are retained despite staffing changes. **Our current audit disclosed that sufficient improvement was made in this area. The recommendation is not being repeated.**

- The University of Connecticut Health Center should perform periodic assessments of its purchasing power and available product offers to determine whether it is prudent to continue procuring from group purchasing organizations. **Further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 9.)**

- The University of Connecticut Health Center should clearly promulgate the State Comptroller's procedures related to student activity funds. Student groups should maintain their records using methods and systems that are consistent with UConn Health electronic data retention policies. **Sufficient improvement was made in this area. The recommendation is not being repeated.**

Current Audit Recommendations:

1. **The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee's personnel files.**

   Comment:

   Our review of $555,955 in clinical incentive payments to five faculty members in the School of Dental Medicine disclosed that, in all instances, the employment letters did not contain adequate language detailing the terms of these payments.

2. **The University of Connecticut Health Center should conduct annual performance evaluations and maintain them in personnel files.**

   Comment:

   Our review of 25 managerial employees disclosed 21 instances in which annual performance evaluations were not completed. In the instances noted, 19 received $290,492 in salary increases.

3. **The University of Connecticut Health Center should not process timesheets for payment that lack employee and manager approvals.**

   Comment:

   Our review of timesheets for 30 employees during the audited period disclosed that 29 of them had multiple instances in which proper approval was not obtained. UConn Health paid these 29 employees $7,126,847 for the pay periods their timesheets were not approved.

4. **The University of Connecticut Health Center should follow established pay ranges when hiring. If UConn Health believes its pay ranges are outdated, it should perform the necessary steps to appropriately update and comply with them.**

   Comment:

   Our review of 15 newly hired managers disclosed four instances in which UConn Health hired new managers at starting salaries above the established pay range.

5. **The University of Connecticut Health Center should eliminate long-term disability insurance coverage for managerial employees and renegotiate bargaining contracts to avoid payments for benefits that are included in the State Employees' Retirement System.**

Comment:

UConn Health provided long-term disability insurance coverage to several managers hired prior to November 2011, and to union employees who receive disability retirement benefits through the State Employees' Retirement System.

6. **The University of Connecticut Health Center should not include unused compensatory time in payments to separating managerial and confidential employees.**

Comment:

UConn Health paid for compensatory leave balances beyond what was required. In doing so, it incurred additional payout costs. We were unable to determine whether the payments were consistent with UConn Health's policies.

7. **The University of Connecticut Health Center should request the full amount it is owed through the Residency Training Program each year to maximize its operational cash flow.**

Comment:

During the audited period, UConn Health only requested $800,000 of the $1,177,542 it was owed through the Residency Training Program, leaving $377,542 with the Capital Area Health Consortium.

8. **The University of Connecticut Health Center should strengthen controls over personnel decisions concerning temporary, non-faculty employees to provide sufficient segregation of duties and transparency in the decision-making process.**

Comment:

UConn Health utilizes a personnel transaction request form when hiring temporary, non-faculty employees. The form does not require approval from the relevant department head as part of the hiring process.

9. **The University of Connecticut Health Center should perform periodic assessments of its purchasing power and available product offers to determine whether it is prudent to continue procuring from group purchasing organizations.**

Comment:

Capital equipment purchases totaling $596,056 did not include evidence that UConn Health considered competitive pricing. Additionally, we did not find evidence that UConn Health performed periodic quantitative and qualitative assessments to evaluate the benefits of purchasing through group purchasing organizations rather than directly from other medical suppliers.

10. The University of Connecticut Health Center should strengthen controls over capital assets, maintain accurate inventory records, and perform physical inspections in accordance with its policies. It should also ensure that it promptly capitalizes equipment.

Comment:

Our audit disclosed that UConn Health did not always include all required information in its property control records and did not always capitalize equipment in a timely manner. Furthermore, we noted that UConn Health did not perform all of the physical inspections required by its policies during the audited period.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the University of Connecticut Health Center during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Ann Phung
Jamie Drozdowski
Kaitlyn Lucas
Dominick Parisi

Michael J. Delaney
Principal Auditor

Approved:

	Clark J. Chapin
John C. Geragosian State Auditor	Clark J. Chapin State Auditor

ATTACHMENT 2.5

UCONN HEALTH

2021 AUDIT RESULTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER:

JOHN DEMPSEY HOSPITAL

UCONN MEDICAL GROUP

FINANCE CORPORATION

MARCUM
ACCOUNTANTS ▲ ADVISORS

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March 18, 2022

Joint Audit and Compliance Committee of
University of Connecticut & University of Connecticut Health Center

We are pleased to meet with you to discuss the results of our audits of the 2021 financial statements of the University of Connecticut Health Center John Dempsey Hospital (the Hospital); University of Connecticut Health Center UConn Medical Group (UMG); and University of Connecticut Health Center Finance Corporation (Finance Corporation), collectively the Organization. We have issued unmodified audit opinions on the aforementioned financial statements as of June 30, 2021 and for the year then ended.

This report summarizes our findings related to the significant areas of audit focus and the communications to audit committees that are required by our professional standards.

We appreciate the opportunity to provide audit services to the Organization. Please contact Chris Jackson at 860.760.0630 or chris.jackson@marcumllp.com with any questions or comments.

Very truly yours,

Marcum LLP

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AREAS OF AUDIT FOCUS

The following table summarizes the results of our audits and our observations related to the areas of audit focus:

Emphasis Area	Audit Results and Observations
Accounts Receivable, Allowances for Contractual Discounts, and Bad Debts	Management of the Hospital and UMG estimated the net realizable value of accounts receivable. The following table summarizes the gross and net accounts receivable balances:

	($ in 000's)	
Hospital	**2021**	**2020**
Gross accounts receivable	$ 65,083	$57,702
Allowance for doubtful accounts	(15,963)	(14,645)
Net patient receivables at 6/30	**$ 49,120**	**$43,057**
Allowance as a percentage of accounts receivable	25%	25%

	($ in 000's)	
UMG	**2021**	**2020**
Gross accounts receivable	$15,810	$12,853
Allowance for doubtful accounts	(6,707)	(6,840)
Net patient receivables at 6/30	**$ 9,103**	**$ 6,013**
Allowance as a percentage of accounts receivable	42%	53%

Emphasis Area	Audit Results and Observations
Accounts Receivable, Allowances for Contractual Discounts, and Bad Debts (Continued)	Effective January 1, 2021, the Hospital and UMG implemented the EPIC Contract Management (ECM) System to facilitate billing and contract management. Previously, the Hospital and UMG recorded the value of net accounts receivable manually by utilizing historical payment rates by payor to calculate a non-patient specific global contractual allowance for all outpatients and certain inpatients. Prior to the implementation of ECM, patient specific contractual allowances were posted to these patients' individual accounts when the provider remittances were received. ECM currently nets gross charges down to the expected net realizable payment amount for most patients' accounts at the time of billing based on the contracted rates that were input into ECM. We tested ECM and considered the impact of ECM on the Hospital's and UMG's accounts receivable estimation processes. We tested revenue system transactions for the Hospital and UMG, including the underlying system generated reports utilized by management in the determination of Hospital's and UMG's accounts receivable allowances. We performed extensive procedures to test the Hospital's and UMG's allowance calculations, including independent procedures to ensure that the allowances recorded were not materially misstated. We also analyzed collection trends subsequent to June 30, 2021 in order to estimate the net realizable value of accounts receivable based on subsequent cash receipts.

Emphasis Area	Audit Results and Observations
COVID-19 Relief Revenue	The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) has provided financial relief during the COVID-19 pandemic mainly through the Department of Health and Human Services (HHS) Provider Relief Fund. The Hospital and UMG recognized the following revenues:

	($ in 000's)	
	2021	**2020**
Hospital Covid-19 Relief Revenue	**$12,450**	**$15,871**
UMG Covid-19 Relief Revenue	**2,013**	**2,400**

Management of the Hospital and UMG documented that the eligibility requirements have been met to record revenue for the complete amount of funding received based on increased operating expenses and lost revenues.

Marcum has audited management's documentation of the criteria to satisfy the revenue recognition criteria without exception. Appropriate COVID-19 disclosures have been made in the notes to the financial statements.

In addition, the Hospital received $45.3 million under the Medicare Advance program in September 2020. As of June 30, 2021, this amount was included in due to third-party payors on the Hospital's statement of net position. Medicare began to recoup these advances in September 2021.

Emphasis Area	Audit Results and Observations
Defined Benefit Pension Plans &Postemployment Benefits Other than Pensions (OPEBs)	Eligible employees of the Hospital and UMG participate in the following defined benefit pension plans: the State Employees' Retirement System (SERS) and the Connecticut State Teacher's Retirement System (TRS). The following table summarizes the recorded components of the pension liabilities as of June 30, 2021:

	(in 000's)	
	JDH	**UMG**
Pension liabilities	$ (434,230)	$ (218,231)
Deferred outflows	148,183	79,428
Deferred inflows	(83)	(63)
Net position impact as of 6/30/21	**$ (286,130)**	**$ (138,866)**

The SERS actuarial valuations were prepared by Cavanaugh Macdonald Consulting. The Hospital's and UMG's proportionate shares of the net pension liability were allocated based on their proportionate contributions as summarized in the table below:

	Reporting Period	
	6/30/21	**6/30/20**
Total State liability	**$23.7 billion**	**$22.8 billion**
Hospital share of State liability	**1.82%**	**1.67%**
UMG share of State liability	**.91%**	**.82%**

The State Auditors of Public Accounts audited the Schedules of Component Unit Allocations of SERS and OPEBs and audited the net pension liability, net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense and OPEB expense for Component Units. These allocations were the basis for the amounts recorded in the 2021 audited financial statements.

Emphasis Area	Audit Results and Observations
Defined Benefit Pension Plans & OPEBs (Continued)	The following table summarizes the recorded components of the OPEB liabilities as of June 30, 2021:

	(in 000's)	
	JDH	**UMG**
OPEB liabilities	$ (628,674)	$ (353,032)
Deferred OPEB outflows	195,025	118,197
Deferred OPEB inflows	(26,720)	(15,004)
Net position impact as of 6/30/21	**$ (460,369)**	**$ (249,839)**

The OPEB actuarial valuations were prepared by the Segal Group. The Hospital's and UMG's proportionate shares of the net OPEB liability were allocated based on their proportionate contributions as summarized in the table below:

	Reporting Period	
	6/30/21	**6/30/20**
Total State liability	**$23.5 billion**	**$20.7 billion**
Hospital share of State liability	**2.67%**	**2.64%**
UMG share of State liability	**1.50%**	**1.45%**

The OPEB liability percentages in the table above are higher than the pension liability percentages presented on the preceding page based on the fact that the OPEB liability takes into account more employees than those included in the pension liability. The OPEB liability also includes employees who participate in the Alternate Retirement Plan (defined contribution pension plan), whereas the pension liability only pertains to employees in the SERS and the TRS defined benefit plans.

We agreed the amounts recorded in the Hospital's and UMG's audited financial statements to the aforementioned audited schedules without exception. In addition, we read the actuarial valuations and considered the qualifications of the actuaries. We also performed detailed testing for a sample of employees who participated in the pension and OPEB plans.

Emphasis Area	Audit Results and Observations
Amounts Due to Third-Party Payors	We have tested the relevant inputs to the Hospital's third-party payor settlement calculations and reviewed management's third-party reserving methodology. We have concluded that the third-party reserves were reasonable based on the exposures that existed. The following table summarizes the Hospital's recorded net amounts due to third-party payors based on management's estimates of open cost report settlements, Medicare Advanced Payments received, and other estimated settlement matters: (in 000's) — 6/30/21: Due to third-party payors **$ (61,623)**; 6/30/20: **$ (19,596)** As of June 30, 2021, the Hospital's third-party liabilities included a liability of $45.3 million related to Medicare Advanced Payments received on September 17, 2020.
Professional Liability Exposure and Other Legal Matters	UConn Health provides malpractice insurance coverage to the Hospital and UMG on an occurrence basis. The Hospital and UMG are charged an annual malpractice premium for such coverage. The Hospital and UMG are not responsible for claim settlements in excess of the annual premiums charged by UConn Health, however, operational subsidies from the State or UConn Health may be affected by the performance of the malpractice program. At June 30, 2021 and 2020, UConn Health's Malpractice Fund had reserves of approximately $41.7 million and $9.4 million, respectively. At June 30, 2021, UConn Health accrued for a verdict which UConn Health intends to appeal and appeal documents were filed in September 2021. The liability for this case is not included in the Hospital's or UMG's audited financial statements. At June 30, 2021 and 2020, UConn Health's Malpractice Trust Fund had assets of $3.8 million and $6.1 million, respectively. We obtained legal representation letters from the attorneys representing the Hospital and UMG. The relevant facts related to UConn Health's malpractice program and trust fund have been disclosed in the audited financial statements.

Nested table (within the Third-Party Payors row):

	(in 000's)	
	6/30/21	6/30/20
Due to third-party payors	**$ (61,623)**	**$ (19,596)**

Emphasis Area	Audit Results and Observations
Financial Viability	The Hospital and UMG have experienced significant operating losses as presented in the table below.

	($ in 000's)	
Hospital	**2021**	**2020**
Operating loss	$(183,734)	$(167,634)
Nonoperating revenues	11,969	16,331
Net transfers from UConn Health	20,137	25,100
Decrease in net position	**$(151,628)**	**$(126,203)**
UMG		
Operating loss	$(165,296)	$(155,239)
Nonoperating revenues	2,009	2,338
Net transfers from UConn Health	101,034	107,924
Decrease in net position	**$ (62,253)**	**$(44,977)**

We obtained representations from UConn Health's management that UConn Health is committed to continue to provide financial support to the Hospital and UMG in the form of working capital advances and net asset transfers through at least November 30, 2022 (one year from the date of our auditors' report) in amounts that will be sufficient for the Hospital and UMG to continue to meet their cash flow requirements.

REQUIRED COMMUNICATIONS

The following communications are required by our professional standards:

OUR RESPONSIBILITIES UNDER AUDITING STANDARDS

Our engagement letter and our audit reports define our responsibilities. As described by professional standards, our responsibility is to plan and perform the audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

Management's Discussion and Analysis for each entity and the supplementary pension and OPEB schedules for the Hospital and UMG have been presented to supplement the basic financial statements. The information is required by the Governmental Accounting Standards Board. 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 audits 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.

ACCOUNTING POLICIES AND DISCLOSURES

Management is responsible for the selection and use of appropriate accounting policies. The Organization's significant accounting policies are disclosed in Note 1 to the audited financial statements. The following accounting pronouncements were adopted by the Hospital and UMG during the year ended June 30, 2021, none of which had a material impact on their financial statements:

GASB Statement No. 84, *Fiduciary Activities*; GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*; GASB Statement No. 90, *Majority Equity Interests*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The financial statement disclosures are neutral, consistent, and clear.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most sensitive estimates included in the financial statements relate to contractual allowances, the allowances for doubtful accounts, third-party reserves, pension and OPEB liabilities. Please refer to the preceding Areas of Audit Focus section for our analysis of these estimates.

Audit Adjustments

An audit adjustment is a correction to the financial statements that was not detected by employees in the normal course of performing their duties or that was detected by employees subsequent to year end, but not recorded until the following year.

There were no material audit adjustments recorded by the Hospital, UMG or Finance Corporation. There were no material unrecorded audit adjustments as of June 30, 2021.

Disagreements with Management

Professional standards define a disagreement with management as a difference of opinion on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedures, which if not resolved to the auditors' satisfaction would have caused the auditor to refer to the subject matter of the disagreement in connection with the auditors' report. (Preliminary differences of opinion that are based on incomplete facts are not considered to be disagreements if the differences are resolved by obtaining more complete factual information). There were no disagreements with management related to auditing, accounting or disclosure matters.

Significant Difficulties Encountered in Performing the Audits

Management and others within the Organization cooperated with our requests. We encountered no difficulties in dealing with management in performing our audits.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing or accounting matters, similar to obtaining a "second opinion". If such consultation involves the application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to communicate with us to determine that the consulting accountant has all the relevant facts. Management has advised us that at times they consult with the State Auditors on certain accounting matters and other events as they arise during the year.

ISSUES DISCUSSED PRIOR TO OUR RETENTION AS INDEPENDENT AUDITORS

We generally discussed a variety of matters, including the application of accounting principles and auditing standards, with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as auditors. Further, there were no significant changes to our planned audit approach or areas of audit emphasis. In addition, there were no significant changes to our estimates of planning materiality that were initially developed during the planning phase of the audits.

MANAGEMENT REPRESENTATIONS

Management of UConn Health, the Hospital, UMG and Finance Corporation made certain representations regarding the financial statements in formal representation letters that were provided to Marcum.

FRAUD AND ILLEGAL ACTS

Those charged with governance should be adequately informed of fraud or violations of laws and regulations coming to the auditors' attention during the course of the audits.

We performed the following procedures:

- ✓ Tested a targeted sample of journal entries.
- ✓ Inquired of employees regarding fraud.
- ✓ Analyzed the programs and controls that the Organization has implemented to address fraud risks and to prevent, deter, and detect fraud, and understand how these programs and controls are monitored.
- ✓ Tested subjective accounting estimates, significant transactions, complex transactions and unusual transactions.
- ✓ Determined, with the benefit of hindsight, whether the underlying assumptions utilized in the prior year indicated possible bias on the part of management.

We noted no fraud or illegal acts (all as defined under current auditing standards) which have or could have a direct effect on the financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements of the Hospital, UMG, and Finance Corporation, as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

INDEPENDENCE CONFIRMATION

As required by professional standards, we communicate at least annually with you regarding all relationships between Marcum and its related entities (the Firm) and the Hospital, UMG and Finance Corporation that, in our professional judgment, may reasonably be thought to bear on our independence. We are not aware of any relationships between the Firm and the Organization that, in our professional judgment, may reasonably be thought to bear on our independence.

We hereby confirm that we are independent accountants with respect to the Organization, within the meaning of the published rules and regulations of the American Institute of Certified Public Accountants and the State of Connecticut Board of Public Accountancy.

UNIVERSITY OF CONNECTICUT HEALTH CENTER:

JOHN DEMPSEY HOSPITAL
UCONN MEDICAL GROUP
FINANCE CORPORATION

MANAGEMENT LETTER

JUNE 30, 2021

MARCUM
ACCOUNTANTS ▲ ADVISORS

MANAGEMENT LETTER

Joint Audit and Compliance Committee
University of Connecticut Health Center

In planning and performing our audits of the financial statements of the University of Connecticut Health Center John Dempsey Hospital (the Hospital), the University of Connecticut Health Center UConn Medical Group (UMG), and the University of Connecticut Health Center Finance Corporation (Finance Corporation), collectively the Organization, as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Hospital's, UMG's, and Finance Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's, UMG's, and Finance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's, UMG's, and Finance Corporation's internal control.

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

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

During our audits, we became aware of certain matters that represent opportunities for the Organization to strengthen its internal controls and follow best practices. The pages which follow summarize our comments and suggestions regarding these matters.

Marcum LLP

Hartford, CT
November 30, 2021

MARCUMGROUP
MEMBER

Revenue and Patient Accounts Receivable

Billing and Contract Management System
Effective January 1, 2021, the Hospital and UMG implemented the EPIC Contract Management (ECM) System to facilitate billing and contract management. Previously, the Hospital and UMG recorded the value of net accounts receivable manually by utilizing historical payment rates by payor to calculate a non-patient specific global contractual allowance. Prior to the implementation of ECM, patient specific contractual allowances were posted to patients' accounts when the provider remittances were received. ECM currently nets gross charges down to the expected net realizable payment amount for most patients' accounts at the time of billing based on the contracted rates that were input into ECM.

Marcum recommends that a formal process be implemented to timely communicate outliers identified by the Contract Management Team to the Finance Department related to differences with the contracts and payment terms loaded in ECM to allow for the improved estimation of net accounts receivable.

Furthermore, based on Marcum's review of the fiscal year 2021 EPIC variance review process to determine that accounts are being collected and reported as expected and actioned upon appropriately by the variance analysts on a monthly basis, Marcum suggests that a formal review control be implemented by the patient financial services supervisor or director to ensure that variances in payments are resolved by the analysts timely and accurately.

Such enhancements to the comprehensive payment validation and variance resolution function in ECM will help to improve reporting and prevent potential billing or payment errors that could result in lost revenue or improper net accounts receivable valuation amounts.

Moreover, Marcum recommends that the Organization develop a systematic manner of maintaining all third-party payor contracts and payment terms, including originally executed agreements, subsequent amendments and related fee schedules, in a central location that can be readily accessed in the event that there are specific questions regarding the accuracy of the ECM rates.

Comprehensive Set of EPIC Policies and Procedures
Marcum recommends that a comprehensive set of policies and procedures specific to the EPIC environment be formally documented and updated on a regular basis to ensure that EPIC is being efficiently and effectively utilized by the Hospital and UMG in a consistent manner.

Capital Assets

The Hospital's, UMG's and Finance Corporation's capital asset balances represent a significant percentage of each entities' net position, therefore, subsidiary ledgers that reflect accurate detailed identifying information for individual capital assets are an integral component of the Organization's financial records.

During the year ended June 30, 2021, management reconciled the Hospital's and UMG's capital asset spending amounts to the amounts capitalized and identified approximately $800,000 and $780,000, respectively, of construction in progress additions that were required to be written off as an expense in the Hospital's and UMG's 2021 financial statements.

All capital asset spending amounts should be compared to expenses that are capitalized and be formally reconciled on a routine basis in order to avoid large adjustments after an extended period of time between reconciliation dates.

Additionally, Marcum recommends that a detailed review of the capital asset subsidiary ledgers be performed on a regular basis to validate the appropriate classification and valuation of all capital asset balances. Such review procedures will help to reduce the potential for incorrect valuations or classifications of capital assets.

Related Party and Intercompany Transactions

The Hospital, UMG and Finance Corporation have significant related party and intercompany transactions that flow through their accounting systems. As a result, individual subsidiary ledgers that record such intercompany activity are integral components of the Organization's financial records, along with the reconciliation of such subsidiary ledgers between the related entities to prevent misstatements.

Marcum noted that certain intercompany balances did not agree with the other entities' financial records which could result in errors. Marcum recommends that all intercompany information be formally reconciled regularly to the underlying accounting records of all related entities in order to minimize the risk of misstatement. Marcum recommends that management add an enhanced procedure to the monthly financial statement closing process that formally documents the reconciliation of all intercompany account balances and activities between the Hospital, UMG and Finance Corporation to prevent correcting adjusting journal entries in later periods. These intercompany reconciliation procedures will facilitate the proper reporting between the entities and help to prevent misstatements.

MANAGEMENT'S RESPONSES:

We agree with the comments above. Additional topic specific comments are provided below.

Revenue and Patient Accounts Receivable

Formalize Outlier Process
We currently have processes for handling material contract revaluations caused by systemic valuation issues. We will explore expanding our processes to identify and communicate material individual outliers amongst members of the Finance team and determine if additional operational or financial reporting actions are required.

Variance Analysis
We continue to work towards implementing a comprehensive variance review process that would encompass both material payment differences as well as systemic under or overpayments. Due to recent staff turnover, UConn Health has recently restarted the conceptualization of this process. We are looking for a process that best blends the tools existing in EPIC currently with regional and national benchmarking data that would allow us to attack variances at their root cause and successfully resolve them with payers.

Contract Maintenance
Contracts and fee schedules (including originally executed agreements, subsequent amendments and related fee schedules) are currently stored in a secure online repository, a shared network drive. We intend to re-evaluate who requires access to this drive as part of our revamping of the variance analysis group.

Overall Policies and Procedures
UConn Health's EPIC environment and revenue cycle teams have both experienced significant changes since installation. We believe the system is now mature enough to warrant a more formal documentation of process and procedures. Accordingly, we have begun working on a comprehensive set of procedures for areas such as clinical documentation, patient billing, contract management, and finance.

We acknowledge that as EPIC continues to evolve so will our processes and documentation. However, we are targeting December 2022 to complete the updates and documentation related to the above comments.

Capital Assets

We agree with the recommendations. UConn Health has made continual strides in recent years towards a more robust reconciliation of the capital asset subsidiary ledgers. We continue to work towards improving the process. Over the past year, we have instituted a more detailed review of expenditures and validation for appropriate asset classification. We also continue to review the contents of capital asset account balances, especially construction in progress, annually.

In the past year, our procedures were enhanced to begin tracking at the purchase order expenditure level and to work on this reconciliation process monthly as part of the closing process. On a monthly basis, UConn Health now analyzes all capital transactions to expose variances between the capital spend and fund additions in a more timely fashion. The fixed asset team meets bi-weekly to analyze discrepancies, discuss needed corrections, and review procedures including proper asset classification to minimize further issues. The reconciliation is reviewed quarterly to ensure completeness and the timely resolution of identified items. We expect to have this complete process in place for the end of the current fiscal year.

<u>Related Party and Intercompany Transactions</u>

We agree with the recommendations. UConn Health previously had a procedure for the reconciliation of select intercompany balances. We will further expand this procedure to cover all intercompany balances. We will create additional general ledger accounts to facilitate a more direct reconciliation and allow the use of automated tools. The intercompany reconciliation will be performed monthly as part of our closing process. The reconciliation has been assigned to a staff accountant and will be reviewed by a supervisor beginning with the January 2022 close. We expect to have a complete process in place for the end of the current fiscal year.

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(With Management's Discussion and Analysis)

JUNE 30, 2021 AND 2020

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

CONTENTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital) as of and for the years ended June 30, 2021, 2020, and 2019. The Hospital is operated as a separate, identifiable unit of the University of Connecticut Health Center (UConn Health). 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.

Through the Hospital (a licensed acute care hospital with 234 certified general acute care beds, 186 staffed), UConn Health provides specialized and routine inpatient and outpatient services. The Hospital also provides comprehensive healthcare services for the State of Connecticut's (State) incarcerated inmates. Historically, the contracts were with the Correctional Managed Health Care (CMHC) program. However, effective July 1, 2018, CMHC was dissolved. The Hospital continues to provide services through a variety of contracts with the State's Department of Correction (DOC). The Hospital has long been regarded as the premier facility in the region for high-risk maternity services. It is also recognized for its cardiovascular program (interventional cardiology and surgery), cancer, musculoskeletal, and behavioral mental health services. Additionally, the Hospital is home to the only Emergency Department in Connecticut's Farmington Valley.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. The Hospital chose to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. As a result, clinical volumes and results were lower in fiscal 2020 than in fiscal 2021. UConn Health continues to diligently navigate the pandemic and its many associated business challenges, including personal protective equipment (PPE) shortages, supply chain disruption, aid application and reporting requirements, variant waves, and staffing shortages. Management remains focused on providing exceptional, reliable, and safe patient care to our community. UConn Health implemented a mandatory masking policy for patients, staff, and visitors in 2021, and has adopted a mandatory vaccine policy in fiscal 2022. Both policies focus on ensuring the health of our patients, staff, and visitors. Due to the rapid development and fluidity of the pandemic, including variant spread, the magnitude and duration of the pandemic, and its impact on the Hospital's financial condition or results, remain uncertain as of the date of this report.

During fiscal year 2021, the Hospital received $12.5 million via the Coronavirus Aid, Relief, and Economic Security (CARES) Act General Distribution Phase 3 based on lost revenue. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. The Hospital has met these requirements. During fiscal year 2020, the Hospital received $15.9 million from the CARES Act. Funding 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Hospital was also eligible for distributions for treating uninsured patients, though this population is not considered material.

The Hospital, as part of UConn Health, was also eligible to apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health was eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration, and UConn Health has obtained a commitment from the State as part of the CRF to assist with eligible pandemic related expenses not reimbursed by FEMA. The FEMA application process can be time intensive, and, to date, no funds have been received related to UConn Health's claims. UConn Health is working towards receipt of funds from these funding mechanisms in fiscal year 2022.

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows) present the financial position of the Hospital at June 30, 2021 and 2020, and the results of its operations and its financial activities for the years then ended. These financial statements report information about the Hospital using accounting methods similar to those used by private-sector companies. The statements of net position include all of the Hospital's assets, liabilities, and deferred inflows and outflows. The statements of revenues, expenses, and changes in net position reflect the year's activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid).

These financial statements report the Hospital's net position and how it has changed. Net position (the difference between assets and liabilities adjusted for deferred outflows and inflows) is one way to measure financial health or position. The statements of cash flows provide relevant information about each year's cash receipts and cash payments and classifies them as operating, investing, noncapital financing activities, and capital and related financing activities. The financial statement footnotes include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

The Hospital's financial position at June 30, 2021, consisted of assets of approximately $471.9 million, deferred outflows of approximately $343.2 million, liabilities of approximately $1,186.3 million (of which $1,062.9 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $26.8 million. The Hospital's financial position at June 30, 2020, consisted of assets of approximately $466.1 million, deferred outflows of approximately $325.9 million, liabilities of approximately $1,005.4 million (of which $929.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $33.0 million. Net position, which represents the residual interest in the Hospital's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately $151.6 million from fiscal year 2020 to a net deficit position of approximately $398.0 million as of June 30, 2021.

The Hospital finished the year with an operating loss of $183.7 million compared to an operating loss of $167.6 million in the prior year. Current year losses include the effect of the Hospital recording its pro-rata share of expenses under GASB Statements No. 68 and 75, as discussed in note 10. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. The Hospital recorded an additional $109.9 million and $83.9 million of expenses related to pension and OPEB liabilities in fiscal years 2021 and 2020, respectively. Operating losses exclusive of these entries were $73.8 million and $83.7 million in fiscal years 2021 and 2020, respectively.

The Hospital received net transfers from UConn Health of $20.1 million and $25.1 million in fiscal years 2021 and 2020, respectively. Current year transfers from UConn Health included $72.7 million and $9.3 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $61.9 million in transfers to UConn Health for operational support during fiscal year 2021. In fiscal year 2020, UConn Health transferred $65.0 million and $10.2 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $50.1 million in transfers to UConn Health for operational support during fiscal year 2020. Total net position decreased by approximately $151.6 million in fiscal year 2021, compared to a decrease of approximately $126.2 million in fiscal 2020.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of the Hospital's Statements of Net Position as of June 30, 2021, 2020, and 2019 are presented below.

	2021	2020	2019
		(in thousands)	
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 134,332	$ 110,668	$ 137,471
Other assets	9,230	8,199	2,177
Capital and intangible assets, net	328,304	347,277	366,457
Total assets	$ 471,866	$ 466,144	$ 506,105
Deferred amount for pensions	$ 148,184	$ 146,293	$ 110,025
Deferred amount for OPEB	195,025	179,581	45,019
Total deferred outflows	$ 343,209	$ 325,874	$ 155,044
Current liabilities	$ 110,989	$ 64,523	$ 59,193
Pension liabilities	434,230	382,720	305,945
OPEB liabilities	628,675	546,723	380,386
Capital leases	1,562	2,306	2,431
Accrued compensated absences, noncurrent portion	10,845	9,159	12,066
Total liabilities	$ 1,186,301	$ 1,005,431	$ 760,021
Deferred amount for pensions	$ 83	$ 966	$ 1,061
Deferred amount for OPEB	26,720	32,022	20,265
Total deferred inflows	$ 26,803	$ 32,988	$ 21,326
Net investment in capital assets	$ 325,978	$ 343,900	$ 363,182
Unrestricted deficit	(724,007)	(590,301)	(483,380)
Total net position	$ (398,029)	$ (246,401)	$ (120,198)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

In this section, the Hospital explains the reasons for those financial statement items with significant variances relating to fiscal year 2021 amounts compared to fiscal year 2020 amounts.

Changes in assets included the following:

- *Inventory* – increased from June 30, 2020 to June 30, 2021 by approximately $3.2 million primarily due to PPE purchased for the pandemic. There was also an increase in the purchase of pharmaceuticals during fiscal year 2021.

- *Contract and other receivables* – decreased from June 30, 2020 to June 30, 2021 by approximately $1.5 million due to payments received for outstanding payroll owed for the contract between the Hospital and the Neonatal Intensive Care Unit (owned and operated by Connecticut Children's Medical Center) and Hemophilia Clinic outstanding payments owed by Red Chip.

- *Due from Finance Corporation* – increased from June 30, 2020 to June 30, 2021 by approximately $4.6 million as a result of the 340B agreement that began in July 2020 between the Hospital and UConn Health Pharmacy Services Inc. (UHPSI), a subsidiary of the Finance Corporation.

- *Due from UMG* – increased from June 30, 2020 to June 30, 2021 by approximately $1.9 million due patient deposits posted to a central clearing account for UMG that were owed back to the Hospital at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to the Hospital.

- *Deposit with Vendors* – increased from June 30, 2020 to June 30, 2021 by approximately $1.2 million due to an increase in contractually required deposits with the Hospital's primary pharmaceutical vendor, AmerisourceBergen.

- *Capital and intangible assets, net* – decreased from June 30, 2020 to June 30, 2021 by approximately $19.0 million, as depreciation and disposals outpaced capital acquisitions during the current fiscal year.

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES (CONTINUED)

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – increased from June 30, 2020 to June 30, 2021 by approximately $3.3 million, primarily due to increased payables to several drug and medical supply vendors associated with increased clinical volumes during fiscal year 2021.

- *Due to Third-Party Payors* – increased from June 30, 2020 to June 30, 2021 by approximately $42.0 million, primarily due to the advance payment from CMS (Medicare) for future claims. The advance repayment will begin in September 2021.

- *Pension and OPEB liabilities* – increased from June 30, 2020 to June 30, 2021 by approximately $133.5 million due to changes in the Hospital's OPEB costs and lowering of the discount rate from 3.58% to 2.38%. This represents the Hospital's proportional share of the State's OPEB liability as actuarially determined based on the Hospital's percentage of overall contributions.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021, 2020, and 2019 are presented below:

	2021	2020	2019
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 528,437	$ 464,342	$ 451,469
Operating expenses	(712,171)	(631,976)	(528,669)
Operating loss	(183,734)	(167,634)	(77,200)
Nonoperating revenue, net	11,969	16,331	428
Loss before transfers	(171,765)	(151,303)	(76,772)
Net transfers	20,137	25,100	21,558
Decrease in net position	$ (151,628)	$ (126,203)	$ (55,214)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $64.1 million or 13.8%.

- *Net patient service revenues* – increased by approximately $54.0 million or 13.4% from prior year due to increased volumes in fiscal year 2021 related to the ramp up of activity throughout the Hospital.

- *Contract and other revenues* – increased by approximately $10.1 million or 16.4% from prior year, which was driven by increases in the Ryan White 340B contract, pharmacy 340B contract agreements (340B drug contract), and a new 340B contract with UHPSI. The 340B drug contract is a discount program created in 1992 by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340B drug contract came about as a result of changes in the 340B regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340B priced drugs to the Hospital's outpatients. The Hospital is now partnering with area pharmacies to allow them to fill such prescriptions for outpatients.

Operating expenses

Total operating expenses increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $80.2 million or 12.7%.

- *Salaries and wages* – increased by approximately $11.2 million or 6.5% from prior year due to contractually bargained salary wage increases and an overall increase in full-time employees (FTEs). The Hospital FTE's went from 1,747 in fiscal year 2020 to 1,821 fiscal year 2021.

- *Fringe benefits* – increased by approximately $42.1 million or 20.8% from prior year due to charges associated with the Hospital recording its proportionate share of expenses under GASB Statements No. 68 and 75.

- *Pharmaceutical/medical supplies* – increased by approximately $19.7 million or 20.0% from prior year due to the cost of specialty drugs for the pharmacy department and increased surgical volumes during fiscal year 2021.

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

- *Outside and other purchased services* – increased by approximately $3.9 million or 7.5% from prior year, mostly due to fees associated with 340B wire deposits and purchased lab services from Jackson Laboratory for lab testing.

SUMMARY OF CASH FLOWS

The statements of cash flows provide additional information about the Hospital's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2021, 2020, and 2019 are as follows:

	2021	2020	2019
		(in thousands)	
Cash received from operations	$ 565,593	$ 469,392	$ 454,881
Cash expended for operations	(582,772)	(527,192)	(474,288)
Net cash used in operations	(17,179)	(57,800)	(19,407)
Net cash used in investing activities	(5,062)	(4,763)	(3,737)
Net cash provided by noncapital financing activities	12,451	16,542	715
Net cash provided by capital and related financing activities	18,970	29,523	21,271
Net change in cash	9,180	(16,498)	(1,158)
Cash - Beginning	39,393	55,891	57,049
Cash - Ending	$ 48,573	$ 39,393	$ 55,891

Hospital discharges of 8,936 represent a decrease of 330 cases from 2020, primarily due to the patients' length of stay increasing in fiscal year 2021. The Hospital's patient length of stay for the years ended June 30, 2021 and June 30, 2020 was 4.7 and 4.5, respectively. The Hospital's normal patient length of stay pre-COVID-19 pandemic was approximately 4.2.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2021, the Hospital had capital and intangible assets of $554.9 million before accumulated depreciation, compared to $558.6 million at June 30, 2020. In 2020, capital leases increased by $1.1 million due to the Hospital entering into two new lease agreements. There were no new leases in 2021. A summary of capital and intangible asset balances is shown in the table below:

	2021	2020	2019
		(in thousands)	
Land	$ 183	$ 183	$ 183
Construction in progress	1,324	2,366	1,037
Buildings	403,107	398,992	397,090
Equipment	75,273	82,648	84,276
Computer software	57,632	57,061	58,158
Capital leases	17,355	17,359	16,264
Total capital and intangible assets	554,874	558,609	557,008
Less: accumulated depreciation and amortization	226,570	211,332	190,551
Capital and intangible assets, net	$ 328,304	$ 347,277	$ 366,457

For fiscal year 2022, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by the senior executive committee of UConn Health. More detailed information about the Hospital's capital and intangible assets are presented in note 8 to the financial statements.

FISCAL 2022 OUTLOOK

As we look forward to fiscal year 2022, UConn Health continues to adapt its business models to changing landscapes: operational, pandemic, and regulatory. UConn Health continues to work and plan for the new operational realities, including labor and supply shortages through continual re-prioritization, forward thinking, teamwork, and creativity. The COVID-19 pandemic continues to evolve creating new community needs and challenges. UConn Health will continue to respond to these new needs, such as for vaccine boosters and community resources, and to serve the people of Connecticut. Healthcare, already a high oversight industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds will continue to be a focus for UConn Health moving forward to monitor the increasing levels of regulations from authoritative agencies, including those assisting with pandemic relief.

FISCAL 2022 OUTLOOK (CONTINUED)

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

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2021 spending plan. UConn Health approaches fiscal year 2022 cautiously optimistic. While vaccines have helped stem some of the impact of COVID-19, the surging Delta variant and pandemic fatigue have contributed to an uncertain outlook. While clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic volumes, a continued spike in cases could impact UConn Heath's ability to perform elective surgeries, which are essential for the continued fiscal health of the institution. At the same time, the Hospital's Medicare Advance program funding will begin repayment in fiscal year 2022. Repayment of these amounts will reduce operating liquidity over future months.

Clinically, the focus remains on cautiously returning to patient care, while assuring patients that it is safe to do so. Significant concerns nationally about patients putting off care due to COVID-19 have lent greater urgency to handling the current Delta spike effectively and safely. UConn Health has worked continually over the past 12 months to strengthen its supply lines and broaden its access to the required types and amounts of PPE. We continue to update our treatment protocols and have proactively taken steps to ensure patient and staff safety across all its clinical units.

Among the initiatives that UConn Health has implemented are joining with the Connecticut Hospital Association in implementing mandatory vaccination at our facilities, universal masking, and screening of all staff and visitors in all facilities regardless of vaccination status.

UConn Health continues to work at leveraging its electronic medical record system (EPIC system). In the current year, our EPIC system allowed us to track and facilitate vaccine roll outs for staff and the public, and helped transmit COVID-19 testing results from Jackson Labs to other EPIC facilities in Connecticut. We also continued progress towards upgrading and optimizing the system. UConn Health is now on a quarterly upgrade schedule and is up-to-date with current EPIC functionality.

FISCAL 2022 OUTLOOK (CONTINUED)

On June 30, 2021, all existing bargaining unit contracts concluded without new agreements being ratified and approved by the legislature. Affected unions are currently working under an extension agreement that runs through June 30, 2022, and keeps substantially all of the prior contract provisions, but which does not allow for general wage increases during the hold-over period.

The State, lifted by strong tax receipts and federal aid, reported a surplus for fiscal year 2021, and is anticipating a robust fiscal year 2022. The State's financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State's economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care.

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

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of the Hospital'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 06030-3800.

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
University of Connecticut Health Center

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), an enterprise fund of the State of Connecticut, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Marcum LLP ▪ CityPlace I ▪ 185 Asylum Street ▪ 25th Floor ▪ Hartford, CT 06103 ▪ Phone 860.760.0600 ▪ Fax 860.760.0601 ▪ www.marcumllp.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) as of June 30, 2021 and 2020, and the results of its operations and changes in net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis on pages 1 through 11, the Schedule of Changes in the Hospital's Net Pension Liability and Related Ratios on page 61, the Schedule of Pension Contributions on page 62, the Schedule of Changes in the Hospital's Net OPEB Liability and Related Ratios on page 63, Schedule of the Hospital's Proportionate Share of the Net OPEB Liability on page 64 and the Schedule of the Hospital's OPEB Contributions on page 65, be presented to supplement the basic financial statements. Such information, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
November 30, 2021

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 48,572,719	$ 39,393,084
Patient accounts receivable, net of estimated uncollectibles of $15,963,000 and $14,645,000 at June 30, 2021 and 2020, respectively	49,120,166	43,057,077
Inventory	15,066,359	11,907,825
Contract and other receivables	3,802,573	5,294,905
Due from State of Connecticut	6,842,171	6,453,519
Due from Other Funds	3,075,553	3,408,991
Due from UMG	2,053,679	194,548
Due from Finance Corporation	4,574,989	--
Prepaid expenses	1,223,674	957,370
Total Current Assets	134,331,883	110,667,319
Noncurrent Assets		
Deposits with vendors	9,112,315	7,921,017
Other assets	117,543	277,991
Capital and intangible assets, net (note 8)	328,303,827	347,277,333
Total Noncurrent Assets	337,533,685	355,476,341
Total Assets	471,865,568	466,143,660
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	148,183,467	146,293,132
Deferred amount for OPEB (note 10)	195,025,424	179,580,884
Total Deferred Outflows of Resources	$ 343,208,891	$ 325,874,016

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	2021	2020
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 20,194,043	$ 16,921,315
Accrued payroll	11,735,345	10,896,056
Due to UConn Health Malpractice Fund	188,376	188,376
Due to State of Connecticut	8,983,685	7,959,743
Due to third-party payors	61,622,763	19,595,962
Due to Finance Corporation	--	186,556
Deferred revenues	4,419	4,419
Capital leases, current portion (note 9)	764,476	1,071,583
Accrued compensated absences, current portion (note 9)	7,496,104	7,698,814
Total Current Liabilities	110,989,211	64,522,824
Noncurrent Liabilities		
Pension liabilities (notes 9 and 10)	434,230,079	382,719,634
OPEB liabilities (notes 9 and 10)	628,674,477	546,723,069
Capital leases, net of current portion (note 9)	1,561,673	2,306,363
Accrued compensated absences, net of current portion (note 9)	10,845,233	9,158,672
Total Noncurrent Liabilities	1,075,311,462	940,907,738
Total Liabilities	1,186,300,673	1,005,430,562
Deferred Inflows of Resources		
Deferred amount for pensions (note 10)	83,298	966,353
Deferred amount for OPEB (note 10)	26,719,717	32,022,226
Total Deferred Inflows of Resources	26,803,015	32,988,579
Net Position		
Net investment in capital assets	325,977,678	343,899,387
Unrestricted deficit	(724,006,907)	(590,300,852)
Total Net Position	$ (398,029,229)	$ (246,401,465)

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating Revenues		
Net patient service revenues (note 5)	$ 456,560,089	$ 402,585,016
Contract and other revenues	71,877,122	61,756,615
Total Operating Revenues	528,437,211	464,341,631
Operating Expenses		
Salaries and wages	185,133,029	173,901,777
Fringe benefits	243,895,101	201,823,246
Medical/dental house staff	2,029,584	3,179,597
Medical contractual support	278,549	350,256
Internal contractual support	50,270,873	46,077,315
Outside agency per diems	5,014,861	3,558,107
Depreciation and amortization	23,969,073	24,941,235
Pharmaceutical/medical supplies	118,314,813	98,608,997
Utilities	4,870,607	5,519,017
Outside and other purchased services	56,212,230	52,303,568
Insurance	5,782,536	6,481,061
Repairs and maintenance	11,239,667	9,807,692
Other expenses	5,160,251	5,424,187
Total Operating Expenses	712,171,174	631,976,055
Operating Loss	(183,733,963)	(167,634,424)
Nonoperating Revenues (Expenses)		
Gift and endowment (expense)/income	(299,587)	671,395
COVID-19 relief revenue	12,450,000	15,870,741
Interest expense	(115,227)	(114,855)
Loss on disposals	(66,043)	(95,839)
Net Nonoperating Revenues	11,969,143	16,331,442
Loss before Transfers	(171,764,820)	(151,302,982)
Transfers from UConn Health - Unrestricted (note 11)	82,038,429	75,201,378
Transfers to UConn Health (note 11)	(61,901,373)	(50,101,411)
Decrease in Net Position	(151,627,764)	(126,203,015)
Net Position - Beginning of year	(246,401,465)	(120,198,450)
Net Position - End of year	$ (398,029,229)	$ (246,401,465)

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 492,523,802	$ 409,123,485
Cash received from contract and other revenues	73,069,454	60,267,931
Cash paid to employees for salaries and fringe benefits	(315,350,982)	(297,174,524)
Cash (returned to) received from related parties	(6,628,668)	4,436,675
Cash paid for other than personnel services	(260,792,806)	(234,453,250)
Net Cash Used in Operating Activities	(17,179,200)	(57,799,683)
Cash Flows from Investing Activities		
Additions to property and equipment	(5,061,610)	(4,762,933)
Net Cash Used in Investing Activities	(5,061,610)	(4,762,933)
Cash Flows from Noncapital Financing Activities		
COVID-19 relief revenue received	12,450,000	15,870,741
Gifts and endowment income	413	671,395
Net Cash Provided by Noncapital Financing Activities	12,450,413	16,542,136
Cash Flows from Capital and Related Financing Activities		
Interest paid	(115,227)	(114,855)
Transfer from UConn Health - Unrestricted	82,038,429	75,201,378
Transfer to UConn Health	(61,901,373)	(50,101,411)
Repayment from UMG	--	5,529,552
Payments on capital leases	(1,051,797)	(991,758)
Net Cash Provided by Capital and Related Financing Activities	18,970,032	29,522,906
Net Change in Cash	9,179,635	(16,497,574)
Cash - Beginning	39,393,084	55,890,658
Cash - Ending	$ 48,572,719	$ 39,393,084
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Equipment acquired by entering into capital lease agreements	$ --	$ 1,094,544
Change in endowment	$ 300,000	$ --

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (183,733,963)	$ (167,634,424)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	23,969,073	24,941,235
Non-cash portion of pension expense	48,737,055	40,411,728
Non-cash portion of OPEB expense	61,204,355	43,531,927
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(6,063,088)	7,419,723
Inventory	(3,158,534)	(1,963,055)
Contract and other receivables	1,192,332	(1,488,684)
Prepaid expenses	(266,303)	(126,592)
Other assets	160,448	525,478
Deposits with vendors	(1,191,298)	--
Due from UMG	(1,859,131)	(194,548)
Due from Finance Corporation	(4,761,545)	4,631,223
Due from State of Connecticut	(388,652)	(3,193,464)
Due from other funds	333,438	(3,408,991)
Due to third-party payors	42,026,802	(881,254)
Accounts payable and accrued expenses	3,272,728	1,829,709
Due to State of Connecticut	1,023,942	(1,915,557)
Accrued payroll	839,289	1,962,667
Accrued compensated absences	1,483,852	(2,246,804)
Net Cash Used in Operating Activities	$ (17,179,200)	$ (57,799,683)

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

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

REPORTING ENTITY

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, net position, revenue, and expense accounts reflected in the accounting records of University of Connecticut Health Center John Dempsey Hospital (the Hospital), which are primarily accounted for in the 21002 Fund of the University of Connecticut Health Center (UConn Health). There are 21 members of the Board of Trustees of the University of Connecticut. Five serve as ex officio, voting members by virtue of other positions: The Governor is President of the Board, the Commissioners of Agriculture, Education, and Economic and Community Development are Board members, and the Chair of UConn Health's Board of Directors is a member. Two Board members are elected by alumni for four-year terms (and may be re-elected once, in succession). One undergraduate student is elected by undergraduates for a two-year term. One graduate or professional student is elected by graduate and professional students for a two-year term. Twelve members are appointed by the Governor, subject to confirmation by the General Assembly, for six-year terms, and may be reappointed without limit.

There are 18 members of the UConn Health Board of Directors. Three serve as ex officio voting members and serve concurrently with their positions: The Commissioner of Public Health, the Secretary or a designated under-secretary of the Office of Policy and Management, and the President of the University. All other terms are for three years and include: three members appointed by the Governor, three members appointed by the Chair of the Board of Trustees (two of which must be members of the Board of Trustees and one who serves as the Chair of the Board of Directors), and 9 at-large members appointed by the Board of Directors itself.

The Hospital is an enterprise fund of the State of Connecticut (the State) and is, therefore, exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

The University of Connecticut Health Center Finance Corporation (Finance Corporation) was established pursuant to Public Act No 87-458. The purpose of the Finance Corporation is to provide greater flexibility for the Hospital and to promote more efficient provision of health care services. As such, the Finance Corporation has been empowered to purchase supplies and equipment, acquire facilities, approve write-offs of the Hospital's accounts receivable, process malpractice claims on behalf of the Hospital and UConn Health, as well as negotiate joint ventures, shared service, and other agreements for the benefit of the Hospital.

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

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. The Hospital elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. As a result, the Hospital experienced significant operating losses in fiscal 2020, which were only partially offset via government and other aid programs (see note 7). Although the Hospital remained open for elective procedures throughout fiscal 2021, the Hospital continued to be affected by the COVID-19 pandemic. Many patients were at least initially reluctant to return for routine procedures. At the same time, staffing and supply shortages, increased cleaning and safety protocols, and changing community needs (including testing and vaccination) have increased costs and challenged operations.

UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory, supply chains, patient trends, payments, and the industry in general, in addition to the impact on its employees. Due to the continued rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Hospital's financial condition or results of operations is uncertain as of the date of this report. See note 7 for additional details.

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

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

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

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 and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, compensated absences, pension and OPEB liabilities, and third-party reimbursement reserves.

CASH

Cash includes cash held on behalf of the Hospital by the State.

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

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

The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See note 5 for additional information relative to net patient service revenues and third-party payor programs.

CONTRACT AND OTHER REVENUES

Contract and other revenues include services provided to area hospitals under various contractual 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.

In fiscal year 2021, the Hospital's 340B pharmacy began a new agreement with UConn Health Pharmacy Services, Inc. (UHPSI) related to certain pharmaceutical sales. This revenue is included in contract and other revenues on the statements of revenues, expenses, and changes in net position. See note 6 for additional details.

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

DUE TO AND FROM STATE OF CONNECTICUT

The Due from State of Connecticut reported on the statements of net position includes a receivable from the General Fund of the State (General Fund) for payroll. UConn Health allows the Hospital to charge certain employee salaries to the General Fund, which is accounted for as a Transfer from UConn Health on the statements of revenues, expenses, and changes in net position. Year-end accrued employee salaries are partially offset by the amounts to be funded by the General Fund.

The State also administers employee benefit and retirement plans and charges the Hospital based on an annual fringe benefit rate that is applied to employee salaries. The Due to State of Connecticut reported on the statements of net position consists of fringe benefits owed at the end of the fiscal year in relation to accrued salaries.

INVENTORY

Inventory, with the exception of pharmaceuticals, is recorded at cost, determined by the first-in, first-out (FIFO) method. Pharmaceuticals are valued at market value, which approximates cost due to high turnover rates. Short-term or minor supplies are expensed as incurred.

DEPOSITS WITH VENDORS

As of June 30, 2021 and 2020, deposits with vendors totaled approximately $9.1 million and $7.9 million, respectively. As of June 30, 2021 and 2020, approximately $8.6 million and $7.4 million, respectively, of the total deposits with vendors was held on deposit with AmerisourceBergen, the primary pharmaceutical vendor used by the Hospital. As part of its contract, the Hospital is required to maintain a deposit with AmerisourceBergen based on a percentage of the prior quarter purchases. These deposits are non-interest bearing and are considered subject to the credit risk of the vendor.

CAPITAL ASSETS

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

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings (and related improvements) have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

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

CAPITAL ASSETS (CONTINUED)

Assets acquired under capital leases and leasehold improvements are depreciated no longer than the lease term.

For projects, including the development of computer software, construction in progress is capitalized as costs are incurred during the construction phase, and depreciation will begin once the assets are placed in service.

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives, which range from 3 to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. See note 8 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

IMPAIRMENT OF LONG-LIVED ASSETS

The Hospital 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 2021, the Hospital disposed of information technology and general equipment of approximately $5.3 million to fit out the project HealthONE in the University Tower. These assets were reported in equipment in note 8 and there was no loss on disposal. The Hospital also disposed of a number of smaller items, which resulted in a total loss on disposal of $66,043. None of these items were individually significant.

During 2020, the Hospital disposed of its previous Electronic Health Information Management and Bed Management systems, both replaced by EPIC. The combined value of these systems of approximately $1.6 million was reported in computer software and equipment in note 8. Both systems were fully depreciated and there was no loss on disposal. The Hospital also disposed of or traded in a number of smaller items, which resulted in a total loss on disposal of $95,839. None of these items were individually significant.

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Eligible employees of the Hospital, as defined, may participate in the following State retirement plans: the State Employees' Retirement System Tier I, Tier II, Tier IIA, Tier IV Hybrid (SERS) and the Teachers' Retirement System (TRS) defined benefit plans; and the Alternate Retirement Plan (ARP), which is a defined contribution plan. These plans are funded by contributions from the State, as well as payroll deductions from employees, except for the Tier II Plan, which is noncontributory. In addition, eligible employees may participate in a State defined contribution deferred compensation plan, which is funded by payroll deductions from employees.

The State is statutorily responsible for the pension benefits of Hospital employees who participate in the aforementioned defined benefit plans. The State is required to contribute to such plans at an actuarially determined rate, which may be reduced by an act of the State legislature. These plans do not issue stand-alone financial reports. Summary information on the plans is publicly available in the State's Annual Comprehensive Financial Report.

The Hospital has recorded and disclosed pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* as amended by GASB Statement No. 82 (collectively referred to herein as GASB 68). GASB 68 requires the pro rata share of the State's pension liabilities be recorded at the entity level. The Hospital continues to pay into the State retirement plans on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 68.

The State also provides other postemployment benefits other than pensions (OPEB), including health care and life insurance benefits to eligible UConn Health employees, including those of the Hospital, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. Upon retirement, liability for other retirement benefits rests with the State. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). The State finances the cost of postemployment health care and life insurance benefits on a pay-as-you-go basis through an appropriation from the General Fund.

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Hospital recorded its pro rata share of the OPEB liability held at the State level in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). The Hospital continues to pay its portion of the State of Connecticut's Employee OPEB Plan (SEOPEBP) on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 75. See note 10 for additional details.

PENSION LIABILITIES

The Hospital 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 benefit 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 has 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. Hospital 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. The Hospital recorded its proportionate share of the net pension liability for the years ended June 30, 2021 and 2020.

OPEB LIABILITIES

Individuals who are employed by the Hospital are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement. Retirees under age 65 pay the same premium for medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and OPEB liability. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Hospital 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. The Hospital recorded its proportionate share of the net OPEB liability for the years ended June 30, 2021 and 2020.

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

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The Hospital reports its proportionate share of collective deferred outflows of resources and collective deferred inflows of resources related to its defined benefit and OPEB plans. Differences between expected and actual experience in the measurement of the total pension and OPEB liabilities, 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 and OPEB benefits. The net differences between projected and actual earnings on the pension plan and OPEB plan investments are reported as deferred outflows or deferred inflows and are recognized over five years, while other changes are recognized over the remaining average service life. Contributions to the pension and OPEB plans from the Hospital subsequent to the measurement date of the net liabilities and before the end of the reporting period are reported as a deferred outflow of resources related to pensions and OPEB.

COMPENSATED ABSENCES

The Hospital's employees earn vacation, personal, compensatory and sick time at varying rates depending on their collective bargaining units. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience. Since adoption of GASB 68, certain fringe benefit costs associated with compensated absences were included in the pension liability and excluded from the compensated absences accrual in the accompanying statements of net position. All other compensated absences are accrued at 100% of their balance. Compensated absences in the accompanying statements of net position have been allocated between current and noncurrent liabilities based on historical experience.

THIRD-PARTY PAYORS

Laws governing the Medicare and Medicaid programs are extremely complex and are 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.

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

MEDICAL MALPRACTICE

Health care providers and support staff of the Hospital 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 are charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to the Hospital, designed to reflect an estimate of the current year's cash claims to be processed. For the years ended June 30, 2021 and 2020, annual premiums were approximately \$2.3 million and \$4.1 million, respectively. These premiums are included in insurance expense in the Hospital's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence based coverage through June 30, 2021 and 2020, respectively.

NET POSITION

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

REGULATORY MATTERS

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

RECLASSIFICATIONS

Reclassifications were made to the 2020 statement of net position to reclassify deposits with vendors from prepaid expenses to noncurrent assets to conform to the current year presentation; reclassifications were also made to the 2020 statement of cash flows related to this deposits reclassification. Additional reclassifications were made to the 2020 statement of net position to reclassify in-kind fringe benefits that were netted in Due to State of Connecticut in the prior

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

RECLASSIFICATIONS (CONTINUED)

year to Due from State of Connecticut to conform to the current year presentation; reclassifications were also made to the 2020 statement of cash flows related to this in-kind fringe benefit reclassification. Certain other reclassifications were made to the 2020 statements of cash flows to reclassify cash received from the Finance Corporation from capital and related financing activities to operating activities. Further reclassifications were made to the 2020 statements of cash flows to reclassify operating expense payments made by the Hospital on behalf of UConn Medical Group (UMG) from capital and related financing activities to operating activities to conform to the current year presentation.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The following GASB accounting pronouncements were adopted by the Hospital during fiscal year 2021, none of which had a material impact on its financial statements: GASB Statement No. 84, *Fiduciary Activities* (GASB 84); GASB Statement No. 89, Accou*nting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89); GASB Statement No. 90, *Majority Equity Interests* (GASB 90); GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93); and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97).

UPCOMING ACCOUNTING PRONOUNCEMENTS

The Hospital is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: GASB Statement No. 87, *Leases* (GASB 87) effective for reporting periods beginning after June 15, 2021, in accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95); GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91) effective for reporting periods beginning after December 15, 2021, in accordance with GASB 95; GASB Statement No. 92, *Omnibus 2020* (GASB 92) effective for fiscal years beginning after June 15, 2021 and

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

reporting periods thereafter, in accordance with GASB 95; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter; and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter.

NOTE 3 – HYPOTHECATION

In accordance with State Statute, the Hospital can borrow from the State up to 90% of its net patient accounts receivables and contract and other receivables to fund operations. As of June 30, 2021 and 2020, the Hospital had not drawn down any funds under the hypothecation. As of June 30, 2021 and 2020, the Hospital had available amounts of $47,630,465 and $43,516,784, respectively, under the State Statute.

NOTE 4 – CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2021 and 2020, the Hospital provided charity care services of $3,075,486 and $1,085,950, respectively. The increase in charity care for fiscal year 2021 is attributed to more patients without insurance as a result of unemployment during the COVID-19 pandemic, as well as an increase in undocumented patients. The estimated cost of these services was $881,434 and $319,812, respectively, for the years ended June 30, 2021 and 2020. No net patient service revenue was recorded for these services; however, expenses associated with these services are included in operating expenses in the statements of revenues, expenses, and changes in net position.

NOTE 5 – NET PATIENT SERVICE REVENUES

Patient service revenues reported net of allowances for the years ended June 30 were:

	2021	2020
Gross patient service revenues	$ 1,342,597,608	$ 1,130,278,872
Less contractual allowances and provision for bad debt	(886,037,519)	(727,693,856)
Net patient service revenues	$ 456,560,089	$ 402,585,016

SIGNIFICANT CONCENTRATIONS

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from the Hospital's established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of total net patient service revenues and associated year-end patient accounts receivable for these programs are shown in the table below.

	Medicare		Medicaid	
	2021	2020	2021	2020
Net patient service revenues	33%	34%	21%	21%
Patient accounts receivable	27%	23%	11%	9%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations. 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 the Hospital.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

MEDICARE

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

Services to Medicare beneficiaries are paid based on a Prospective Payment System (PPS) based on the classification of each case into a Diagnostic-Related Group (DRG). Inpatient psychiatric services are also reimbursed via a PPS system established for inpatient psychiatric patients based on pre-determined hospital specific per diems.

The Hospital is reimbursed for Direct Graduate Medical Education (GME) and Medicare Bad Debts at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through fiscal year 2018.

MEDICAID

Inpatient services rendered to Medicaid program beneficiaries admitted prior to January 1, 2015 were reimbursed, in part, under the Tax Equity and Fiscal Responsibility Act (TEFRA) reimbursement methodology, which provides for a cost-based reimbursement subject to a maximum target rate amount per discharge. Beginning January 1, 2015, Medicaid converted to an APR DRG Prospective Payment Methodology. The Hospital was reimbursed at an interim rate prior to January 1, 2015 with final settlement determined after submission of annual cost reports. Payments for inpatient services for patients admitted after January 1, 2015, have settlement distributions for GME and Case Mix Index withholds only. Outpatient services rendered to patients are reimbursed based on Medicaid Ambulatory Payment Classifications (APC). The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2015.

In both fiscal years 2021 and 2020, the Hospital recorded $8.2 million in supplemental revenue from the Department of Social Services (DSS), which is included in net patient service revenues in the statements of revenues, expenses and changes in net position.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

COMMERCIAL INSURANCE AND MANAGED CARE

The Hospital has agreements with certain commercial insurance carriers and Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. In addition, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules.

CONTRACT MANAGEMENT SYSTEM

Effective January 1, 2021, the Hospital implemented the EPIC Contract Management (ECM) system. ECM nets gross billings down to the expected net realizable amount at the time of billing based on the Hospital's loaded contracts. Previously, the Hospital valued patient accounts receivable manually on a monthly basis using historical payment rates and recorded contractual allowances based on provider remittances and explanation of benefits statements. This change did not have a material impact on the Hospital's financial statements.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Hospital's estimation of the allowance for uncollectible accounts is based primarily on the type and age of the patient accounts receivable and the effectiveness of the Hospital's collection efforts. The Hospital's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, the Hospital reviews its accounts receivable balances, the effectiveness of the Hospital's reserve policies, and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- Revenue and volume trends by payor, particularly the self-pay components;
- Changes in the aging and payor mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients;
- Various allowance coverage statistics.

The Hospital regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

NOTE 6 – CONTRACT AND OTHER REVENUES

The Hospital enters into contracts with external entities including hospitals, pharmacies, and other patient care entities. Other miscellaneous revenues, including revenues related to the provision of staff and pharmacy supply services, are included in contract and other revenues in the statements of revenues, expenses, and changes in net position.

The Hospital has contracts to provide rental space and nursing resources to Connecticut Children's Medical Center (CCMC) in its operation of the Neonatal Intensive Care Unit (NICU) on the Hospital's campus. During the year ended June 30, 2021, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled $2,354,695 and $15,261,526, respectively. During the year ended June 30, 2020, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled $2,263,312 and $15,506,419, respectively.

The Hospital's 340B discount program utilizes certain features of a 1992 act by the U.S. federal government that requires drug manufacturers to provide outpatient drugs to eligible healthcare organizations at significantly reduced prices. The 340B drug contract came about as a result of changes in the 340B regulations that now allow qualified hospitals to contract with outside pharmacies to provide 340B priced drugs to the Hospitals' outpatients. The Hospital now partners with area pharmacies to allow them to fill such prescriptions for outpatients. For the years ended June 30, 2021 and 2020, revenue related to the 340B contract totaled $32,300,068 and $31,591,176, respectively.

In fiscal year 2021, the Hospital's 340B pharmacy entered into a new contract with UHPSI related to certain pharmaceutical sales under the 340B program. For the year ended June 30, 2021, revenue related to the 340B UHPSI contract totaled $8,821,684.

NOTE 7 – COVID-19 RELIEF

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated funding to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). The Hospital qualified for both targeted and general distributions for the years ended June 30, 2021 and 2020. The Hospital received funding from three different rounds, or tranches of funding. The first tranche was based on previous Medicare payments and totaled approximately $6.5 million. The second tranche was based on total revenue from the Medicare Cost Report and totaled approximately $2.1 million. The final payment received in fiscal 2020 was received under the Safety Net distribution and totaled approximately $7.2 million. In fiscal 2021, the Hospital received additional CARES Act funding from the High Impact Areas "Hot Spot" Target Distribution allocation in the amount of $12.5 million. The allocation was based on the total number of COVID-19 positive patient admissions treated for the targeted second "Hot Spot" distribution during the period of January 1, 2020 to June 10, 2020. Criteria and reporting requirements for the Provider Relief Funding have been finalized by HHS. Hospital management believes that the eligibility requirements have been met for the complete amount received based on increased operating expenses and lost revenues. As such, the Hospital recognized the funds received as non-operating revenues in the 2021 and 2020 statements of revenues, expenses, and changes in net position.

Certain of the COVID-19 relief programs require that the funds be utilized for lost revenues and COVID-19-related costs, and place limitations on the amounts that hospitals can collect from COVID-19 patients. Management's estimates of the amount of revenues recognized in fiscal 2020 are complete, as the regulations associated with that time frame were finalized in July 2021. Management's estimates of the amount of revenues recognized in fiscal year 2021 are pending reconciliation for submitted documentation and, therefore, could change materially in the future. Any future adjustments to these estimates will be reported in the earnings of future periods.

On September 17, 2020, the Hospital received approximately $45.3 million under the Medicare Advance program. As of June 30, 2021, this amount is included in due to third-party payors on the statement of net position. In September 2021, the Hospital began repayment on funds received. The recoupment is scheduled to be achieved via Medicare withholding 25% of payments for the first eleven months and 50% of payments for the remaining six months. The advance was interest free; however, if amounts are not fully recouped using this methodology, there will be a 4% interest rate charged on any outstanding advances not repaid at the end of the recoupment period.

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

Capital and intangible assets at June 30 consist of the following:

	2021	2020
Land	$ 183,137	$ 183,137
Construction in progress (estimated costs to complete of \$3.0 million and \$1.9 million at June 30, 2021 and 2020, respectively)	1,323,555	2,366,136
Buildings	403,107,002	398,991,857
Equipment	75,272,857	82,648,115
Computer software	57,632,478	57,060,942
Capital leases	17,355,291	17,358,788
Total capital and intangible assets	554,874,320	558,608,975
Less: accumulated depreciation and amortization	226,570,493	211,331,642
Capital and intangible assets, net	$ 328,303,827	$ 347,277,333

Activity for the year ended June 30, 2021 is as follows:

	2020	Additions	Deductions	2021
Land	$ 183,137	$ --	$ --	$ 183,137
Construction in progress	2,366,136	3,077,772	(4,120,353)	1,323,555
Buildings	398,991,857	4,115,145	--	403,107,002
Equipment	82,648,115	1,417,510	(8,792,768)	75,272,857
Computer software	57,060,942	571,536	--	57,632,478
Capital leases	17,358,788	--	(3,497)	17,355,291
	$ 558,608,975	$ 9,181,963	$ (12,916,618)	$ 554,874,320

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Activity for the year ended June 30, 2020 is as follows:

	2019	Additions	Deductions	2020
Land	$ 183,137	$ --	$ --	$ 183,137
Construction in progress	1,036,502	3,320,859	(1,991,225)	2,366,136
Buildings	397,090,426	1,901,431	--	398,991,857
Equipment	84,275,965	1,351,295	(2,979,145)	82,648,115
Computer software	58,157,753	180,572	(1,277,383)	57,060,942
Capital leases	16,264,244	1,094,544	--	17,358,788
	$ 557,008,027	$ 7,848,701	$ (6,247,753)	$ 558,608,975

Related information on accumulated depreciation and amortization for the years ended June 30, 2021 and 2020 is as follows:

	2020	Additions	Deductions	2021
Buildings	$ 118,598,130	$ 10,084,282	$ --	$ 128,682,412
Equipment	62,157,579	6,719,924	(8,726,725)	60,150,778
Computer software	16,700,715	6,013,780	--	22,714,495
Capital leases	13,875,218	1,151,087	(3,497)	15,022,808
	$ 211,331,642	$ 23,969,073	$ (8,730,222)	$ 226,570,493

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

	2019	Additions	Deductions	2020
Buildings	$ 108,088,981	$ 10,509,149	$ --	$ 118,598,130
Equipment	57,986,212	7,054,673	(2,883,306)	62,157,579
Computer software	11,612,900	6,365,198	(1,277,383)	16,700,715
Capital leases	12,863,003	1,012,215	--	13,875,218
	$ 190,551,096	$ 24,941,235	$ (4,160,689)	$ 211,331,642

In 2021, the Hospital received transfers of $2.6 million from UConn Health to support the Dermatology Clinic renovation project. During 2020, the Hospital did not receive any transfers related to projects.

NOTE 9 – LONG-TERM LIABILITIES AND LEASES

Activity related to capital leases and other long-term liabilities for the years ended June 30, 2021 and 2020 is as follows:

	June 30, 2020 Balance	Additions	Deductions	June 30, 2021 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed equipment	$ 576,189	$ --	$ (430,757)	$ 145,432	$ 145,432
Capital lease obligation - Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed equipment	125,669	--	(83,385)	42,284	42,284
Capital lease obligation - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed equipment	1,728,846	--	(350,393)	1,378,453	361,050
Capital lease obligation - Payments including interest at 1.62% began October 2019 and continue until September 2024*, collateralized by financed equipment	799,674	--	(158,908)	640,766	182,941
Capital lease obligation - Payments including interest at 1.58% began November 2019 and continue until October 2024*, collateralized by financed equipment	147,568	--	(28,354)	119,214	32,769
Total Capital Leases	3,377,946	--	(1,051,797)	2,326,149	764,476
Other Long-Term Liabilities					
Accrued compensated absences	16,857,486	11,272,081	(9,788,230)	18,341,337	7,496,104
Pension liabilities	382,719,634	101,627,908	(50,117,463)	434,230,079	--
OPEB liabilities	546,723,069	109,095,359	(27,143,951)	628,674,477	--
Total Other Long-Term Liabilities	946,300,189	221,995,348	(87,049,644)	1,081,245,893	7,496,104
Total Long-Term Liabilities	$ 949,678,135	$ 221,995,348	$ (88,101,441)	$ 1,083,572,042	$ 8,260,580

NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

	June 30, 2019 Balance	Additions	Deductions	June 30, 2020 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed equipment	$ 998,761	$ --	$ (422,572)	$ 576,189	$ 430,757
Capital lease obligation - Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed equipment	207,503	--	(81,834)	125,669	83,385
Capital lease obligation - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed equipment	2,068,896	--	(340,050)	1,728,846	350,393
Capital lease obligation - Payments including interest at 1.62% began October 2019 and continue until August 2024*, collateralized by financed equipment	--	926,997	(127,323)	799,674	175,805
Capital lease obligation - Payments including interest at 1.58% began November 2019 and continue until September 2024*, collateralized by financed equipment	--	167,547	(19,979)	147,568	31,243
Total Capital Leases	3,275,160	1,094,544	(991,758)	3,377,946	1,071,583
Other Long-Term Liabilities					
Accrued compensated absences	19,104,290	11,463,217	(13,710,021)	16,857,486	7,698,814
Pension liabilities	305,945,549	118,171,222	(41,397,137)	382,719,634	--
OPEB liabilities	380,385,790	204,493,337	(38,156,058)	546,723,069	--
Total Other Long-Term Liabilities	705,435,629	334,127,776	(93,263,216)	946,300,189	7,698,814
Total Long-Term Liabilities	$ 708,710,789	$ 335,222,320	$ (94,254,974)	$ 949,678,135	$ 8,770,397

* In fiscal year 2021, two GE leases were amended due to a COVID-19 restructure deferral payment agreement. Specifically, this agreement allowed for a one-month deferral of payments in fiscal year 2021, which extended the lease termination dates by one month.

Future minimum capital lease payments at June 30, 2021 are as follows:

Year ending June 30,	
2022	$ 838,391
2023	649,843
2024	649,836
2025	353,020
Total minimum payments	2,491,090
Less: interest	(164,941)
Present value of capital leases	2,326,149
Less: current portion of capital leases	(764,476)
Noncurrent capital leases	$ 1,561,673

NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

The Hospital also participates in operating lease agreements under UConn Health for which its departments are allocated expenses based on the square footage occupied. Total rent expense for the years ended June 30, 2021 and 2020 was $8,765,080 and $8,822,222, respectively, which is included in internal contractual support expense and outside and other purchased services expense in the statements of revenues, expenses and changes in net position.

The Hospital leases space in the Outpatient Pavilion (OP) under a sublease from UConn Health. While the sublease is expected to be renewed on an annual basis, there is no written sublease that extends beyond a one-year period. UConn Health has leased the OP from the Finance Corporation, a related party through common ownership, under a direct financing lease that expires on March 31, 2040. The amount of rent expense that was charged to the Hospital related to the OP and based on square footage, which is included in the total rent expense disclosed above, was $6,151,255 in both 2021 and 2020. Refer to note 11 for additional details regarding advances made by the Hospital to construct the OP.

The following is a schedule by year of existing future minimum lease payments under non-cancellable operating leases as of June 30, 2021, including rental commitments for space in the OP through the sublease with UConn Health and based on the assumption that the sublease will be extended annually through March 31, 2040:

Year ending June 30,	
2022	$ 8,594,721
2023	8,393,746
2024	8,260,167
2025	7,618,961
2026	7,315,417
Thereafter	90,714,129
	$ 130,897,141

NOTE 10 – PENSION AND OPEB PLANS

Employees of the Hospital are eligible to participate in the SERS, a defined benefit pension plan that is administered by the State Employees' Retirement Commission; the ARP, a defined contribution plan administered by the State; or the TRS, a defined benefit plan administered by the Teacher's Retirement Board; collectively, the "plans". Through their participation in one of the above plans, employees are also enrolled in the SEOPEBP. Information on the plans' total funding status and progress, contributions required and trend information can be found in the State's Annual Comprehensive Financial Report available on the State's website. Information for the SERS and OPEB plans, in which the Hospital holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

SERS PLAN DESCRIPTION

SERS is a single-employer defined benefit Public Employees' Retirement System (PERS) established in 1939 and governed by sections 5-152 to 5-192 of the Connecticut General Statutes. Employees are covered under one of five tiers. Tier I, Tier IIA, and Tier III are contributory plans, and Tier II is a non-contributory plan. Tier I Plan B participants contribute 2% or 5% of their pay, depending on their elections. Tier II Plan A and Tier III participants contribute 2% of their pay. The fifth tier is called the Hybrid Plan.

Individuals hired on or after July 1, 2011, otherwise eligible for the ARP, were eligible to convert to the Hybrid Plan by exercising a one-time option to buy in at the full actuarial cost. The deadline for this election was December 14, 2018. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3% higher than the contribution required from the Applicable Tier II/IIA/III Plan. An employee shall have the option, upon leaving State service, of accepting the defined benefit amount, or electing to receive a return of his/her contributions to the Hybrid Plan, plus a 5% employer match and 4% interest ("cash out option"). In the event the employee elects the cash out option, he/she shall permanently waive any entitlement he/she may have to health insurance as a retired State employee, unless he/she converts the cash out option to a periodic payment as would be required under the current ARP.

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, or at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in the amount of 2% of the annual average earnings (which are based on the three highest years of service) over $4,800 plus 1% of $4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled to 1.4% times

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

average salary at or below the breakpoint in the year of retirement, for each year of credited service. Tier III covers employees first hired on or after July 1, 2011. Tier III employees to retire at or after age 63 with 25 years of service, or at age 65 with 10 years of service, or at age 58 with 10 years of service with reduced benefits are entitled to 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service. All Tier I, Tier II, Tier IIA, and Tier III members are vested after ten years.

The 2011 State Employee Bargaining Agent Coalition (SEBAC) Agreement changed the benefit multiplier for the portion of the benefit below the breakpoint from 1.33% to 1.40%.

This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA, and III, and the Hybrid Plan.

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

The pension liability recorded as of June 30, 2021 and 2020 was based on the June 30, 2020 and 2019 actuarial valuations, respectively.

CHANGES IN ASSUMPTIONS (SERS)

There were no changes to the actuarial assumptions since the prior measurement date.

CONTRIBUTIONS MADE (SERS)

The Hospital's SERS contribution is determined by applying a State-mandated percentage to eligible salaries and wages. The mandated total fringe benefit rate, which includes allocations for retiree health care costs, roll forwards, and other adjustments, was 64.14%, 59.99%, and 64.30% during fiscal years 2021, 2020, and 2019, respectively. The SERS contributions made compared to covered payroll is as follows:

	2021	2020	2019
Total Hospital payroll covered by SERS	$ 87,511,966	$ 80,544,936	$ 65,848,032
Total Hospital SERS contributions	$ 36,809,634	$ 29,402,117	$ 26,308,399
Contributions as a percentage of covered payroll	42.1%	36.5%	40.0%

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS)

GASB 68 requires the Hospital to recognize a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (TPL) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of SERS and additions to/deductions from SERS fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

At June 30, 2021 and 2020, the Hospital recorded a SERS related liability of $431.5 million and $380.2 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuations performed as of June 30, 2020 and June 30, 2019, respectively, rolled forward based on plan experience. The Hospital's allocation of the net pension liability was based on the Hospital’s percentage of total overall contributions to the plan during the 2020 and 2019 fiscal years, respectively. For the years ended June 30, 2020 and 2019, the Hospital's proportion of contributions was 1.82% and 1.67%, respectively.

For the years ended June 30, 2021 and 2020, the Hospital recognized SERS pension expense of $85.1 million and $69.5 million, respectively. The pension expense is reported in the Hospital's statements of revenues, expenses, and changes in net position as part of fringe benefits expense.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

At June 30, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)			
Changes in proportionate allocation of pension expense	$ 67,758	$ --	$ 64,323	$ --
Hospital contributions subsequent to measurement date	36,810	--	29,402	--
Net difference between projected and actual earnings on pension plan investments	7,273	--	--	(905)
Difference between expected and actual experience	23,290	--	25,835	--
Changes in assumptions	11,494	--	24,960	--
	$ 146,625	$ --	$ 144,520	$ (905)

Differences between projected and actual investment earnings are amortized over a five-year, closed-end period beginning in the year in which the difference occurs and will be recognized as an increase (decrease) to fringe benefits. Differences in proportionate participation are amortized over the remaining estimated service life of plan employees, estimated at 5.50 and 5.58 years for the years ended June 30, 2021 and 2020, respectively.

Amortization of deferred amounts into expenses in future periods is as follows:

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference between expected and actual experience	Change in assumptions
	(in thousands)			
2022	$ 21,372	$ 361	$ 7,525	$ 9,411
2023	17,840	2,311	6,252	1,245
2024	15,189	2,465	5,734	693
2025	10,614	2,136	3,285	248
2026	2,743	--	494	(103)
	$ 67,758	$ 7,273	$ 23,290	$ 11,494

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by $48,260,552 and $40,111,289 during the years ended June 30, 2021 and 2020, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2020 and 2019 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015. The key actuarial assumptions are summarized below:

Inflation:	2.50%
Salary increases:	3.50% - 19.50%, including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

The RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females was used for the period after service retirement and for dependent beneficiaries.

DISCOUNT RATE (SERS)

The discount rate used to measure the total pension liability was the long-term expected rate of return of 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that Hospital 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 2140.

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS)

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS) (CONTINUED)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.0%
Emerging Market Intl. Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income Fund	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	1%	0.4%
	100%	

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2020 Pension Liability	2019 Pension Liability *(in thousands)*	2018 Pension Liability
Beginning balance - pension liability	$ 601,533	$ 479,671	$ 448,944
Changes for the year:			
Service cost	7,070	6,533	6,019
Interest	43,960	38,182	31,024
Changes of assumptions	3,786	20,408	6,770
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)
Change in proportionate allocation of pension liability	54,937	90,629	14,444
Net change in pension liability	71,003	121,862	30,727
Ending balance - pension liability (a)	$ 672,536	$ 601,533	$ 479,671

	2020 Fiduciary Net Position	2019 Fiduciary Net Position *(in thousands)*	2018 Fiduciary Net Position
Beginning balance - fiduciary net position	$ 221,285	$ 175,631	$ 162,744
Changes for the year:			
Contributions - employer	29,402	26,308	20,231
Contributions - employee	3,506	8,153	2,719
Net investment income	5,380	11,849	12,280
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)
Administrative expenses	(14)	(12)	(5)
Other	--	62	(44)
Change in proportionate allocation of fiduciary net position	20,209	33,184	5,236
Net change in fiduciary net position	19,733	45,654	12,887
Ending balance - fiduciary net position (b)	$ 241,018	$ 221,285	$ 175,631
Hospital's net pension liability - ending (a)-(b)	$ 431,518	$ 380,248	$ 304,040

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SENSITIVITY OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE (SERS)

The following table presents the Hospital's proportionate share of the net pension liability as of June 30, 2021 calculated using the discount rate of 6.90%, as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	$ 512,675,863	$ 431,518,127	$ 363,691,810

TEACHERS' RETIREMENT SYSTEM

The Hospital has a limited number of participants in the TRS.

As of June 30, 2021 and 2020, the Hospital recorded the following amounts in the financial statements related to the TRS:

	2021	2020
	(in thousands)	
Deferred outflows of resources	$ 1,559	$ 1,773
Deferred inflows of resources	83	62
Pension liability	2,712	2,471

ALTERNATE RETIREMENT PLAN

The Hospital also participates in the ARP, a defined contribution plan administered through a third-party administrator, Prudential Financial, Inc. The State Employees' Retirement Commission has the authority to supervise and control the operation of the ARP, including the authority to make and amend rules and regulations relating to the administration of the ARP.

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% of the participant's eligible compensation for fiscal years 2021 and 2020, via a charge recouped from the Hospital.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN (CONTINUED)

Participant and State contributions are both 100% vested immediately. For fiscal years 2021 and 2020, charges to the Hospital for ARP were approximately $8.4 million and $8.3 million, respectively. The liabilities as of June 30, 2021 and 2020 were approximately $622,000 and $589,000, respectively.

Upon separation from service, retirement, death or divorce (for alternate payee under a Qualified Domestic Relations Order), if the participant is age 55 or over and has 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.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits, the State provides postemployment health care and life insurance benefits to Hospital 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, the SEOPEBP, provides OPEB benefits for qualifying employees in accordance with sections 5-257(d) to 5-259(a) of the Connecticut General Statutes. All of the Hospital's employees participate in the SEOPEBP.

The plan is primarily funded on a pay-as-you-go basis. The contribution requirements of the State are established by and may be amended by the State legislature, or by agreement between the State and employee unions, upon approval by the State legislature. Costs are passed to the Hospital as part of its fringe benefit allocation, the rates for which are set each year by the State Comptroller's office. Information on the SEOPEBP's total funding status and progress,

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

contributions required and trend information can be found in the State's Annual Comprehensive Financial Report available on the State's website.

Benefits provided – The SEOPEBP provides health care and life insurance benefits to eligible retired State employees and their spouses.

Employees covered by benefit terms – Demographic data for individual State entities in the SEOPEBP is not readily available. At June 30, 2020 and 2019, the SEOPEBP was based on plan membership at June 30, 2019, covering the following:

Inactive employees or beneficiaries currently receiving benefit payments	77,141
Inactive employees entitled to but not yet receiving benefit payments	649
Active employees	48,015
Total covered employees	125,805

NET SEOPEBP LIABILITY

The Hospital's OPEB liability of $628.7 million as of June 30, 2021 for its proportionate share of the net OPEB liability was measured as of June 30, 2020 based on an actuarial valuation that was rolled forward to June 30, 2021. The Hospital's OPEB liability of $546.7 million as of June 30, 2020 for its proportionate share of the net OPEB liability was measured as of June 30, 2019 based on an actuarial valuation that was rolled forward to June 30, 2020. The Hospital's proportion of the net OPEB liability was based on the Hospital's percentage of total overall contributions to the plan. For the years ended June 30, 2020 and 2019, the Hospital's proportion of contributions was 2.67% and 2.64%, respectively.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

Actuarial Methods and Assumptions (SEOPEBP)

The total OPEB liability in the June 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Payroll growth rate:	3.50%
Salary increase:	3.25% to 4.50% as of June 30, 2020 and 3.25% to 19.50% as of June 30, 2019, varying by years of service and retirement system, including inflation
Discount rate:	2.38% as of June 30, 2020 and 3.58% as of June 30, 2019
Healthcare cost trends rates	
Medical	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years
Dental	3.0%
Part B	4.5%
Administrative expense	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date, and benefit type

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.21% as of June 30, 2020 and 3.50% as of June 30, 2019). The blending is based on the sufficiency of projected assets to make projected benefit payments.

Mortality rates for healthy personnel were based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected to 2020 with Scale BB at 100% for males and 95% for females. For disabled employees, the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females was used.

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP) (CONTINUED)

The COVID-19 pandemic is rapidly evolving and is having a significant impact on the US economy in 2021, and will likely continue to have an impact in the future. The actuarial results do not include the impact of the following:

- Direct or indirect effects of COVID-19 on short-term health plan costs;
- Changes in the market value of plan assets since June 30, 2020;
- Changes in the interest rates since June 30, 2020;
- Short-term or long-term impacts on mortality of the covered population;
- The potential for federal or state fiscal relief.

Each of the above factors could significantly impact the overall actuarial results.

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to cover payroll is as follows:

	2021	2020	2019
Total Hospital payroll covered by SEOPEBP	$ 145,042,421	$ 137,902,301	$ 129,605,987
Total Hospital SEOPEBP contributions	$ 23,651,207	$ 23,159,710	$ 19,903,427
Contributions as a percentage of covered payroll	16.3%	16.8%	15.4%

CHANGES IN THE NET OPEB LIABILITY

	2020 Net OPEB Liability	2019 Net OPEB Liability (in thousands)	2018 Net OPEB Liability
Beginning balance	$ 546,723	$ 380,386	$ 366,549
Changes for the year:			
Service cost	25,896	22,421	19,867
Interest	21,549	19,490	14,986
Differences between expected and actual experience	(4,795)	(17,066)	--
Changes in assumptions or other inputs	59,440	90,342	(15,955)
Benefit payments	(16,640)	(15,686)	(14,285)
Change in proportionate allocation of OPEB liability	(3,499)	66,836	9,224
Net changes	81,951	166,337	13,837
Ending balance	$ 628,674	$ 546,723	$ 380,386

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SENSITIVITY OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the Hospital's proportionate share of the OPEB liability as of June 30, 2021 using the discount rate of 2.38%, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (1.38%)	Discount Rate (2.38%)	1% Increase (3.38%)
		(in thousands)	
Net OPEB Liability	$ 739,504	$ 628,674	$ 539,581

SENSITIVITY OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following table presents the net OPEB liability of the Hospital, as well as what the Hospital's proportionate share of the net OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current health care cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease	Current Valuation	1% Increase
		(in thousands)	
Net OPEB Liability	$ 527,035	$ 628,674	$ 759,382

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the years ended June 30, 2021 and 2020, the Hospital recognized OPEB expense of $61.2 million and $43.5 million, respectively. At June 30, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)		(in thousands)	
Changes in proportion	$ 65,781	$ --	$ 83,386	$ --
Hospital contributions subsequent to measurement date	23,651	--	23,160	--
Changes in assumptions or other inputs - outflows	104,352	--	73,035	--
Changes in assumptions or other inputs - inflows	--	12,208	--	18,107
Net difference between projected and actual experience in total OPEB liability	--	14,512	--	13,796
Net difference between projected and actual earnings	1,240	--	--	119
	$ 195,024	$ 26,720	$ 179,581	$ 32,022

Hospital contributions subsequent to the measurement date totaling $23.7 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in fringe benefits expense as follows:

Year ending June 30,	Change in proportionate participation in OPEB plan	Changes in assumptions or other inputs	Changes in assumptions or other inputs	Net difference between expected and actual experience in total OPEB liability	Net difference between projected and actual earnings on OPEB plan investments
			(in thousands)		
2022	$ 22,797	$ 28,829	$ (5,665)	$ (4,213)	$ 250
2023	20,799	28,829	(4,512)	(4,214)	354
2024	17,598	28,829	(1,930)	(4,214)	314
2025	4,368	15,330	(111)	(1,663)	322
2026	219	2,535	10	(208)	--
	$ 65,781	$ 104,352	$ (12,208)	$ (14,512)	$ 1,240

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.0%
Emerging Market Intl. Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income Fund	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	1%	0.4%
	100%	

NOTE 11 – RELATED PARTY TRANSACTIONS

The expenses reported in the accompanying statements of revenues, expenses, and changes in net position do not include undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other State agencies.

Effective for fiscal year 2020, UConn Health implemented the Home Office allocation, which allocated substantially all central administrative expenses 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 allocation allocates costs based on several different methodologies depending on cost type. The methodologies used are consistent with Medicare cost reporting and other federal costing standards, and include allocations based on square footage occupied, employee full time equivalent (FTE) counts, as well as overall and total clinical cost breakouts. The Home Office allocation amounts are charged to business units each month based on operational results.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Allocated expenses are grouped in their natural classification category for financial reporting purposes.

For the years ended June 30, 2021 and 2020, UConn Health also allocated COVID-19 response expenses to its business units, which are included in the Home Office allocations disclosed below. Expenses were reviewed for applicable business units and home office allocation methodology was applied for shared expenses.

For the years ended June 30, 2021 and 2020, these Home Office allocations resulted in the following expenses being recorded by the Hospital with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

Expense Category	2021 Expenses Allocated	2020 Expenses Allocated
Salaries and Wages	$ 19,207,589	$ 17,251,046
Fringe Benefits	14,559,114	12,485,453
Internal Contractual Support	3,540,898	2,095,761
Utilities	4,773,773	6,058,199
Outside and Other Purchased Services	12,956,509	11,680,154
Insurance	491,457	1,793,753
Pharmaceutical/Medical Supplies	1,248,373	195,968
Repairs and Maintenance	5,349,933	5,249,298
Other Expenses	2,597,786	763,240
Total Expenses	$ 64,725,432	$ 57,572,872

For the years ended June 30, 2021 and 2020, the Hospital received net transfers from UConn Health of $20.1 million and $25.1 million, respectively. Fiscal year 2021 transfers from UConn Health included $72.7 million and $9.3 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $61.9 million in transfers to UConn Health for operational support during fiscal year 2021. In fiscal year 2020, UConn Health transferred $65.0 million and $10.2 million to the Hospital related to fringe benefit support and working capital, respectively. These transfers in were offset by $50.1 million in transfers to UConn Health for operational support during fiscal year 2020. These transfers are included in transfers from/to UConn Health in the statements of revenues, expenses and changes in net position.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Hospital's pension and OPEB liabilities (note 10) represent its pro-rata share of the State's overall liabilities and are not current commitments. The State finances pension and OPEB benefits on a pay-as-you go basis through allocated retirement plan rates, which are part of the Hospital's reported fringe benefit costs. The State charges the Hospital for these and other fringe benefits. During the years ended June 30, 2021 and 2020, the Hospital expensed $243,895,101 and $201,823,246, respectively, for employee fringe benefits. Related salary costs for 2021 and 2020 were $185,133,029 and $173,901,777, respectively. The amounts due to the State related to the fringe benefit programs as of June 30, 2021 and 2020 are included in the statements of net position.

As more fully described in note 12, UConn Health charges the Hospital with an annual premium for medical malpractice costs, which is determined annually by UConn Health. The Hospital is not liable beyond the annual premium, but may have future operational subsidies affected by the performance of the malpractice fund.

The Hospital provides medical services to Connecticut's incarcerated patients under UConn Health contracts with the State's Department of Corrections (DOC), including inpatient and outpatient care provided at Medicaid rates. Net patient service revenues related to these UConn Health contracts with the State's DOC totaled $2,273,809 and $3,008,185 for the years ended June 30, 2021 and 2020, respectively. The related DOC cases for the years ended June 30, 2021 and 2020 were 1,832 and 1,638, respectively.

At June 30, 2021 and 2020, the Hospital had a due from UMG balance of $2,053,679 and $194,548, respectively. The 2021 balance consisted primarily of patient deposits posted to a central clearing account in UMG that were owed back to the Hospital at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to the Hospital.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

As disclosed in note 1, the Finance Corporation performs critical services on behalf of the Hospital. These services include the acquisition, construction, and maintenance of clinical space, such as the OP building.

The Hospital also engages in transactions with UHPSI for pharmacy services. During fiscal years 2021 and 2020, the Hospital allocated pharmacy overhead revenue to UHPSI totaling approximately $1.8 million and $435,000, respectively. This was offset by charges for pharmaceuticals and supplies expenses totaling approximately $38,000 and $248,000, respectively. In fiscal year 2021, the Hospital allocated to UHPSI its proportional share of the institutional deposit with UConn Health's primary pharmaceutical supplier, AmerisourceBergen. The deposit was approximately $2.1 million at June 30, 2021. During fiscal years 2021 and 2020, UHPSI repaid the Hospital $3.0 million and $0, respectively.

In fiscal year 2021, the Hospital's 340B pharmacy entered into a new contract with UHPSI related to certain pharmaceutical sales under the 340B program. For the year ended June 30, 2021, revenue related to the 340B UHPSI contract totaled approximately $8.8 million. The amount due to the Hospital from UHPSI at June 30, 2021 was approximately $7.5 million, which is included in the due from Finance Corporation on the statement of net position. The remaining $1.3 million consisted of dispensing fees retained by UHPSI in accordance with the agreement.

During fiscal years 2021 and 2020, UHPSI repaid the Hospital $3.0 million and $0, respectively. The outstanding due from/(to) Finance Corporation and its subsidiaries was $4.6 million and $(187,000) at June 30, 2021 and 2020, respectively.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND

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 by UConn Health based on actuarially determined estimates that incorporate UConn Health's past experience, as well as other considerations, including significant year-over-year increases in patient volumes, adverse judgements and/or settlements, if any, the nature of each claim or incident and relevant trend factors. The Hospital provides timely incident reporting to UConn Health to assist UConn Health in maintaining appropriate reserve balances.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND (CONTINUED)

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. The Hospital is not responsible for amounts beyond the annual premium allocated by UConn Health. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program.

At June 30, 2021 and 2020, UConn Health's Malpractice Fund had reserves of approximately $41.7 million and $9.4 million, respectively, and assets of approximately $3.8 million and $6.1 million, respectively. At June 30, 2021, UConn Health accrued for a verdict, as adjusted, rendered in June 2021, which UConn Health intends to vigorously appeal. Appeal documents were filed in September 2021.

NOTE 13 – SUBSEQUENT EVENTS

The Hospital has evaluated subsequent events through November 30, 2021, which represents the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure in the financial statements were identified, other than the Hospital beginning to repay funds received under the Medicare Advance program starting in September 2021, as disclosed in note 7.

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

Joint Audit and Compliance Committee
University of Connecticut Health Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of Connecticut Health Center John Dempsey Hospital (21002 Fund) (the Hospital), which comprise the statement of net position as of June 30, 2021 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, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

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

Marcum LLP

Hartford, CT
November 30, 2021

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN JOHN DEMPSEY HOSPITAL'S NET PENSION LIABILITY AND RELATED RATIOS – STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2020	2019	2018	2017	2016	2015	2014
				(dollars in thousands)			
Total Pension Liability							
Service cost	$ 7,070	$ 6,533	$ 6,019	$ 6,524	$ 4,024	$ 3,537	$ 2,662
Interest	43,960	38,182	31,024	30,636	26,310	23,387	18,508
Differences between expected and actual experience	--	--	--	(19,616)	9,654	--	--
Change of assumptions	3,786	20,408	6,770	--	61,962	--	--
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Change in proportionate allocation of pension liability	54,937	90,629	14,444	36,632	29,897	56,513	--
Net Change in Total Pension Liability	71,003	121,862	30,727	28,971	110,156	64,551	6,660
Total Pension Liability - Beginning	601,533	479,671	448,944	419,973	309,817	245,266	238,606
Total Pension Liability - Ending (a)	$ 672,536	$ 601,533	$ 479,671	$ 448,944	$ 419,973	$ 309,817	$ 245,266
Fiduciary Net Position							
Contributions - employer	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,872	$ 15,628	$ 11,750
Contributions - employee	3,506	8,153	2,719	1,800	1,687	2,133	1,341
Net investment income	5,380	11,849	12,280	20,508	(1)	3,354	13,366
Benefit payments, including refunds of member contributions	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Administrative expenses	(14)	(12)	(5)	(9)	(8)	--	--
Other	--	62	(44)	(5)	959	--	--
Change in proportionate allocation of fiduciary net position	20,209	33,184	5,236	11,609	11,731	22,343	--
Net Change in Fiduciary Net Position	19,733	45,654	12,887	29,647	11,549	24,572	11,947
Fiduciary Net Position - Beginning	221,285	175,631	162,744	133,097	121,548	96,976	85,029
Fiduciary Net Position - Ending (b)	$ 241,018	$ 221,285	$ 175,631	$ 162,744	$ 133,097	$ 121,548	$ 96,976
Hospital's Net Pension Liability - Ending (a)-(b)	$ 431,518	$ 380,248	$ 304,040	$ 286,200	$ 286,876	$ 188,269	$ 148,290
Hospital's Portion of SERS Net Pension Liability	1.81909%	1.66686%	1.40197%	1.35827%	1.24930%	1.13935%	0.92599%
Fiduciary Net Position as a Percentage of the Total Pension Liability	35.84%	36.79%	36.61%	36.25%	31.69%	39.23%	39.54%
Hospital's Covered-Employee Payroll	$ 80,546	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258
Hospital's Net Pension Liability as a Percentage of Covered-Employee Payroll	535.74%	577.46%	519.96%	503.27%	545.57%	411.83%	432.86%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS TO THE STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	$ 36,810	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,920	$ 15,714	$ 11,750	$ 9,812	$ 8,578
Contributions in relation to the contractually required contribution	36,810	29,402	26,308	20,231	20,949	18,762	15,628	11,750	9,798	8,578
Contribution deficiency	$ --	$ --	$ --	$ --	$ --	$ 158	$ 86	$ --	$ 14	$ --
Hospital's covered-employee payroll	$ 87,512	$ 80,545	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258	$ 30,600	$ 29,722
Contributions as a percentage of covered-employee payroll	42.06%	36.50%	39.95%	34.60%	36.84%	35.68%	34.19%	34.30%	32.02%	28.86%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN JOHN DEMPSEY HOSPITAL'S NET OPEB LIABILITY AND RELATED RATIOS

	2020	2019	2018	2017
	(dollars in thousands)			
Net OPEB Liability				
Service cost	$ 25,896	$ 22,421	$ 19,867	$ 20,288
Interest	21,549	19,490	14,986	10,791
Differences between expected and actual experience	(4,795)	(17,066)	--	--
Changes of assumptions or other inputs	59,440	90,342	(15,955)	(10,783)
Benefit payments	(16,640)	(15,686)	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	(3,499)	66,836	9,224	14,409
Change in Net OPEB Liability	81,951	166,337	13,837	21,205
Net OPEB Liability - Beginning	546,723	380,386	366,549	345,344
Net OPEB Liability - Ending	$ 628,674	$ 546,723	$ 380,386	$ 366,549
Covered-Employee Payroll	$ 137,902	$ 129,606	$ 127,204	$ 125,044
Net OPEB Liability as a Percentage of Covered-Employee Payroll	455.88%	421.83%	299.04%	293.14%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2020	2019	2018	2017	2016
			(dollars in thousands)		
The Hospital's proportion of the net OPEB liability	2.67%	2.64%	2.20%	2.11%	2.00%
The Hospital's proportionate share of the net OPEB liability	$ 628,674	$ 546,723	$ 380,386	$ 366,549	$ 345,344
The Hospital's covered-employee payroll	$ 137,902	$ 129,606	$ 127,204	$ 125,044	$ 123,476
The Hospital's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	455.88%	421.83%	299.04%	293.14%	279.69%
Plan fiduciary net position (assets)	$ 1,537,194	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 25,078,100	$ 21,878,399	$ 18,114,287	$ 17,904,922	$17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	6.13%	5.47%	4.69%	3.03%	1.94%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
JOHN DEMPSEY HOSPITAL (21002 FUND)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016
			(dollars in thousands)			
Contractually required contribution	$ 23,651	$ 23,160	$ 19,903	$ 17,668	$ 14,090	$ 12,189
Contributions in relation to the contractually required contribution	23,651	23,160	19,903	17,668	14,090	12,189
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --
JDH's covered-employee payroll	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044	$ 123,476
Contributions as a percentage of covered-employee payroll	16.31%	16.79%	15.36%	13.89%	11.27%	9.87%

Changes of Benefit Terms

In the June 30, 2020 and 2019 actuarial valuations, there were no changes of benefit terms.

Changes of Assumptions

In the June 30, 2020 actuarial valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 2.38% as of June 30, 2021. The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.

In the June 30, 2019 actuarial valuation, the discount rate was increased to 3.58% as of June 30, 2020 to more closely reflect the expected long-term rate of return. The demographic assumptions were updated to match the most recent valuations or experience studies.

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(With Management's Discussion and Analysis)

JUNE 30, 2021 AND 2020

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

CONTENTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) as of and for the years ended June 30, 2021, 2020, and 2019. UMG is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has access to the funds available in the 12018 fund to fund its operations. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which both follow this section.

UMG's clinical operations are modeled, in part, on private group practices and include approximately 450 providers practicing in a wide variety of specialties. UMG's operation is an essential element for the education and training of medical students that enables the University of Connecticut School of Medicine to accomplish its mission. Medical students, for example, learn diagnosis and treatment by training side-by-side with faculty clinicians as these doctors see patients. Funds transferred from UConn Health support this educational mission. UMG also partners closely with John Dempsey Hospital (JDH), with many providers performing procedures in its facilities.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. UMG chose to pause elective procedures on March 13, 2020 and did not resume until May 20, 2020. As a result, clinical volumes and results were lower in fiscal 2020 than in fiscal 2021. UConn Health continues to diligently navigate the pandemic and its many associated business challenges including personal protective equipment (PPE) shortages, supply chain disruption, aid application and reporting requirements, variant waves, and staffing shortages. Management remains focused on providing exceptional, reliable, and safe patient care to our community. UConn Health implemented a mandatory masking policy for patients, staff, and visitors in 2021, and has adopted a mandatory vaccine policy in fiscal year 2022. Both policies focus on ensuring the health of our patients, staff, and visitors. Due to the continued rapid development and fluidity of this situation, including variant spread, it is difficult to assess the impact that the pandemic will continue to have on UMG's financial condition or results of operations at this time.

During fiscal year 2021, UMG received $2.0 million via the Coronavirus Aid, Relief, and Economic Security (CARES) Act General Distribution Phase 3 based on lost revenue. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. UMG has met these requirements. During fiscal year 2020, UMG received $2.4 million from the CARES Act. Funding 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. UMG was also eligible for distributions for treating uninsured patients, though this population is not considered material.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

UMG, as part of UConn Health, was also eligible to apply for reimbursement of expenses under two additional funding mechanisms: the Federal Emergency Management Agency (FEMA) and the Coronavirus Relief Fund (CRF). UConn Health was eligible to submit expenditures incurred in responding to the public health emergency to FEMA for consideration, and UConn Health has obtained a commitment from the State of Connecticut as part of the CRF to assist with eligible pandemic related expenses not reimbursed by FEMA. The FEMA application process can be time intensive, and, to date, no funds have been received related to UConn Health's claims. UConn Health is working towards receipt of funds from these funding mechanisms in fiscal year 2022.

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows) present the financial position of UMG at June 30, 2021 and 2020, and the results of its operations and financial activities for the years then ended. These financial statements report information about UMG using accounting methods similar to those used by private-sector companies. The statements of net position include all of UMG's assets, liabilities and deferred inflows and outflows. The statements of revenues, expenses, and changes in net position reflect the years' activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not when cash is received or paid).

These financial statements report UMG's net position and how it has changed. Net position (the difference between assets and liabilities adjusted for deferred outflows and inflows) is one way to measure financial health or position. The statements of cash flows provide relevant information about each year's cash receipts and cash payments and classifies them as operating, investing, noncapital financing activities, and capital and related financing activities. The financial statement footnotes include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

UMG's financial position at June 30, 2021, consisted of assets of approximately $32.9 million, deferred outflows of approximately $197.6 million, liabilities of approximately $605.2 million (of which $571.3 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $15.1 million. UMG's financial position at June 30, 2020, consisted of assets of approximately $32.3 million, deferred outflows of approximately $176.3 million, liabilities of approximately $518.1 million (of which $487.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately $18.0 million. Net position, which represents the residual interest in UMG's assets and deferred outflows after liabilities and deferred inflows are deducted, decreased by approximately $62.3 million from fiscal year 2020 to a net deficit position of approximately $389.8 million as of June 30, 2021.

FINANCIAL HIGHLIGHTS (CONTINUED)

UMG finished the year with an operating loss of $165.3 million compared to an operating loss of $155.2 million in the prior year. Current year losses include the effect of UMG recording its pro-rata share of expenses under GASB Statements No. 68 and 75, as discussed in note 10. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. UMG recorded an additional $59.6 million and $42.8 million of expenses related to pension and OPEB liabilities in fiscal years 2021 and 2020, respectively. Operating losses exclusive of these entries were $105.7 million and $112.4 million in fiscal years 2021 and 2020, respectively.

UMG received net transfers from UConn Health of $101.0 million and $107.9 million in fiscal years 2021 and 2020, respectively. Current year transfers included $70.2 million from UConn Health as working capital support and $30.8 million related to fringe benefit support. Prior year transfers included $74.8 million from UConn Health related to working capital support and $33.1 million of fringe benefit support. Total net position decreased by approximately $62.3 million in fiscal year 2021, compared to a decrease of approximately $45.0 million in fiscal year 2020.

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of UMG's Statements of Net Position as of June 30, 2021, 2020, and 2019 are presented below.

	2021	2020	2019
		(in thousands)	
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 20,097	$ 16,564	$ 15,126
Capital and intangible assets, net	12,822	15,784	17,868
Total assets	$ 32,919	$ 32,348	$ 32,994
Deferred amount for pensions	79,428	73,382	45,044
Deferred amount for OPEB	118,197	102,892	22,911
Total deferred outflows	$ 197,625	$ 176,274	$ 67,955
Current liabilities	$ 28,216	$ 25,884	$ 23,959
Noncurrent liabilities	577,016	492,236	348,268
Total liabilities	605,232	518,120	372,227
Deferred amount for pensions	$ 63	$ 465	$ 471
Deferred amount for OPEB	15,005	17,540	10,777
Total deferred inflows	$ 15,068	$ 18,005	$ 11,248
Net investment in capital assets	$ 12,793	$ 15,749	$ 17,868
Unrestricted deficit	(402,549)	(343,252)	(300,394)
Total net position	$ (389,756)	$ (327,503)	$ (282,526)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

In this section, UMG explains the reasons for those financial statement items with significant variances relating to fiscal year 2021 amounts compared to fiscal year 2020 amounts.

Changes in assets included the following:

- *Patient accounts receivable, net* – increased by approximately $3.1 million from June 30, 2020 to June 30, 2021, due to increased patient revenues and associated receivables related to the increase in gross charges and visits from prior year.

- *Contract and other receivables* – increased by approximately $2.6 million from June 30, 2020 to June 30, 2021, due to the Department of Social Services (DSS) supplemental payment accrual. Based on historical payments, UMG expects to collect approximately $5.2 million for the fourth quarter of fiscal year 2021, as Medicaid pays approximately 30% of the total quarterly charges.

- *Due from State of Connecticut* – decreased by approximately $640,000 from June 30, 2020 to June 30, 2021. Amounts due from the State of Connecticut represent the receivable from the General Fund of the State for certain employee salaries charged to the State's General Fund.

- *Capital and intangible assets, net* – decreased by approximately $3.0 million from June 30, 2020 to June 30, 2021, as depreciation and disposals outpaced capital acquisitions during the current fiscal year.

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – decreased by approximately $1.1 million from June 30, 2020 to June 30, 2021, which reflects normal operational variances in the timing of invoice payments.

- *Accrued payroll* – increased by approximately $765,000 from June 30, 2020 to June 30, 2021. The payroll accrual is based on the number of remaining days in the fiscal year after the last payroll period is processed, as well as aggregate staffing and salary levels.

- *Due to State of Connecticut* – increased by approximately $670,000 from June 30, 2020 to June 30, 2021. This amount represents the portion of fringe benefits related to accrued salaries owed to the State at the end of the fiscal year.

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES (CONTINUED)

- *Due to John Dempsey Hospital (JDH)* – increased by approximately $1.9 million from June 30, 2020 to June 30, 2021. The 2021 balance primarily consists of patient deposits posted to a central clearing account for UMG that were owed back to JDH at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to JDH.

- *Due to Finance Corporation* – decreased by approximately $6.1 million from June 30, 2020 to June 30, 2021. The Finance Corporation, through its subsidiary UConn Health Pharmacy Services, Inc., purchases drugs on behalf of UMG, which amounted to approximately $5.7 million in fiscal year 2021. UMG repaid approximately $11 million during fiscal year 2021 related to purchases from fiscal 2020 and 2021, and received $1 million of rent relief from the Finance Corporation (see note 9).

- *Due to Central Administrative Services* – increased by approximately $1.4 million from June 30, 2020 to June 30, 2021, due to the allocation of charges to UMG.

- *Pension and OPEB liabilities* – increased by approximately $83.9 million from June 30, 2020 to June 30, 2021, due to an increased percentage of overall plan contributions and changes at the State plan level to underlying assumptions, such as the discount rate.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of UMG's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021, 2020, and 2019 are presented below:

	2021	2020	2019
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 137,063	$ 115,249	$ 127,992
Operating expenses	302,359	270,489	211,724
Operating loss	(165,296)	(155,240)	(83,732)
Nonoperating revenues (expenses), net	2,009	2,339	(141)
Loss before transfers	(163,287)	(152,901)	(83,873)
Net transfers	101,034	107,924	72,761
Decrease in net position	$ (62,253)	$ (44,977)	$ (11,112)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $21.8 million or 18.9%.

- *Net patient service revenues* – increased by approximately $22.3 million or 21.7% from prior year due to increased clinical volumes in fiscal year 2021, which were negatively impacted in the prior year due to COVID-19 related closures.

Operating expenses

Total operating expenses increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $31.9 million or 11.8%.

- *Salaries and wages* – increased by approximately $8.1 million from prior year due to contractually bargained salary wage increases and an overall increase in provider full-time employees (FTEs). UMG had 217 and 209 total provider FTEs as of June 30, 2021 and 2020, respectively.

- *Fringe benefits* – increased by approximately $24.8 million from prior year due to UMG recording its proportionate share of pension and OPEB expenses. Total pension and OPEB expenses were approximately $59.6 million and $42.8 million in fiscal years 2021 and 2020, respectively.

- *Medical contractual support* – decreased by approximately $1.1 million from prior year, primarily driven by dissolution of contracts in the dermatology department.

- *Outside agency per diems* – increased by approximately $604,000 from prior year, due to increasing clinical volumes, which generated a need for increased clinical staffing, including temporary nurse staffing and testing personnel.

- *Outside and other purchased services* – decreased by approximately $1.8 million from prior year, primarily driven by the decrease in collection fees and professional services. Collection fees decreased due to UMG bringing its accounts receivable follow-up process back in-house and cancelling its outside contract. UMG also decreased its use of scribes and locum tenens services from the prior year.

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION

- *Repairs and maintenance* – increased by approximately $441,000 from prior year, due to the impact of enhanced cleaning protocols and maintenance needs resulting from the COVID-19 pandemic.

- *Other expenses* – increased by approximately $1.4 million from prior year, driven primarily by the expensing of equipment from capital project close-outs.

SUMMARY OF CASH FLOWS

The statements of cash flows provide additional information about UMG's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
		(in thousands)	
Cash received from operations	$ 131,360	$ 120,309	$ 123,226
Cash expended for operations	(241,783)	(219,149)	(192,328)
Net cash used in operations	(110,423)	(98,840)	(69,102)
Net cash provided by noncapital financing activities	107,930	108,195	69,268
Net cash used in capital and related financing activities	(491)	(6,371)	(166)
Net change in cash	(2,984)	2,984	--
Cash - Beginning	2,984	--	--
Cash - Ending	$ --	$ 2,984	$ --

OPERATIONAL HIGHLIGHTS

UMG patient visits of approximately 764,000 represent an increase of approximately 139,000 from 2020. Prior year visits were negatively impacted by the cancellation of elective procedures from March 13, 2020 to May 20, 2020 due to the COVID-19 pandemic.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2021, UMG had capital and intangible assets of $35.7 million before accumulated depreciation, compared to $36.9 million at June 30, 2020. Construction in progress (CIP) decreased by approximately $914,000 from June 30, 2020 to June 30, 2021, as UMG completed projects and capitalized assets or expensed non-capitalizable costs from CIP accounts. Equipment decreased by approximately $464,000 due to the disposal of computer systems and servers associated with UMG's prior generation EMR system, which has since been replaced with EPIC. A summary of capital and intangible asset balances is shown in the table below:

	2021	2020
Land	$ 89,132	$ 89,132
Construction in progress (estimated costs to complete of $97,000 and $24,000 at June 30, 2021 and 2020, respectively)	270,916	1,184,954
Buildings and leasehold improvements	12,560,232	12,560,232
Equipment	9,154,613	9,619,036
Computer software	13,543,506	13,367,506
Capital leases	40,608	40,608
Total capital and intangible assets	35,659,007	36,861,468
Less: accumulated depreciation and amortization	22,836,906	21,078,025
Capital and intangible assets, net	$ 12,822,101	$ 15,783,443

For fiscal 2022, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by the senior executive committee of UConn Health. More detailed information about UMG's capital and intangible assets are presented in note 8 to the financial statements.

FISCAL 2022 OUTLOOK

As we look forward to fiscal year 2022, UConn Health continues to adapt its business models to changing landscapes: operational, pandemic, and regulatory. UConn Health continues to work and plan for the new operational realities, including labor and supply shortages through continual re-prioritization, forward thinking, teamwork, and creativity. The COVID-19 pandemic continues to evolve creating new community needs and challenges. UConn Health will continue to respond to these new needs, such as for vaccine boosters and community resources, and to serve the people of Connecticut.

FISCAL 2022 OUTLOOK (CONTINUED)

Healthcare, already a high oversight industry, has received additional regulatory mandates as a result of the pandemic and pandemic related relief funds received. Tracking and reporting these funds will continue to be a focus for UConn Health moving forward to monitor the increasing levels of regulations from authoritative agencies, including those assisting with pandemic relief.

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

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2021 spending plan. UConn Health approaches fiscal year 2022 cautiously optimistic. While vaccines have helped stem some of the impact of COVID-19, the surging Delta variant and pandemic fatigue have contributed to an uncertain outlook. While clinical volumes have rebounded in many areas, some of which have exceeded pre-pandemic volumes, a continued spike in cases could impact UConn Heath's ability to perform elective surgeries, which are essential for the continued fiscal health of the institution.

Clinically, the focus remains on cautiously returning to patient care, while assuring patients that it is safe to do so. Significant concerns nationally about patients putting off care due to COVID-19 have lent greater urgency to handling the current Delta spike effectively and safely. UConn Health has worked continually over the past 12 months to strengthen its supply lines and broaden its access to the required types and amounts of PPE. We continue to update our treatment protocols and have proactively taken steps to ensure patient and staff safety across all its clinical units.

Among the initiatives that UConn Health has implemented are joining with the Connecticut Hospital Association in implementing mandatory vaccination at our facilities, universal masking, and screening of all staff and visitors in all facilities regardless of vaccination status.

UConn Health continues to work at leveraging its electronic medical record system (EPIC system). In the current year, our EPIC system allowed us to track and facilitate vaccine roll outs for staff and the public, and helped transmit COVID-19 testing results from Jackson Labs to other EPIC facilities in Connecticut. We also continued progress towards upgrading and optimizing the system. UConn Health is now on a quarterly upgrade schedule and is up-to-date with current EPIC functionality.

FISCAL 2022 OUTLOOK (CONTINUED)

On June 30, 2021, all existing bargaining unit contracts concluded without new agreements being ratified and approved by the legislature. Affected unions are currently working under an extension agreement that runs through June 30, 2022, and keeps substantially all of the prior contract provisions, but which does not allow for general wage increases during the hold-over period.

The State, lifted by strong tax receipts and federal aid, reported a surplus for fiscal year 2021, and is anticipating a robust fiscal year 2022. The State's financial outlook has a direct role in that of UConn Health. Any potential negative changes to the State's economic outlook result in additional unpredictability of State support across UConn Health. While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, cost reductions, and programmatic enhancements while protecting quality of care.

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

CONTACTING UCONN MEDICAL GROUP'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of UMG'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 06030-3800.

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
University of Connecticut Health Center

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center UConn Medical Group (UConn Medical Group), a component unit of the State of Connecticut, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise UConn Medical Group's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Marcum LLP ▪ CityPlace I ▪ 185 Asylum Street ▪ 25th Floor ▪ Hartford, CT 06103 ▪ Phone 860.760.0600 ▪ Fax 860.760.0601 ▪ www.marcumllp.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Connecticut Health Center UConn Medical Group as of June 30, 2021 and 2020, and the results of its operations and changes in net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis on pages 1 through 10, the Schedule of Changes in UConn Medical Group's Net Pension Liability and Related Ratios on page 56, the Schedule of Pension Contributions on page 57, the Schedule of Changes in UConn Medical Group's Net OPEB Liability and Related Ratios on page 58, the Schedule of UConn Medical Group's Proportionate Share of the Net OPEB Liability on page 59, and the Schedule of UConn Medical Group's OPEB Contributions on page 60, be presented to supplement the basic financial statements. Such information, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, on our consideration of the UConn Medical Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UConn Medical Group's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the UConn Medical Group's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
December 13, 2021

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	$ --	$ 2,984,188
Patient accounts receivable, net of estimated uncollectibles of $6,707,000 and $6,840,000 at June 30, 2021 and 2020, respectively	9,102,710	6,012,914
Inventory	886,701	905,692
Contract and other receivables	5,503,929	2,890,512
Due from Finance Corporation	239,649	--
Due from other funds	1,342,928	125,625
Due from State of Connecticut	3,002,402	3,641,430
Prepaid expenses	18,664	3,986
Total Current Assets	20,096,983	16,564,347
Noncurrent Assets		
Capital and intangible assets, net (note 8)	12,822,101	15,783,443
Total Noncurrent Assets	12,822,101	15,783,443
Total Assets	32,919,084	32,347,790
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	79,427,985	73,381,566
Deferred amount for OPEB (note 10)	118,197,101	102,892,367
Total Deferred Outflows of Resources	$ 197,625,086	$ 176,273,933

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	2021	2020
Liabilities and Net Position		
Current Liabilities		
Cash overdraft	$ 4,882,505	$ --
Accounts payable and accrued expenses	2,972,638	4,063,313
Accrued payroll	8,064,282	7,298,944
Due to State of Connecticut	4,889,732	4,220,557
Due to UConn Health Malpractice Fund (note 1)	12,539	12,539
Due to John Dempsey Hospital (note 11)	2,053,679	194,548
Due to Finance Corporation	--	6,051,907
Due to Central Administrative Services	1,373,722	--
Capital leases, current portion (note 9)	6,456	6,157
Accrued compensated absences, current portion (note 9)	3,960,818	4,035,771
Total Current Liabilities	28,216,371	25,883,736
Noncurrent Liabilities		
Pension liabilities (note 9 and 10)	218,230,824	187,944,495
OPEB liabilities (note 9 and 10)	353,032,201	299,462,704
Capital leases, net of current portion (note 9)	22,513	28,410
Accrued compensated absences, noncurrent portion (note 9)	5,730,442	4,801,039
Total Noncurrent Liabilities	577,015,980	492,236,648
Total Liabilities	605,232,351	518,120,384
Deferred Inflows of Resources		
Deferred amount for pensions (note 10)	63,332	465,064
Deferred amount for OPEB (note 10)	15,004,459	17,539,889
Total Deferred Inflows of Resources	15,067,791	18,004,953
Net Position		
Net investment in capital assets	12,793,132	15,748,876
Unrestricted deficit	(402,549,104)	(343,252,490)
Total Net Position	$ (389,755,972)	$ (327,503,614)

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating Revenues		
Net patient service revenues (note 3)	$ 124,933,707	$ 102,676,073
Contract and other revenues	12,129,442	12,572,969
Total Operating Revenues	137,063,149	115,249,042
Operating Expenses		
Salaries and wages	120,992,554	112,917,478
Fringe benefits	129,143,256	104,354,672
Medical contractual support	7,563,099	8,657,817
Internal contractual support	8,616,786	8,779,439
Outside agency per diems	1,073,687	469,272
Depreciation and amortization (note 8)	2,653,731	2,898,301
Pharmaceutical/medical supplies	8,470,059	8,554,913
Utilities	2,131,571	1,987,252
Outside and other purchased services	15,162,651	16,979,185
Insurance	1,153,365	1,328,174
Repairs and maintenance	3,015,326	2,574,082
Other expenses	2,382,844	987,922
Total Operating Expenses	302,358,929	270,488,507
Operating Loss	(165,295,780)	(155,239,465)
Nonoperating Revenues (Expenses)		
COVID-19 relief revenue (note 7)	2,012,523	2,400,351
Interest expense	(2,342)	(1,720)
Loss on disposals (note 8)	(1,134)	(60,116)
Net Nonoperating Revenues	2,009,047	2,338,515
Loss before Transfers	(163,286,733)	(152,900,950)
Net Transfers from UConn Health - Unrestricted (note 11)	101,034,375	107,923,790
Decrease in Net Position	(62,252,358)	(44,977,160)
Net Position - Beginning of year	(327,503,614)	(282,526,454)
Net Position - End of year	$ (389,755,972)	$ (327,503,614)

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 121,843,911	$ 107,694,791
Cash received from contract and other revenues	9,516,025	12,615,000
Cash (returned to) received from related parties	(3,058,703)	5,489,066
Cash paid to employees for salaries and fringe benefits	(188,948,511)	(176,224,980)
Cash paid for other than personnel services	(49,775,560)	(48,413,365)
Net Cash Used in Operating Activities	(110,422,838)	(98,839,488)
Cash Flows from Noncapital Financing Activities		
Net transfers from UConn Health's unrestricted net assets to support operations	101,034,375	107,923,790
Net borrowings (repayments) on cash overdraft	4,882,505	(2,129,572)
COVID-19 relief revenue received	2,012,523	2,400,351
Net Cash Provided by Noncapital Financing Activities	107,929,403	108,194,569
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(482,813)	(833,580)
Payments on capital leases	(5,598)	(6,041)
Interest paid	(2,342)	(1,720)
Repayment to John Dempsey Hospital	--	(5,529,552)
Net Cash Used in Capital and Related Financing Activities	(490,753)	(6,370,893)
Net Change in Cash	(2,984,188)	2,984,188
Cash - Beginning	2,984,188	--
Cash - Ending	$ --	$ 2,984,188
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Equipment acquired by entering into capital lease agreements	$ --	$ 40,608

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (165,295,780)	$ (155,239,465)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,653,731	2,898,301
Non-cash portion of other expenses	789,290	--
Non-cash portion of pension expense	23,838,178	18,854,621
Non-cash portion of OPEB expense	35,729,333	23,951,047
Changes in operating assets and liabilities:		
Patient accounts receivable	(3,089,796)	5,018,718
Inventory	18,991	237,023
Contract and other receivables	(2,613,417)	42,031
Prepaid expenses	(14,678)	15,229
Accounts payable and accrued expenses	(1,090,675)	1,198,937
Due to Central Administrative Services	1,373,722	--
Due to John Dempsey Hospital	1,859,131	194,548
Due to Finance Corporation	(6,291,556)	5,294,518
Due to State of Connecticut	669,175	4,220,557
Due from other funds	(1,217,303)	(125,625)
Due from State of Connecticut	639,028	(3,641,430)
Accrued payroll	765,338	(2,316,895)
Accrued compensated absences	854,450	558,397
Net Cash Used in Operating Activities	$ (110,422,838)	$ (98,839,488)

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

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

REPORTING ENTITY

The University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) clinical operations are modeled, in part, on private group practices and include approximately 450 providers practicing in a wide variety of specialties.

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, net position, revenue, and expense accounts reflected in the accounting records of UMG, which is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has unlimited access to the funds available in the 12018 fund to fund their operations. The Governor of the State of Connecticut (the State) appoints the Board of Trustees of the University of Connecticut whose chairman then appoints the Board of Directors, which oversees UConn Health, including UMG. Reference is made to note 11 for related party transactions.

UMG is a component unit of the State and is, therefore, exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. UMG elected to pause elective procedures on March 13, 2020 and they did not resume until May 20, 2020. As a result, UMG experienced significant operating losses in fiscal 2020, which were only partially offset via government and other aid programs (see note 7). Although UMG remained open for elective procedures throughout fiscal 2021, UMG continued to be affected by the COVID-19 pandemic. Many patients were at least initially reluctant to return for routine procedures. At the same time, staffing and supply shortages, increased cleaning and safety protocols, and changing community needs (including testing and vaccination) have increased costs and challenged operations.

UConn Health continues to monitor the outbreak of COVID-19 and its impact on operations, financial position, cash flows, inventory, supply chains, patient trends, payments, and the industry in general, in addition to the impact on its employees. Due to the continued rapid development and fluidity of this situation, including the variant spread, it is difficult to assess the impact that the pandemic will continue to have on UMG's financial condition or results of operations at this time. See note 7 for additional details.

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

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

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

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, compensated absences, and pension and OPEB liabilities.

CASH AND CASH OVERDRAFT

Cash balances are included in a pooled cash account with the cash balances of the other entities included in the 12018 fund. Cash overdraft positions, which occur when total outstanding issued checks exceed available cash balances at the end of each reporting period, are presented as a liability within the statements of net position. See note 4 for discussion regarding UMG's available borrowing.

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

Patient accounts receivable and net patient service revenues are recorded at the estimated net realizable amounts from patients and third-party payors, when patient services are rendered.

The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See note 3 for additional information relative to net patient service revenues and third-party payor programs.

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

CONTRACT AND OTHER REVENUES

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

INVENTORY

Inventory, with the exception of pharmaceuticals, is recorded at cost, determined by the first-in, first-out (FIFO) method. Pharmaceuticals are valued at market value, which approximates cost due to high turnover rates. Short-term or minor supplies are expensed as incurred.

CAPITAL ASSETS

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

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings (and related improvements) have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years. Assets acquired under capital leases and leasehold improvements are depreciated no longer than the lease term.

For projects, including the development of computer software, construction in progress is capitalized as costs are incurred during the construction phase, and depreciation will begin once the assets are placed in service.

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives, which range from 3 to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. See note 8 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

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

IMPAIRMENT OF LONG-LIVED ASSETS

UMG 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 2021, UMG disposed of information technology equipment, servers and general equipment totaling approximately $896,000. These assets were reported in equipment in note 8. The total loss on disposal related to these assets was approximately $1,000.

During 2020, UMG disposed of information technology equipment and servers. The combined value of these assets was approximately $2.2 million, and the total loss on disposal was approximately $60,000.

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Eligible employees of UMG, as defined, may participate in the following State retirement plans: the State Employees' Retirement System Tier I, Tier II, Tier IIA, Tier IV Hybrid (SERS) and the Teachers' Retirement System (TRS) defined benefit plans; and the Alternate Retirement Plan (ARP), which is a defined contribution plan. These plans are funded by contributions from the State, as well as payroll deductions from employees, except for the Tier II Plan, which is noncontributory. In addition, eligible employees may participate in a State defined contribution deferred compensation plan, which is funded by payroll deductions from employees.

The State is statutorily responsible for the pension benefits of UMG employees who participate in the aforementioned defined benefit plans. The State is required to contribute to such plans at an actuarially determined rate, which may be reduced by an act of the State legislature. These plans do not issue stand-alone financial reports. Summary information on the plans is publicly available in the State's Annual Comprehensive Financial Report.

UMG has recorded and disclosed pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as amended by GASB Statement No. 82 (collectively referred to herein as GASB 68). GASB 68 requires the pro rata share of the State's pension liabilities be recorded at the entity level. UMG continues to pay into the State retirement plans on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 68.

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The State also provides other postemployment benefits other than pensions (OPEB), including health care and life insurance benefits to eligible UConn Health employees, including those of UMG, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. Upon retirement, the liability for other retirement benefits rests with the State. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). The State finances the cost of postemployment health care and life insurance benefits on a pay-as-you-go basis through an appropriation from the General Fund.

UMG recorded its pro rata share of the OPEB liability held at the State level in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). UMG continues to pay its portion of the State of Connecticut's Employee OPEB Plan (SEOPEBP) on a pay-as-you-go basis, but has recorded its corresponding liability and deferred inflows and outflows as prescribed by GASB 75. See note 10 for additional details.

PENSION LIABILITIES

UMG 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 benefit 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 has 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. UMG 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. UMG recorded its proportionate share of the net pension liability for the years ended June 30, 2021 and 2020.

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

OPEB LIABILITIES

Individuals who are employed by UMG are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement. Retirees under the age of 65 pay the same premium for medical, prescription drugs, and dental benefits as active employees, which results in an implicit rate subsidy and OPEB liability. For this purpose, plan member contributions are recognized in the period in which the contributions are due. UMG 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. UMG recorded its proportionate share of the net OPEB liability for the years ended June 30, 2021 and 2020.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

UMG reports its proportionate share of collective deferred outflows of resources and collective deferred inflows of resources related to its defined benefit and OPEB plans. Differences between expected and actual experience in the measurement of the total pension and OPEB liabilities, 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 and OPEB benefits. The net differences between projected and actual earnings on the pension plan and the OPEB plan investments are reported as deferred outflows or deferred inflows and are recognized over five years, while other changes are recognized over remaining average service life. Contributions to the pension and OPEB plans from UMG subsequent to the measurement date of the net liabilities and before the end of the reporting period are reported as a deferred outflow of resources related to pensions and OPEB.

COMPENSATED ABSENCES

UMG'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 UMG may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience. Since adoption of GASB 68, certain fringe benefit costs associated with compensated absences were included in the pension liability and excluded from the compensated absences accrual in the accompanying statements of net position. All other compensated absences are accrued at 100% of their balance. Compensated absences in the accompanying statements of net position have been allocated between current and noncurrent liabilities based on historical experience.

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

THIRD-PARTY PAYORS

Laws governing the Medicare and Medicaid programs are extremely complex and are 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.

MEDICAL MALPRACTICE

The physicians, health care providers and support staff of UMG 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 are charged against UConn Health's malpractice self-insurance fund. UConn Health allocates an annual malpractice premium to UMG, designed to reflect an estimate for the current year's cash claims to be processed. For the years ended June 30, 2021 and 2020, annual premiums were approximately $150,000 and $303,000, respectively. These premiums are included in insurance expense in UMG's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence based coverage through June 30, 2021 and 2020, respectively.

NET POSITION

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

DUE TO AND FROM STATE OF CONNECTICUT

The Due from State of Connecticut reported on the statements of net position includes a receivable from the General Fund of the State (General Fund) for payroll. UConn Health allows UMG to charge certain employee salaries to the General Fund, which is accounted for as a Transfer from UConn Health on the statement of revenues, expenses, and changes in net assets. Year-end accrued employee salaries are partially offset by the amounts to be funded by the General Fund.

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

DUE TO AND FROM STATE OF CONNECTICUT (CONTINUED)

The State also administers employee benefit and retirement plans and charges UMG based on an annual fringe benefit rate that is applied to employee salaries. The Due to State of Connecticut reported on the statements of net position consists of fringe benefits owed at the end of the fiscal year in relation to accrued salaries.

RECLASSIFICATIONS

Certain reclassifications were made to the 2020 statement of revenues, expenses, and changes in net position to reclassify bad debt recoveries from contract and other revenue to net patient service revenue to conform to the current year presentation; reclassifications were also made to the 2020 statement of cash flows related to this reclassification. Additional reclassifications were made to the 2020 statement of net position to reclassify state fringe benefits and in-kind fringe benefits from accrued payroll to Due to and Due from State of Connecticut, respectively; reclassifications were also made to the 2020 statement of cash flows related to these fringe benefit reclassifications. Further reclassifications were made to the 2020 statement of cash flows to reclassify repayments made to John Dempsey Hospital (JDH) for operating expenses from financing activities to operating activities to conform to the current year presentation.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The following GASB accounting pronouncements were adopted by UMG during fiscal year 2021, none of which had a material impact on its financial statements: GASB Statement No. 84, *Fiduciary Activities* (GASB 84); GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89); GASB Statement No. 90, *Majority Equity Interests* (GASB 90); GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93); and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97).

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

UPCOMING ACCOUNTING PRONOUNCEMENTS

UMG is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: GASB Statement No. 87, *Leases* (GASB 87) effective for reporting periods beginning after June 15, 2021, in accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95); GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91) effective for reporting periods beginning after December 15, 2021, in accordance with GASB 95; GASB Statement No. 92, *Omnibus 2020* (GASB 92) effective for fiscal years beginning after June 15, 2021 and reporting periods thereafter, in accordance with GASB 95; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter; and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter.

NOTE 3 – NET PATIENT SERVICE REVENUES

Patient service revenues reported net of allowances for the years ended June 30 were:

	2021	2020
Gross patient service revenues	$ 284,464,823	$ 235,801,392
Less contractual allowances and provision for bad debt	(159,531,116)	(133,125,319)
Net patient service revenues	$ 124,933,707	$ 102,676,073

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS

UMG has agreements with third-party payors that provide for payments to UMG at amounts different from UMG's established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of total net patient service revenues and associated year-end patient accounts receivable for these programs are shown in the table below.

	Medicare		Medicaid	
	2021	2020	2021	2020
Net patient service revenue	29%	29%	16%	14%
Patient accounts receivable	25%	30%	9%	8%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. UMG believes that it is in compliance with all applicable laws and regulations. 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 UMG.

MEDICARE

All services provided to traditional Medicare participants are reimbursed based on the resource-based relative value system (RBRVS). Various third-party payors, with the approval of the Centers for Medicare and Medicaid Services (CMS), provide Medicare managed care programs to its members, which reimburse UMG based on their own fee schedules.

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

MEDICAID

Services are reimbursed based on Medicaid fee schedules, except for select third-party payors and out of state Medicaid. These third-parties reimburse UMG based upon their own individual fee schedules. In fiscal years 2021 and 2020, UMG recorded $19.9 million and $15.5 million, respectively, in supplemental revenue from the Department of Social Services (DSS), which is included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

BLUE CROSS HOSPITAL-BASED PROVIDERS

Hospital-based practices, including radiology, are reimbursed based on the Blue Cross Hospital-Based Providers (HBP) fee schedule.

BLUE SHIELD

Physicians are reimbursed according to Blue Shield’s published fee schedule.

MANAGED CARE

UMG has entered into contracts with managed care companies. The basis for payment under these arrangements is primarily agreed-upon fee schedules with limited capitated contracts for primary care services.

CONTRACT MANAGEMENT SYSTEM

Effective January 1, 2021, UMG implemented the EPIC Contract Management (ECM) system. ECM nets gross billings down to the expected net realizable amount at the time of billing based on UMG’s loaded contracts. Previously, UMG valued patient accounts receivable manually on a monthly basis using historical payment rates and recorded contractual allowances based on provider remittances and explanation of benefits statements. This change did not have a material impact on UMG’s financial statements.

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

UMG's estimation of the allowance for uncollectible accounts is based primarily on the type and age of the patient accounts receivable and the effectiveness of UMG's collection efforts. UMG's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, UMG reviews its accounts receivable balances, the effectiveness of UMG's reserve policies, and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- Revenue and volume trends by payor, particularly the self-pay components;
- Changes in the aging and payor mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients;
- Various allowance coverage statistics.

UMG regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

NOTE 4 – HYPOTHECATION

In accordance with State Statute, UMG can borrow from the State up to 70% of its net patient accounts receivable and contract and other receivables to fund operations. As of June 30, 2021, UMG had drawn down $4,882,505 under the hypothecation. As of June 30, 2020, UMG had not drawn down any funds under the hypothecation. As of June 30, 2021 and 2020, UMG had available amounts of $5,342,142 and $6,232,398, respectively, under the State Statute.

NOTE 5 – CONTRACT AND OTHER REVENUES

UMG enters into contracts with external entities including hospitals, retirement homes, and the State's Department of Corrections to provide physician services. UMG also provides physician services to entities within UConn Health, including the School of Medicine, School of Dental Medicine, Dental Clinics, and JDH. Other miscellaneous revenues, including revenues related to the performance of administrative duties at UConn Health, are included in contract and other revenues in the statements of revenues, expenses, and changes in net position.

NOTE 6 – CHARITY CARE

UMG maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2021 and 2020, UMG provided charity care services of $470,698 and $259,538, respectively. The increase in charity care for fiscal year 2021 reflects increased applications due to community need, partially attributed to economic stresses due to the COVID-19 pandemic. The estimated cost of these services was $140,890 and $73,787, respectively, for the years ended June 30, 2021 and 2020. No net patient service revenue was recorded for these services; however, expenses associated with these services were included in operating expenses in the statements of revenues, expenses, and changes in net position.

NOTE 7 – COVID-19 RELIEF

The CARES Act was passed to mitigate the impact of the economic downturn set in motion by the global COVID-19 pandemic. Congress allocated funding to provide financial relief during the COVID-19 pandemic to be allocated mainly through the Department of Health and Human Services (HHS). UMG qualified for the distribution of funds during the years ended June 30, 2021 and 2020 as a provider billing Medicare fee-for-service. UMG was eligible for and recognized approximately $2.4 million in total COVID-19 relief revenue in fiscal year 2020. UMG received COVID-19 relief revenue from two different rounds, or tranches, of Provider Relief Funding during fiscal year 2020. The first tranche was based on previous Medicare payments and totaled approximately $1.2 million. The second tranche was based on net revenue and totaled $1.2 million. In fiscal year 2021, Congress allocated $24.5 billion for General Distribution Phase 3, of which UMG received $2.0 million based on lost revenues. Criteria and reporting requirements for the Provider Relief Funding have been finalized by HHS. UMG management believes that the eligibility requirements have been met for the complete amount received based on increased operating expenses and lost revenues. As such, UMG recognized the funds received as nonoperating revenues in the statements of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020.

NOTE 7 – COVID-19 RELIEF REVENUE (CONTINUED)

Certain of the COVID-19 relief programs require that the funds be utilized for lost revenues and COVID-19-related costs, and place limitations on the amounts that providers can collect from COVID-19 patients. Management's estimates of the amount of revenues recognized in fiscal 2020 are complete, as the regulations associated with that time frame were finalized in July 2021. Management's estimates of the amount of revenues recognized in fiscal year 2021 are pending reconciliation for submitted documentation and, therefore, could change materially in the future. Any future adjustments to these estimates will be reported in the earnings of future periods.

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

Capital and intangible assets at June 30 consist of the following:

	2021	2020
Land	$ 89,132	$ 89,132
Construction in progress (estimated costs to complete of $97,000 and $24,000 at June 30, 2021 and 2020, respectively)	270,916	1,184,954
Buildings and leasehold improvements	12,560,232	12,560,232
Equipment	9,154,613	9,619,036
Computer software	13,543,506	13,367,506
Capital leases	40,608	40,608
Total capital and intangible assets	35,659,007	36,861,468
Less: accumulated depreciation and amortization	22,836,906	21,078,025
Capital and intangible assets, net	$ 12,822,101	$ 15,783,443

Activity for the years ended June 30, 2021 and 2020 is as follows:

	2020	Additions	Deductions	2021
Land	$ 89,132	$ --	$ --	$ 89,132
Construction in progress	1,184,954	78,868	(992,906)	270,916
Buildings and leasehold improvements	12,560,232	--	--	12,560,232
Equipment	9,619,036	431,561	(895,984)	9,154,613
Computer software	13,367,506	176,000	--	13,543,506
Capital leases	40,608	--	--	40,608
	$ 36,861,468	$ 686,429	$ (1,888,890)	$ 35,659,007

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

	2019	Additions	Deductions	2020
Land	$ 89,132	$ --	$ --	$ 89,132
Construction in progress	932,393	492,054	(239,493)	1,184,954
Buildings and leasehold improvements	13,250,986	239,493	(930,247)	12,560,232
Equipment	10,516,956	341,526	(1,239,446)	9,619,036
Computer software	13,367,506	--	--	13,367,506
Capital leases	--	40,608	--	40,608
	$ 38,156,973	$ 1,113,681	$ (2,409,186)	$ 36,861,468

Related information on accumulated depreciation and amortization for the years ended June 30, 2021 and 2020 is as follows:

	2020	Additions	Deductions	2021
Buildings and leasehold improvements	$ 9,609,576	$ 329,367	$ --	$ 9,938,943
Equipment	8,171,761	801,166	(894,850)	8,078,077
Computer software	3,288,566	1,515,077	--	4,803,643
Capital leases	8,122	8,121	--	16,243
	$ 21,078,025	$ 2,653,731	$ (894,850)	$ 22,836,906

	2019	Additions	Deductions	2020
Buildings and leasehold improvements	$ 9,952,110	$ 527,597	$ (870,131)	$ 9,609,576
Equipment	8,579,806	831,401	(1,239,446)	8,171,761
Computer software	1,757,385	1,531,181	--	3,288,566
Capital leases	--	8,122	--	8,122
	$ 20,289,301	$ 2,898,301	$ (2,109,577)	$ 21,078,025

NOTE 9 – LONG-TERM LIABILITIES AND LEASES

Activity related to capital leases and other long-term liabilities for the years ended June 30, 2021 and 2020 is as follows:

	June 30, 2020 Balance	Additions	Deductions	June 30, 2021 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.76% began July 2019 and continue until July 2024*, collateralized by financed equipment	$ 34,567	$ --	$ (5,598)	$ 28,969	$ 6,456
Total Capital Leases	34,567	--	(5,598)	28,969	6,456
Other Long-Term Liabilities					
Accrued compensated absences	8,836,810	5,566,644	(4,712,194)	9,691,260	3,960,818
Pension liabilities	187,944,495	55,173,698	(24,887,369)	218,230,824	--
OPEB liabilities	299,462,704	68,991,544	(15,422,047)	353,032,201	--
Total Other Long-Term Liabilities	496,244,009	129,731,886	(45,021,610)	580,954,285	3,960,818
Total Long-Term Liabilities	$ 496,278,576	$ 129,731,886	$ (45,027,208)	$ 580,983,254	$ 3,967,274

	June 30, 2019 Balance	Additions	Deductions	June 30, 2020 Balance	Amounts due within 1 year
Capital lease obligation - Payments including interest at 1.76% began July 2019 and continue until June 2024*, collateralized by financed equipment	$ --	$ 40,608	$ (6,041)	$ 34,567	$ 6,157
Total Capital Leases	--	40,608	(6,041)	34,567	6,157
Other Long-Term Liabilities					
Accrued compensated absences	8,278,413	5,937,049	(5,378,652)	8,836,810	4,035,771
Pension liabilities	140,746,686	67,980,195	(20,782,386)	187,944,495	--
OPEB liabilities	202,292,652	117,559,613	(20,389,561)	299,462,704	--
Total Other Long-Term Liabilities	351,317,751	191,476,857	(46,550,599)	496,244,009	4,035,771
Total Long-Term Liabilities	$ 351,317,751	$ 191,517,465	$ (46,556,640)	$ 496,278,576	$ 4,041,928

*In fiscal year 2021, the GE lease was amended due to a COVID-19 restructure deferral payment agreement. Specifically, this agreement allowed for a one-month deferral of payment in fiscal year 2021, which extended the lease termination date to July 2024.

NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

Future minimum capital lease payments at June 30, 2021 are as follows:

Year ending June 30,		
2022	$	7,746
2023		7,746
2024		7,746
2025		8,824
Total minimum payments		32,062
Less: interest		(3,093)
Present value of capital leases		28,969
Less: current portion of capital leases		(6,456)
Noncurrent capital leases	$	22,513

UMG leases office space under operating leases. Total rent expense for the years ended June 30, 2021 and 2020 was $9,435,659 and $10,305,538, respectively, which is included in internal contractual support expense and outside purchased services expense in the statements of revenues, expenses and changes in net position. The portion of rent expense paid to UConn Health and recorded as internal contractual support for the years ended June 30, 2021 and 2020, was $6,372,930 and $7,401,936, respectively.

The Outpatient Pavilion was opened in 2015 and UMG leases space in the facility under a sublease from UConn Health. While the sublease is expected to be renewed on an annual basis, there is no written sublease that extends beyond a one-year period.

UConn Health has leased the Outpatient Pavilion from the Finance Corporation, a related party through common ownership, under a direct financing lease that expires on March 31, 2040. The amount of rent expense that was charged to UMG related to the Outpatient Pavilion and based on square footage was approximately $5.8 million and $6.5 million for the years ended June 30, 2021 and 2020, respectively.

In fiscal year 2021, UMG was awarded $1.0 million of rent relief from the Finance Corporation as a result of a successful business interruption insurance claim based on UMG's COVID-19 related losses. The insurance policy was held by Circle Road Corporation for the Outpatient Pavilion. The claim filed was based on UMG's lost revenues exceeding the policy's deductible. The proceeds from the insurance claim were returned to UMG via a rent credit. No future rental credits are anticipated.

NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

The following is a schedule by year of existing future minimum lease payments under non-cancellable operating leases as of June 30, 2021, including rental commitments for space in the Outpatient Pavilion through the sublease with UConn Health and based on the assumption that the sublease will be extended annually through March 31, 2040.

Year ending June 30,	
2022	$ 10,016,765
2023	9,553,105
2024	8,457,839
2025	8,020,126
2026	7,962,933
Thereafter	92,810,897
	$ 136,821,665

NOTE 10 – PENSION AND OPEB PLANS

Employees of UMG are eligible to participate in the SERS, a defined benefit pension plan that is administered by the State Employees' Retirement Commission; the ARP, a defined contribution plan administered by the State; or the TRS, a defined benefit plan administered by the Teacher's Retirement Board; collectively, the "plans". Through their participation in one of the above plans, employees are also enrolled in the SEOPEBP. Information on the plans' total funding status and progress, contributions required and trend information can be found in the State's Annual Comprehensive Financial Report available on the State's website. Information for the SERS and OPEB plans, in which UMG holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

SERS PLAN DESCRIPTION

SERS is a single-employer defined benefit Public Employees' Retirement System (PERS) established in 1939 and governed by sections 5-152 to 5-192 of the Connecticut General Statutes. Employees are covered under one of five tiers. Tier I, Tier IIA, and Tier III are contributory plans, and Tier II is a non-contributory plan. Tier I Plan B participants contribute 2% or 5% of their pay, depending on their elections. Tier II Plan A and Tier III participants contribute 2% of their pay. The fifth tier is called the Hybrid Plan.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

Individuals hired on or after July 1, 2011, otherwise eligible for the ARP, were eligible to convert to the Hybrid Plan by exercising a one-time option to buy in at the full actuarial cost. The deadline for this election was December 14, 2018. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3% higher than the contribution required from the Applicable Tier II/IIA/III Plan. An employee shall have the option, upon leaving State service, of accepting the defined benefit amount, or electing to receive a return of his/her contributions to the Hybrid Plan, plus a 5% employer match and 4% interest ("cash out option"). In the event the employee elects the cash out option, he/she shall permanently waive any entitlement he/she may have to health insurance as a retired State employee, unless he/she converts the cash out option to a periodic payment as would be required under the current ARP.

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, or at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in the amount of 2% of the annual average earnings (which are based on the three highest years of service) over $4,800 plus 1% of $4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled to 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service. Tier III covers employees first hired on or after July 1, 2011. Tier III employees who retire at or after age 63 with 25 years of service, or at age 65 with 10 years of service, or at age 58 with 10 years of service with reduced benefits are entitled to 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service. All Tier I, Tier II, Tier IIA, and Tier III members are vested after ten years.

The 2011 State Employee Bargaining Agent Coalition (SEBAC) Agreement changed the benefit multiplier for the portion of the benefit below the breakpoint from 1.33% to 1.40%. This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA, III, and the Hybrid Plan.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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

The pension liability recorded as of June 30, 2021 and 2020 was based on the June 30, 2020 and 2019 actuarial valuations, respectively.

CHANGES IN ASSUMPTIONS (SERS)

There were no changes to the actuarial assumptions since the prior measurement date.

CONTRIBUTIONS MADE (SERS)

UMG's SERS contribution is determined by applying a State-mandated percentage to eligible salaries and wages. The mandated total fringe benefit rate, which includes allocations for retiree health care costs, rollforwards, and other adjustments, was 64.14%, 59.99%, and 64.30% during fiscal years 2021, 2020, and 2019, respectively. The SERS contributions made compared to covered payroll is as follows:

	Years Ended June 30		
	2021	2020	2019
Total UMG payroll covered by SERS	$ 43,496,018	$ 40,503,579	$ 32,551,400
Total UMG SERS contributions	$ 18,242,562	$ 14,735,859	$ 12,966,380
Contributions as a percentage of covered payroll	41.9%	36.4%	39.8%

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS)

GASB 68 requires UMG to recognize a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (TPL) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP).

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of SERS and additions to/deductions from SERS fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

At June 30, 2021 and 2020, UMG recorded a SERS related liability of $216.3 million and $187.4 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined based on actuarial valuations performed as of June 30, 2020 and June 30, 2019, respectively, rolled forward based on plan experience. UMG's allocation of the net pension liability was based on UMG’s percentage of total overall contributions to the plan during the 2020 and 2019 fiscal years, respectively. For the years ended June 30, 2020 and 2019, UMG’s proportion of contributions was 0.91% and 0.82%, respectively.

For the years ended June 30, 2021 and 2020, UMG recognized SERS pension expense of $29.2 million and $33.6 million, respectively. The pension expense is reported in UMG's statements of revenues, expenses, and changes in net position as part of fringe benefits expenses.

At June 30, 2021 and 2020, UMG reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)			
Change in proportionate allocation of pension expense	$ 38,585	$ --	$ 33,225	$ --
UMG contributions subsequent to measurement date	18,243	--	14,736	--
Net difference between projected and actual earnings on pension plan investments	3,645	--	--	(446)
Difference between expected and actual experience	11,672	--	12,733	--
Changes in assumptions	5,761	--	12,302	--
	$ 77,906	$ --	$ 72,996	$ (446)

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

Differences between projected and actual investment earnings are amortized over a five-year, closed-end period beginning in the year in which the difference occurs and will be recognized as an increase (decrease) to fringe benefits. Differences in proportionate participation are amortized over the remaining estimated service life of plan employees, estimated at 5.50 and 5.58, for the years ended June 30, 2021 and 2020, respectively.

Amortization of deferred amounts into expenses in future periods is as follows:

Year ending June 30,	Change in proportionate participation in SERS plan	Net difference between projected and actual earnings on pension plan investments	Difference Between expected and actual experience	Change in assumptions
		(in thousands)		
2022	$ 10,770	$ 911	$ 3,716	$ 4,494
2023	9,945	911	3,107	584
2024	9,619	911	2,899	529
2025	6,626	912	1,688	209
2026	1,625	--	262	(55)
Thereafter	--	--	--	--
	$ 38,585	$ 3,645	$ 11,672	$ 5,761

The amortization of the aforementioned deferred inflows and deferred outflows increased fringe benefits expense by $23,504,357 and $18,890,918 during the years ended June 30, 2021 and 2020, respectively.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2020 and 2019 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015. The key actuarial assumptions are summarized below:

Inflation:	2.50%
Salary increases:	3.50% - 19.50% including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

The RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females was used for the period after service retirement and for dependent beneficiaries.

DISCOUNT RATE (SERS)

The discount rate used to measure the total pension liability was the long-term expected rate of return of 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that UMG 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 2140.

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS)

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS) (CONTINUED)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market Intl. Stock Fund	11%	6.0%
Emerging Market Intl. Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income Fund	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	1%	0.4%
	100%	

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2020 Pension Liability	2019 Pension Liability	2018 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 296,473	$ 221,400	$ 204,722
Changes for the year:			
Service cost	3,544	3,220	2,778
Interest	22,032	18,818	14,320
Changes of assumptions	1,898	10,058	3,125
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)
Change in proportionate allocation of pension liability	32,540	59,680	9,162
Net change in pension liability	40,593	75,073	16,678
Ending balance - pension liability (a)	$ 337,066	$ 296,473	$ 221,400

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (CONTINUED)

	2020 Fiduciary Net Position	2019 Fiduciary Net Position	2018 Fiduciary Net Position
		(in thousands)	
Beginning balance - fiduciary net position	$ 109,064	$ 81,066	$ 74,213
Changes for the year:			
Contributions - employer	14,736	12,966	9,338
Contributions - employee	1,757	4,018	1,255
Net investment income	2,696	5,840	5,668
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)
Administrative expenses	(7)	(6)	(3)
Other	--	30	(20)
Change in proportionate allocation of fiduciary net position	11,971	21,853	3,322
Net change in fiduciary net position	11,732	27,998	6,853
Ending balance - fiduciary net position (b)	$ 120,796	$ 109,064	$ 81,066
UMG's net pension liability - ending (a) - (b)	$ 216,270	$ 187,409	$ 140,334

SENSITIVITY OF UMG'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE (SERS)

The following table presents UMG's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
UMG's proportionate share of the net pension liability	$ 256,945,277	$ 216,270,265	$ 182,276,755

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

TEACHERS' RETIREMENT SYSTEM

UMG also has a limited number of participants in the TRS.

As of June 30, 2021 and 2020, UMG recorded the following amounts in the financial statements related to the TRS:

	2021	2020
	(in thousands)	
Deferred outflows of resources	$ 1,522	$ 386
Deferred inflows of resources	(63)	(19)
Pension liability	1,961	535

ALTERNATE RETIREMENT PLAN

UMG also participates in the 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 ARP, including the authority to make and amend rules and regulations relating to the administration of the ARP.

All unclassified employees, not already in a pension plan, of a constituent unit of the State system of higher education and the central office staff of the Department of Higher Education, are eligible to participate in the ARP. Participants must contribute 5% of eligible compensation each pay period, while the State will contribute an amount up to 7.25% of the participant's eligible compensation for fiscal years 2021 and 2020, via a charge recouped from UMG.

Participant and State contributions are both 100% vested immediately. For fiscal years 2021 and 2020, UMG contributions to the ARP were approximately $7.0 million and $6.7 million, respectively. The liabilities as of June 30, 2021 and 2020 were approximately $518,000 and $535,000, respectively.

Upon separation from service, retirement, death or divorce (or alternate payee under a Qualified Domestic Relations Order), if the participant is age 55 or over and has 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.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits, the State provides postemployment health care and life insurance benefits to UMG 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, the SEOPEBP, provides OPEB benefits for qualifying employees in accordance with sections 5-257(d) to 5-259(a) of the Connecticut General Statutes. All of UMG's employees participate in the SEOPEBP.

The plan is primarily funded on a pay-as-you-go basis. The contribution requirements of the State are established by and may be amended by the State legislature, or by agreement between the State and employee unions, upon approval by the State legislature. Costs are passed to UMG as part of its fringe benefit allocation, the rates for which are set each year by the State Comptroller's office. Information on the SEOPEBP's total funding status and progress, contributions required and trend information can be found in the State's Annual Comprehensive Financial Report on the State's website.

Benefits provided – The SEOPEBP provides health care and life insurance benefits to eligible retired State employees and their spouses.

Employees covered by benefit terms – Demographic data for individual State entities in the SEOPEBP is not readily available. At June 30, 2020 and 2019, the SEOPEBP was based on plan membership at June 30, 2019, covering the following:

Inactive employees or beneficiaries currently receiving benefit payments	77,141
Inactive employees entitled to but not yet receiving benefit payments	649
Active employees	48,015
Total covered employees	125,805

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

NET SEOPEBP LIABILITY

UMG's OPEB liability of $353.0 million as of June 30, 2021 for its proportionate share of the net OPEB liability was measured as of June 30, 2020 based on an actuarial valuation that was rolled forward to June 30, 2021. UMG's OPEB liability of $299.5 million as of June 30, 2020 for its proportionate share of the net OPEB liability was measured as of June 30, 2019 based on an actuarial valuation that was rolled forward to June 30, 2020. UMG's proportion of the net OPEB liability was based on UMG's percentage of total overall contributions to the plan. For the years ended June 30, 2020 and 2019, UMG's proportion of contributions was 1.50% and 1.45%, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2020 and 2019 and actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Payroll growth rate:	3.50%
Salary increase:	3.25% to 4.50% as of June 30, 2020 and 3.25% to 19.50% as of June 30, 2019, varying by years of service and retirement system, including
Discount rate:	2.38% as of June 30, 2020 and 3.58% as of June 30, 2019
Healthcare cost trend rates	
Medical	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years
Dental	3.0%
Part B	4.5%
Administrative expense	3.0%
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date, and benefit type

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.21% as of June 30, 2020 and 3.50% as of June 30, 2019). The blending is based on the sufficiency of projected assets to make projected benefit payments.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP) (CONTINUED)

Mortality rates for healthy personnel were based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected to 2020 with Scale BB at 100% for males and 95% for females. For disabled employees, the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females was used.

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

The COVID-19 pandemic is rapidly evolving and is having a significant impact on the US economy in 2021, and will likely continue to have an impact in the future. The actuarial results do not include the impact of the following:

- Direct or indirect effects of COVID-19 on short-term health plan costs;
- Changes in the market value of plan assets since June 30, 2020;
- Changes in the interest rates since June 30, 2020;
- Short-term or long-term impacts on mortality of the covered population;
- The potential for federal or state fiscal relief.

Each of the above factors could significantly impact the overall actuarial results.

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to covered payroll is as follows:

	2021	2020	2019
Total UMG payroll covered by SEOPEBP	$ 92,069,745	$ 87,095,748	$ 80,717,114
Total UMG SEOPEBP contributions	13,361,770	13,005,337	10,901,925
Contributions as a percentage of covered payroll	14.5%	14.9%	13.5%

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY

	2020 Net OPEB Liability	2019 Net OPEB Liability	2018 Net OPEB Liability
		(in thousands)	
Beginning balance	$ 299,463	$ 202,293	$ 189,230
Changes for the year:			
Service cost	14,542	12,281	10,565
Interest	12,101	10,675	7,970
Differences between expected and actual experience	(2,693)	(9,348)	--
Changes in assumptions or other inputs	33,379	49,484	(8,485)
Benefit payments	(9,344)	(8,592)	(7,597)
Change in proportionate allocation of OPEB liability	5,584	42,670	10,610
Net changes	53,569	97,170	13,063
Ending balance	$ 353,032	$ 299,463	$ 202,293

SENSITIVITY OF UMG'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents UMG's proportionate share of net OPEB liability using the discount rate of 2.38%, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	1% Decrease (1.38%)	Discount Rate (2.38%)	1% Increase (3.38%)
		(in thousands)	
Net OPEB Liability	$ 415,268	$ 353,032	$ 303,002

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SENSITIVITY OF UMG'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following table presents the net OPEB liability of UMG, as well as what UMG's proportionate share of the net OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current health care cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease	Current Valuation	1% Increase
		(in thousands)	
Net OPEB Liability	$ 295,956	$ 353,032	$ 426,431

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the years ended June 30, 2021 and 2020, UMG recognized OPEB expense of $35.7 million and $24.0 million, respectively. At June 30, 2021 and 2020, UMG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
		(in thousands)		
Changes in proportion	$ 45,539	$ --	$ 49,883	$ --
UMG contributions subsequent to measurement date	13,362	--	13,005	--
Net difference between expected and actual experience in total OPEB liability	--	8,149	--	7,557
Changes in assumptions or other inputs	58,600	6,855	40,004	9,918
Net difference between projected and actual earnings	696	--	--	65
	$ 118,197	$ 15,004	$ 102,892	$ 17,540

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

UMG contributions subsequent to the measurement date totaling $13.4 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in fringe benefits expense as follows:

Years ending June 30:	Change in proportionate participation in OPEB plan	Changes in assumptions or other inputs	Net difference between expected and actual experience in total OPEB	Changes in assumptions or other inputs	Net difference between projected and actual earnings on OPEB plan investments
	(in thousands)				
2022	$ 14,242	$ 16,133	$ (2,355)	$ (3,104)	$ 143
2023	14,221	16,133	(2,355)	(2,508)	196
2024	12,646	16,132	(2,356)	(1,135)	176
2025	4,013	8,738	(959)	(106)	181
2026	417	1,464	(124)	(2)	--
Thereafter	--	--	--	--	--
	$ 45,539	$ 58,600	$ (8,149)	$ (6,855)	$ 696

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market International Stock Fund	11%	6.0%
Emerging Markets International Stock Fund	9%	7.9%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Core Fixed Income	16%	2.1%
High Yield Bond Fund	6%	4.0%
Emerging Market Debt Fund	5%	2.7%
Inflation Linked Bond Fund	5%	1.1%
Liquidity Fund	1%	0.4%
	100%	

NOTE 11 – RELATED PARTY TRANSACTIONS

The expenses reported in the accompanying statements of revenues, expenses, and changes in net position do not include undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other State agencies, other than certain UConn School of Medicine faculty-related personnel expenses, which have been allocated to UMG based upon State funding and an estimated amount for UConn Health administrative services.

Effective for fiscal year 2020, UConn Health implemented the Home Office allocation, which allocated substantially all central administrative expenses 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 stand-alone basis. The Home Office allocation allocates costs based on several different methodologies depending on cost type. The methodologies used are consistent with Medicare cost reporting and other federal costing standards, and include allocations based on square footage occupied, employee full time equivalent (FTE) counts, as well as overall and total clinical cost breakouts. The Home Office allocation amounts are charged to business units each month based on operational results. Allocated expenses are grouped in their natural classification category for financial reporting purposes.

For the years ended June 30, 2021 and 2020, UConn Health also allocated COVID-19 response expenses to its business units, which are included in the Home Office allocations disclosed below. Expenses were reviewed for applicable business units and Home Office allocation methodology was applied for shared expenses.

For the years ended June 30, 2021 and 2020, these Home Office allocations resulted in the following expenses being recorded by UMG with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

Expense Category	2021 Expenses Allocated	2020 Expenses Allocated
Salaries and Wages	$ 8,535,497	$ 7,827,448
Fringe Benefits	6,431,639	5,613,644
Internal Contractual Support	1,487,360	874,411
Utilities	1,882,824	1,762,761
Outside and Purchased Services	6,138,210	5,763,573
Insurance	209,832	152,224
Repairs and Maintenance	2,154,941	1,727,968
Medical Supplies	7,911	85,012
Other Expenses	1,055,016	328,085
Grand Total	$ 27,903,230	$ 24,135,126

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

UMG is party to an agreement with UConn Health whereby the salaries of certain employees are reimbursed by UConn Health operations. The reimbursed expenses are accounted for as a transfer from UConn Health under the heading "Net Transfers from UConn Health" in the statements of revenues, expenses, and changes in net position. As a result, the total net transfers from UConn Health were $101,034,375 and $107,923,790 for the years ended June 30, 2021 and 2020, respectively. Fringe recoveries of $30,779,820 and $33,109,840 were transferred from UConn Health during the years ended June 30, 2021 and 2020, respectively. Management of UMG and UConn Health expect that this agreement will continue in the future. UConn Health also allocates working capital based on organizational need throughout the year on an as-needed basis. UConn Health transferred $70,254,555 and $74,813,950 to UMG during the years ended June 30, 2021 and 2020, respectively, in working capital support. During the years ended June 30, 2021 and 2020, UMG received other transfers totaling $450,084 and $450,085, respectively, from UConn Health related to workers' compensation appropriations, which are included in total fringe recoveries disclosed above.

As described in note 1 and note 10, UMG participates in certain State retirement and fringe benefit plans. UMG's pension and OPEB liabilities (note 10) represent its pro-rata share of the State's overall liabilities and are not current commitments. The State finances the pension and OPEB benefits on a pay-as-you-go basis through allocated retirement plan rates. During the years ended June 30, 2021 and 2020, UMG expensed $129,143,256 and $104,354,672, respectively, for employee fringe benefits, including contributions to the State employee retirement funds. Related salary costs for 2021 and 2020 were $120,992,554 and $112,917,478, respectively.

As more fully described in note 12, UConn Health charges UMG with an annual premium for medical malpractice costs, which is determined annually by UConn Health. UMG is not liable beyond the annual premium, but may have future operational subsidies affected by the performance of the malpractice fund.

Included in contract and other revenues of $12,129,442 and $12,572,969 in 2021 and 2020, respectively, are professional service revenues arising under contracts with UConn Health, JDH, State agencies, and other outside entities.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Effective July 1, 1987, the University of Connecticut Health Center Finance Corporation (Finance Corporation) was established pursuant to Public Act No. 87-458. The purpose of the Finance Corporation is to provide greater flexibility for UMG and other UConn Health units to promote the more efficient provision of health care services. As such, the Finance Corporation has been empowered to enter into purchase agreements, acquire facilities, approve write-offs of patient accounts receivable, process malpractice claims on behalf of UMG and UConn Health, as well as negotiate joint ventures, shared service, and other agreements for the benefit of UMG.

During fiscal years 2021 and 2020, UConn Health Pharmacy Services, Inc. (UHPSI), a wholly-owned subsidiary of the Finance Corporation, provided pharmaceuticals to UMG in the amount of approximately $5.7 million and $5.6 million, respectively. UMG records this charge in pharmaceutical/medical supplies expense in its statements of revenues, expenses and changes in net position. During the years ended June 30, 2021 and 2020, UMG made payments to UHPSI in the amount of $11.0 million and $-0-, respectively. UMG had amounts due from/(to) Finance Corporation at June 30, 2021 and 2020 of approximately $240,000 and $(6.1) million, respectively, which is recorded in the statements of net position.

At June 30, 2021 and 2020, UMG owed JDH $2.1 million and $195,000, respectively. The 2021 balance consisted primarily of patient deposits posted to a central clearing account in UMG that were owed back to JDH at year-end. A subsequent transfer was posted in fiscal year 2022 to move the funds from UMG to JDH in fiscal year 2022.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND

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 by UConn Health based on actuarially determined estimates that incorporate UConn Health's past experience, as well as other considerations, including significant year-over-year increases in patient volumes, adverse judgments and/or settlements, if any, the nature of each claim or incident and other relevant trend factors. UMG provides timely incident reporting to UConn Health to assist UConn Health in maintaining appropriate reserve balances.

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. UMG is not responsible for amounts beyond the annual premium allocated by UConn Health. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND (CONTINUED)

At June 30, 2021 and 2020, UConn Health's Malpractice Fund had reserves of approximately $41.7 million and $9.4 million, respectively, and assets of approximately $3.8 million and $6.1 million, respectively. At June 30, 2021, UConn Health accrued for a verdict, as adjusted, rendered in June 2021, which UConn Health intends to vigorously appeal. Appeal documents were filed in September 2021.

NOTE 13 – SUBSEQUENT EVENTS

UMG has evaluated subsequent events through December 13, 2021, which represents the date the financial statements were available to be issued. The following matters were noted:

In November 2021, UMG paid UHPSI approximately $760,000 toward its outstanding balance at June 30, 2021. Additionally, in December 2021, Circle Road Corporation paid $1.0 million to UMG related to the rent credit described in note 9.

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

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

Joint Audit and Compliance Committee
University of Connecticut Health Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of Connecticut Health Center UConn Medical Group (UConn Medical Group or Company), which comprise the statement of net position as of June 30, 2021 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, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Marcum LLP

Hartford, CT
December 13, 2021

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN UMG'S NET PENSION LIABILITY AND RELATED RATIOS – STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2020	2019	2018	2017	2016	2015	2014
	(dollars in thousands)						
Total Pension Liability							
Service cost	$ 3,544	$ 3,220	$ 2,778	$ 2,975	$ 1,992	$ 1,800	$ 1,471
Interest	22,032	18,818	14,320	13,970	13,023	11,900	10,226
Differences between expected and actual experience	--	--	--	(8,945)	4,779	--	--
Changes of assumptions	1,898	10,058	3,125	--	30,671	--	--
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Change in proportionate allocation of pension liability	32,540	59,680	9,162	326	10,521	18,039	--
Net Change in Total Pension Liability	40,593	75,073	16,678	(3,168)	50,249	22,130	3,680
Total Pension Liability - Beginning	296,473	221,400	204,722	207,890	157,641	135,511	131,831
Total Pension Liability - Ending (a)	$ 337,066	$ 296,473	$ 221,400	$ 204,722	$ 207,890	$ 157,641	$ 135,511
Fiduciary Net Position							
Contributions - employer	$ 14,736	$ 12,966	$ 9,338	$ 9,553	$ 9,287	$ 7,953	$ 6,492
Contributions - employee	1,757	4,018	1,255	821	835	1,086	741
Net investment income	2,696	5,840	5,668	9,352	(1)	1,706	7,385
Benefit payments, including refunds of member contributions	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Administrative expenses	(7)	(6)	(3)	(4)	(4)	--	--
Other	--	30	(20)	(2)	530	--	--
Change in proportionate allocation of fiduciary net position	11,971	21,853	3,322	102	4,127	7,132	--
Net Change in Fiduciary Net Position	11,732	27,998	6,853	8,328	4,037	8,268	6,601
Fiduciary Net Position - Beginning	109,064	81,066	74,213	65,885	61,848	53,580	46,979
Fiduciary Net Position - Ending (b)	$ 120,796	$ 109,064	$ 81,066	$ 74,213	$ 65,885	$ 61,848	$ 53,580
UMG's Net Pension Liability - Ending (a) - (b)	$ 216,270	$ 187,409	$ 140,334	$ 130,509	$ 142,005	$ 95,793	$ 81,931
UMG's portion of SERS Net Pension Liability	0.91%	0.82%	0.65%	0.62%	0.62%	0.58%	0.51%
Fiduciary Net Position as a Percentage of the Total Pension Liability	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%
UMG's Covered-Employee Payroll	$ 40,504	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273
UMG's Net Pension Liability as a Percentage of Covered-Employee Payroll	533.95%	575.74%	518.03%	501.48%	549.13%	408.95%	425.11%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS TO THE STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
					(dollars in thousands)					
Contractually required contributions	$ 18,243	$ 14,736	$ 12,966	$ 9,338	$ 9,553	$ 9,366	$ 7,953	$ 6,492	$ 5,672	$ 4,958
Contributions in relation to the contractually required contribution	18,243	14,736	12,966	9,338	9,553	9,287	7,953	6,492	5,664	4,958
Contribution deficiency	$ --	$ --	$ --	$ --	$ --	$ 79	$ --	$ --	$ 8	$ --
UMG's covered-employee payroll	$ 43,496	$ 40,504	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273	$ 17,688	$ 17,181
Contributions as a percentage of covered-employee payroll	41.94%	36.38%	39.83%	34.47%	36.71%	35.91%	33.95%	33.68%	32.02%	28.86%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN UMG'S NET OPEB LIABILITY AND RELATED RATIOS

	2020	2019	2018	2017
	(dollars in thousands)			
Net OPEB Liability				
Service cost	$ 14,542	$ 12,281	$ 10,565	$ 10,474
Interest	12,101	10,675	7,970	5,571
Differences between expected and actual experience	(2,693)	(9,348)	--	--
Changes of assumptions or other inputs	33,379	49,484	(8,485)	(5,567)
Benefit payments	(9,344)	(8,592)	(7,597)	(6,969)
Change in proportionate allocation of OPEB liability	5,584	42,670	10,610	(2,000)
Change in Net OPEB Liability	53,569	97,170	13,063	1,509
Net OPEB Liability - Beginning	299,463	202,293	189,230	187,721
Net OPEB Liability - Ending	$ 353,032	$ 299,463	$ 202,293	$ 189,230
Covered-Employee Payroll	$ 87,096	$ 80,717	$ 77,725	$ 76,699
Total OPEB Liability as a Percentage of Covered-Employee Payroll	405.34%	371.00%	260.27%	246.72%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2020	2019	2018	2017	2016
			(dollars in thousands)		
UMG's proportion of the net OPEB liability	1.50%	1.45%	1.17%	1.09%	1.09%
UMG's proportionate share of the net OPEB liability	$ 353,032	$ 299,463	$ 202,293	$ 189,230	$ 187,721
UMG's covered-employee payroll	$ 87,096	$ 80,717	$ 77,725	$ 76,699	$ 79,921
UMG's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	405.34%	371.00%	260.27%	246.72%	234.88%
Plan fiduciary net position (assets)	$ 1,537,194	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 25,078,100	$ 21,878,399	$ 18,114,287	$ 17,904,922	$ 17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	6.13%	5.47%	4.69%	3.03%	1.94%

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S OPEB CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016
			(dollars in thousands)			
Contractually required contribution	$ 13,362	$ 13,005	$ 10,902	$ 9,396	$ 7,274	$ 6,626
Contributions in relation to the contractually required contribution	13,362	13,005	10,902	9,396	7,274	6,626
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --
UMG's covered-employee payroll	$ 92,070	$ 87,096	$ 80,717	$ 77,725	$ 76,699	$ 79,921
Contributions as a percentage of covered-employee payroll	14.51%	14.93%	13.51%	12.09%	9.48%	8.29%

CHANGES OF BENEFIT TERMS

In the June 30, 2020 and 2019 actuarial valuations, there were no changes of benefit terms.

CHANGES OF ASSUMPTIONS

In the June 30, 2020 actuarial valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 2.38% as of June 30, 2021. The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.

In the June 30, 2019 actuarial valuation, the discount rate was set at 3.58% as of June 30, 2020 to more closely reflect the expected long-term rate of return. The demographic assumptions were updated to match the most recent valuations or experience studies.

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
(With Management's Discussion and Analysis)

JUNE 30, 2021 AND 2020

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONTENTS

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the consolidated financial position and activities of The University of Connecticut Health Center Finance Corporation and Subsidiaries (the Finance Corporation) as of and for the years ended June 30, 2021, 2020, and 2019. This discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and the notes thereto, which follow this section.

The Finance Corporation functions as a service organization for the University of Connecticut Health Center (UConn Health) and its constituent units including John Dempsey Hospital (the Hospital) and UConn Medical Group (UMG). The Finance Corporation mainly provides contracting, real estate, and pharmaceutical sales to clinical patients for UConn Health.

This annual report consists of management's discussion and analysis and the consolidated financial statements. The basic financial statements (consolidated statements of net position, consolidated statements of revenues, expenses, and changes in net position, and consolidated statements of cash flows) present the financial position of the Finance Corporation and subsidiaries at June 30, 2021 and 2020, and the results of its operations and financial activities for the years then ended. These statements report information about the Finance Corporation using accounting methods similar to those used by private-sector companies. The consolidated statements of net position include all of the Finance Corporation's assets and liabilities. The consolidated statements of revenues, expenses, and changes in net position reflect the years' activities on the accrual basis of accounting, (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid). These consolidated statements report the Finance Corporation's net position and how it has changed. Net position (the difference between assets and liabilities) is one way to measure financial health or position. The consolidated statements of cash flows provide relevant information about each year's cash receipts and cash payments and classify them as to operating, investing, and capital financing activities. The consolidated financial statements include notes that explain information in the consolidated financial statements and also provide more detailed data.

SUBSIDIARIES

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

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

FINANCIAL HIGHLIGHTS

The Finance Corporation's financial position at June 30, 2021, 2020, and 2019, included assets of \$220.4 million, \$223.5 million, and \$224.9 million, respectively, and liabilities of \$190.5 million, \$197.4 million, and \$201.0 million, respectively. The value of both the assets and liabilities is attributable mainly to the Finance Corporation maintaining the real estate and related financing on the UConn Musculoskeletal Institute (formerly known as the Medical Arts and Research Building), 16 Munson Road (Munson Road), and the OP.

The Finance Corporation finished the current year with operating income of \$2.8 million compared to operating income of \$2.2 million in the prior year. Current year income increased due to the full year of expanded operations of UHPSI. UHPSI had operating income of \$880,000 in 2021 compared to operating loss of approximately \$630,000 in fiscal year 2020. Total Finance Corporation net position increased \$3.8 million in fiscal 2021, compared to an increase of \$2.2 million in fiscal 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. The impact of COVID-19 on the Finance Corporation and its subsidiaries has been fairly minor. Rents and mortgages were not impacted in fiscal 2021, other than the termination of one of Circle Road Corporation's rental agreements with one of its private tenants. In fiscal year 2021, UHPSI likely lost some revenue due to lower clinical volumes; however, the impact on the expanded business was undeterminable. In fiscal year 2020, Circle Road Corporation allowed for a three-month rent abatement for its private tenants due to the temporary closure of the OP. These rents were not part of the repayment of the mortgage for that building. Circle Road Corporation continued to make required debt payments throughout that time. In fiscal year 2020, UHPSI was impacted primarily by the reduction in clinical volumes and the expected related clinical pharmaceutical usage by UMG.

During the year ended June 30, 2021, Circle Road Corporation was awarded \$1.0 million as proceeds for a successful business interruption insurance claim based on UMG's COVID-19 related losses exceeding the policy's deductible. The insurance policy was held by Circle Road Corporation for the OP. This amount was deposited into UConn Health and is to be paid to Circle Road Corporation during fiscal year 2022. These funds were returned to UMG via a \$1.0 million rent credit for the year ended June 30, 2021. No future rental credits are anticipated.

FINANCIAL HIGHLIGHTS (CONTINUED)

Summarized components of the Finance Corporation's Statement of Net Position as of June 30, 2021, 2020, and 2019, are presented below.

	2021	2020	2019
		(In thousands)	
Summary of assets and liabilities at June 30:			
Current assets	$ 15,406	$ 16,229	$ 13,474
Deposits with vendors	2,054	--	--
Net investment in direct financing lease, net of current portion	178,943	182,548	185,951
Capital assets, net	23,966	24,714	25,468
Total assets	$ 220,369	$ 223,491	$ 224,893
Current liabilities	$ 19,396	$ 18,821	$ 13,950
Long-term liabilities	171,081	178,559	187,037
Total liabilities	$ 190,477	$ 197,380	$ 200,987
Net investment in capital assets	$ 27,944	$ 25,021	$ 22,245
Unrestricted (deficit)	1,948	1,090	1,661
Total net position	29,892	26,111	23,906
Total liabilities and net position	$ 220,369	$ 223,491	$ 224,893

Individual subsidiary income statements are presented as supplemental information to the consolidated financial statements. Changes in net position, representing the operating activity of the Finance Corporation, primarily composed of revenues and expenses associated with real estate transactions from Circle Road Corporation and the operations of UHPSI, are summarized below for the years ended June 30, 2021, 2020, and 2019:

	2021	2020	2019
		(In thousands)	
Summary of revenues, expenses, and nonoperating expenses for the year ended June 30:			
Operating revenues	$ 50,915	$ 21,207	$ 44,785
Operating expenses	(48,123)	(18,991)	(37,048)
Nonoperating revenue (expenses)	989	(11)	(11)
Increase in net position	$ 3,781	$ 2,205	$ 7,726

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS

In this section, the Finance Corporation explains the reasons for those financial statement items with significant variances relating to fiscal year 2021 amounts compared to fiscal year 2020.

SUMMARY OF ASSETS AND LIABILITIES

Changes in assets included the following:

- *Malpractice fund* – decreased from June 30, 2020 to June 30, 2021 by approximately $1.7 million due to funds paid related to a settlement in July 2020.

- *Pharmaceutical accounts receivable* – increased from June 30, 2020 to June 30, 2021 by approximately $2.3 million, as fiscal year 2021 is the first year of expanded operations of UHPSI, which now fills prescriptions for patients. Payments are received from various insurance companies subject to contracted rates.

- *Inventory* – increased from June 30, 2020 to June 30, 2021 by approximately $1.7 million, due to increased pharmaceutical inventory on hand for UHPSI as a result of its expanded operations during fiscal year 2021.

- *Net investment in direct financing lease* – decreased from June 30, 2020 to June 30, 2021 by approximately $3.4 million due to current year payment activity.

- *Deposits with vendors* – increased from June 30, 2020 to June 30, 2021 by approximately $2.1 million for required deposits with AmerisourceBergen, the primary pharmaceutical supplier used by the UHPSI.

Changes in liabilities included the following:

- *Due to/from related parties* – fluctuated from June 30, 2020 to June 30, 2021 by approximately $7.0 million primarily due to 340B revenue and supplier deposits due to the Hospital at June 30, 2021, which were offset by repayments received from UMG during the year ended June 30, 2021 for pharmaceuticals obtained from UHPSI.

- *Due to UConn Health – Malpractice fund* – decreased from June 30, 2020 to June 30, 2021 by approximately $1.7 million due to funds paid related to a settlement in July 2020.

- *Loans payable* – decreased from June 30, 2020 to June 30, 2021 by approximately $7.1 million due to the scheduled mortgage payments being made during fiscal year 2021.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $29.7 million or 140.1%. Significant operating variances are presented below.

- *Rental income* – decreased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $990,000 or 47.3%, as rental income for fiscal year 2021 included a rental credit of $1.0 million to UMG for OP rent related to the business interruption insurance claim awarded to Circle Road Corporation. Additionally, early termination of a third-party tenant lease in the OP resulted in a rental income reduction of approximately $15,000.

- *Contract and other income* – decreased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $6.5 million or 77.8% due to the termination of the State of Connecticut Department of Corrections (DOC) pharmacy contract with UHPSI in September 2019.

- *Pharmaceutical revenue* – increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $37.4 million or 100%, due to UHPSI's first full year of expanded business operations, including filling patient prescriptions to outpatients primarily from UConn Health related clinics.

Operating expenses

Total operating expenses increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $29.1 million or 153.4%.

- *Internal contractual support* – decreased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $759,000 or 50.3% due to the termination of the DOC pharmacy contract with UHPSI in September 2019. Amounts consisted of pharmacy personnel costs allocated from UConn Health. The average number of full-time employees allocated from UConn Health for fiscal years 2021 and 2020 was approximately 4 and 10, respectively.

- *Outside agency per diems* – increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $2.8 million or 457.4% due to the utilization of support services from Shields Pharmacy of Connecticut II, LLC (Shields) related to the expanded business operations of UHPSI during fiscal year 2021.

- *Pharmaceuticals / medical supplies* – increased from the year ended June 30, 2020 to the year ended June 30, 2021 by approximately $27.5 million or 426.0% due to the expanded business operations of UHPSI during fiscal year 2021.

CAPITAL AND DEBT RELATED ACTIVITIES

The Teachers Insurance and Annuity Association of America (TIAA) mortgage for the OP is supported by a 25-year fixed term lease between UConn Health and the Finance Corporation. As a result, capital assets associated with the OP have been reclassified and reported as investment in direct financing lease. For additional information on capital assets and the breakout of the OP's underlying assets, see Notes 2 and 5.

The OP construction was completed in 2019. The project finished ahead of budget and Circle Road Corporation has closed out the additional funds held in trust to be used for additional site work and minor improvements. The Finance Corporation continues to rent the OP to UConn Health, which in turn subleases the space to related parties. Lease payments from UConn Health provide the funding for the Finance Corporation's OP mortgage payments. For the years ended June 30, 2021 and 2020, the Finance Corporation made all regularly scheduled payments on the mortgage, thereby reducing the principal amount of the secured mortgage on the OP by $5,535,524 and $5,276,127, respectively. For additional information on debt-related activities, see Note 3.

The Finance Corporation continues to own and rent the UConn Musculoskeletal Institute property to UConn Health. For the years ended June 30, 2021 and 2020, the Finance Corporation made all regularly scheduled payments on the UConn Musculoskeletal Institute's secured mortgage, thereby reducing the amount of secured mortgage principal debt on the UConn Musculoskeletal Institute by $1,568,443 and $1,472,336, respectively. For additional information on debt-related activities, see Note 3.

RELATED PARTIES

During fiscal years 2021 and 2020, UHPSI was charged the cost of pharmacy personnel and other operating expenses offset by charges to UConn Health for pharmaceuticals sold, totaling approximately $882,000 and $1.5 million, respectively. During fiscal years 2021 and 2020, UHPSI repaid UConn Health approximately $4.0 million and $-0-, respectively.

During fiscal years 2021 and 2020, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately $1.8 million and $435,000, respectively. This was offset by current and prior year pharmaceuticals and supplies expenses totaling approximately $38,000 and $63,000, respectively. In fiscal year 2021, the Hospital allocated to UHPSI its share of UConn Health's institutional deposit with AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. The deposit was approximately $2.1 million at June 30, 2021. During fiscal years 2021 and 2020, UHPSI repaid the Hospital approximately $3.0 million and $-0-, respectively.

During fiscal years 2021 and 2020, UHPSI provided pharmaceuticals to UMG in the amount of approximately $5.7 million and $5.6 million, respectively. In return, UHPSI received $11.0 million and $-0- from UMG, respectively, in fiscal years 2021 and 2020.

RELATED PARTIES (CONTINUED)

In fiscal year 2020, the Finance Corporation received \$2.9 million from UConn Health, the Hospital and UMG. The amounts allocated to each entity were approximately \$2.1 million, \$484,000, and \$308,000, respectively. The \$2.9 million represented the final settlement of balances from the Munson Road balloon payment made in fiscal year 2011.

During fiscal year 2020, the Finance Corporation repaid the Hospital approximately \$4.7 million for prior years' advances.

During the year ended June 30, 2021, Circle Road Corporation was awarded \$1.0 million as proceeds for a successful business interruption insurance claim based on UMG's COVID-19 related losses exceeding the policy's deductible. The insurance policy was held by Circle Road Corporation for the OP. This amount was deposited into UConn Health and is to be paid to Circle Road Corporation during fiscal year 2022. These funds were returned to UMG via a \$1.0 million rent credit for the year ended June 30, 2021. No future rental credits are anticipated.

For additional information on related parties, see Note 4.

FISCAL YEAR 2022 OUTLOOK

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

The Finance Corporation's economic position is closely tied to UConn Health's clinical entities serviced by the Finance Corporation. Through various rental agreements, UConn Health provides funding which enables the Finance Corporation to make its required debt and principal payments. In turn, these facilities allow for the Hospital and UMG to provide state of the art care in modern spaces. The addition of UHPSI provides another opportunity for the Finance Corporation to help clinical operations expand its offerings, adapt to changing insurance and pharmacy landscapes, and maximize financial resources.

FISCAL YEAR 2022 OUTLOOK (CONTINUED)

As we look forward to fiscal year 2022, UConn Health seeks to return its operational productivity to pre-COVID-19 pandemic levels, while adapting its business to meet the demands of the COVID-19 economy. While our newer facilities offer certain advantages, such as the ability to create negative pressure COVID-19 floors in the Hospital, the size and co-location of so many clinical specialties can pose their own challenges in an era of social distancing. UConn Health is also impacted by current and expected supply and labor shortages. The Finance Corporation's procurement and leasing capabilities provide UConn Health additional tools to strengthen its supply chain. In spite of existing challenges, UConn Health remains committed to providing the highest possible levels of care in the safest manner possible.

The Finance Corporation is dependent upon both the Hospital and UMG for the rental payments that support the Musculoskeletal Institute and OP mortgage payments. It also depends on its relationships with these entities to maximize UHPSI's business opportunities. COVID-19 had a significant impact upon UConn Health's clinical services, including a two-month closure during fiscal year 2020. Fiscal year 2021 saw a cautious re-opening, followed by significant increases in clinical volumes. During this time, UHPSI's sales began to rise, as the business expanded its 340B pharmacy sales. UConn Health's management expects these positive trends to continue.

In prior years, UConn Health received substantial federal support to help offset losses in its clinical operations. Both fiscal years 2020 and 2021 initially finished with operating deficits. These deficits were later funded through deficiency appropriations by the State of Connecticut (State). Additional amounts were requested and received in fiscal year 2022, partially through the State's allotment of ARPA funds. The COVID-19 pandemic, clinical operations growth and federal and state aid will all be focal points in the upcoming year and beyond; however, UConn Health does not anticipate any issues with making scheduled debt payments, lease payments, or meeting operational needs over the next year.

Initial financial projections for the State remain positive for the upcoming year. However, the potential impact of the changing economic climate may cause additional instability in the predictability of the State's support across UConn Health. Leadership remains diligent on seeking continued, appropriate cost reductions, while protecting the quality of care. Cuts in State support, reducing aid in original passed budgets, are possible depending on how the State's fiscal picture develops during the upcoming year.

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

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
University of Connecticut Health Center

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Connecticut Health Center Finance Corporation (Finance Corporation or Company), a component unit of the State of Connecticut, as of and for the years ended June 30, 2021 and 2020, and the related notes to the consolidated financial statements, which collectively comprise Finance Corporation's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Finance Corporation as of June 30, 2021 and 2020, and the consolidated results of their operations and changes in net position, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MARCUMGROUP
MEMBER

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis on pages 1 through 8, be presented to supplement the basic financial statements. Such information, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Finance Corporation's basic financial statements. The consolidating information in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The consolidating information in Schedules I and II 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. Such 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. In our opinion, the 2021 consolidating information in Schedules I and II is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
December 13, 2021

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 7,104,513	$ 4,078,789
Malpractice fund	444,512	2,173,675
Pharmaceutical accounts receivable, net (Note 6)	2,278,442	--
Inventory	1,984,257	316,225
Construction escrow account (Note 1)	--	27,274
Due from John Dempsey Hospital (Note 4)	--	186,556
Due from UConn Medical Group (Note 4)	--	6,051,907
Net investment in direct financing lease, current portion (Note 5)	3,594,218	3,394,817
Total Current Assets	15,405,942	16,229,243
Noncurrent Assets		
Deposits with vendors (Note 1)	2,054,135	--
Net investment in direct financing lease, net of current portion (Note 5)	178,943,074	182,548,032
Capital assets, net (Note 2)	23,966,479	24,714,042
Total Noncurrent Assets	204,963,688	207,262,074
Total Assets	$ 220,369,630	$ 223,491,317

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	2021	2020
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,329,960	$ 1,152,902
Due to UConn Health - Malpractice fund (Note 4)	444,512	2,173,675
Due to UConn Health (Note 4)	4,320,029	8,369,558
Due to John Dempsey Hospital (Note 4)	4,574,989	--
Due to UConn Medical Group (Note 4)	239,649	--
Advances for construction	6,619	6,619
Security deposits	2,229	14,329
Loans payable, current portion (Note 3)	7,478,498	7,103,967
Total Current Liabilities	19,396,485	18,821,050
Loans payable, net of current portion (Note 3)	171,081,105	178,559,603
Total Noncurrent Liabilities	171,081,105	178,559,603
Total Liabilities	190,477,590	197,380,653
Net Position		
Net investment in capital assets	27,944,168	25,020,595
Unrestricted net assets	1,947,872	1,090,069
Total Net Position	29,892,040	26,110,664
Total Liabilities and Net Position	$ 220,369,630	$ 223,491,317

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

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

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating Revenues		
Rental income	$ 1,104,074	$ 2,094,038
Interest income from direct financing lease	10,581,735	10,770,074
Contract and other income, net (Note 1)	1,851,832	8,342,674
Pharmaceutical revenue, net (Note 6)	37,377,134	--
Total Operating Revenues	50,914,775	21,206,786
Operating Expenses		
Professional services	141,255	31,900
Internal contractual support	750,619	1,509,133
Outside agency per diems	3,464,874	621,575
Pharmaceuticals/medical supplies	33,893,264	6,442,989
Rent	92,767	107,765
Equipment and software leases	131,789	229,256
Insurance	750	750
Repairs and maintenance	7,729	15,474
Interest expense	8,864,456	9,220,818
Depreciation	754,175	754,123
Other	20,679	57,628
Total Operating Expenses	48,122,357	18,991,411
Operating Income	2,792,418	2,215,375
Nonoperating Revenue (Expense)		
Insurance proceeds	1,000,000	--
Loan servicing fees	(11,042)	(11,042)
Total Nonoperating Revenue (Expense)	988,958	(11,042)
Increase in Net Position	3,781,376	2,204,333
Net Position - Beginning	26,110,664	23,906,331
Net Position - Ending	$ 29,892,040	$ 26,110,664

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Cash paid to suppliers, contractors and others	$ (45,119,273)	$ (21,359,055)
Cash received for rental income	2,089,745	4,978,375
Cash received for pharmaceutical, contract and other income	35,206,842	13,189,782
Cash received from (returned to) related parties	3,980,717	(4,815,536)
Cash paid for administrative expenses	(25,252)	(33,900)
Net Cash Used in Operating Activities	(3,867,221)	(8,040,334)
Cash Flows from Investing Activities		
Payments for purchase of capital assets	(6,612)	--
Change in value of direct financing lease	10,740	7,751
Net Cash Provided by Investing Activities	4,128	7,751
Cash Flows from Capital Financing Activities		
Direct financing lease payments received (including $10,581,735 and $10,770,074 of interest, respectively)	13,976,552	13,976,552
Transfers from construction escrow account	27,274	4,500
Repayments of capital debt	(7,103,967)	(6,748,463)
Loan servicing fees	(11,042)	(11,042)
Net Cash Provided by Capital Financing Activities	6,888,817	7,221,547
Net Increase (Decrease) in Cash	3,025,724	(811,036)
Cash - Beginning	4,078,789	4,889,825
Cash - Ending	$ 7,104,513	$ 4,078,789

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating income	$ 2,792,418	$ 2,215,375
Depreciation	754,175	754,123
Direct financing lease interest payments received	(10,581,735)	(10,770,074)
Changes in operating assets and liabilities:		
Inventory	(1,668,032)	1,278,687
Pharmaceutical accounts receivable	(2,278,442)	--
Contract receivables	--	2,636,637
Deposits with vendors	(2,054,135)	--
Due to UConn Health	(3,049,529)	6,186,340
Due from UConn Medical Group	6,291,556	(5,294,519)
Accounts payable and accrued expenses, excluding payables for capital assets	1,177,058	(415,681)
Due to John Dempsey Hospital	4,761,545	(4,631,222)
Security deposits	(12,100)	--
Net Cash Used in Operating Activities	$ (3,867,221)	$ (8,040,334)
Schedule of Non-Cash Financing Transactions		
Change in mortgage proceeds held by Trustee in construction escrow account	$ 27,274	$ 4,500

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

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

REPORTING ENTITY

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

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

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

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

REPORTING ENTITY (CONTINUED)

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

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

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

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

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

BASIS OF PRESENTATION

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

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

PROPRIETARY FUND ACCOUNTING

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

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the World. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. The impact of COVID-19 on the Finance Corporation and its subsidiaries has been fairly minor. During fiscal year 2020, Circle Road Corporation allowed for a three-month rent abatement for its private tenants due to the temporary closure of the Outpatient Pavilion (OP). During fiscal year 2021, one of the private tenants in the OP elected to terminate its lease. Circle Road Corporation continued to make required debt payments throughout that time. In fiscal year 2020, UHPSI was impacted primarily by the reduction in clinical volumes and the expected related clinical pharmaceutical usage by UMG. In fiscal year 2021, suppressed clinical volumes reduced the number of available prescriptions to be filled; however, the overall impact on UHPSI's expanded business was undetermined. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Finance Corporation's financial condition or results of operations is uncertain as of the date of this report.

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 and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, and malpractice.

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

CASH

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

CONTRACT AND OTHER INCOME

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

During fiscal year 2020, contract revenue was primarily for pharmaceuticals provided to the State of Connecticut Department of Corrections (DOC) under a renewable, 6-month contract, which became effective July 1, 2018 and was terminated as of September 30, 2019. Revenue from the DOC in fiscal year 2020, net of discounts of approximately $120,000, was approximately $7.9 million, which was included in contract and other income on the 2020 consolidated statement of revenues, expenses, and changes in net position.

As described in Note 4, UHPSI provides pharmaceuticals to UMG, and records revenue on the accrual basis of accounting in the period the related services are rendered

Additionally, during fiscal year 2020, the Hospital pharmacy began allocating overhead revenue related to certain pharmaceutical sales to UHPSI on a monthly basis. This revenue is included in contract and other income on the consolidated statements of revenues, expenses, and changes in net position. The amount of overhead revenue allocated to UHPSI for fiscal years ended June 30, 2021 and 2020 were approximately $1.8 million and $435,000, respectively.

PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

Beginning in fiscal year 2021, UHPSI 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, 2021.

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

UHPSI PHARMACY MANAGEMENT

UConn Health entered a five-year agreement with a third party, Shields Pharmacy of Connecticut II, LLC (Shields), for support services for UHPSI. These services include support for patient liaisons, medication adherence management, revenue cycle management and other services. These services are billed on a monthly basis.

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

340B PROGRAM

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

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

INVENTORY

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

DEPOSITS WITH VENDORS

Beginning in fiscal year 2021, UHPSI was required to have approximately $2.1 million on deposit with AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. The deposit is based on a percentage of quarterly purchasing history from AmerisourceBergen. These deposits are non-interest bearing and are considered subject to the credit risk of the supplier.

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

DESCRIPTION OF LEASING ARRANGEMENTS

The Finance Corporation has leasing arrangements with UConn Health for the UConn Musculoskeletal Institute and the OP building and associated equipment. The UConn Musculoskeletal Institute is leased under a year-to-year operating lease.

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

RENTAL INCOME AND INTEREST INCOME

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

MALPRACTICE FUND

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

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

CAPITAL ASSETS

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

CONSTRUCTION ESCROW ACCOUNT

The construction escrow account represents amounts advanced from TIAA to Wells Fargo Bank Northwest, N.A. (Trustee) for the financing of the OP construction project. Such amounts represent cash held by the Trustee that has not yet been drawn down fully by the Finance Corporation for construction expenses. During fiscal year 2021, Finance Corporation utilized the remaining balance of $27,274 from the construction escrow account toward the final costs related to completion of loan documents with the Trustee. Refer to Note 3 for additional information related to the debt.

ADVANCES FOR CONSTRUCTION

Advances for construction in the amount of $6,619 as of June 30, 2021 and 2020, represent the unused portion of bond proceeds that were received in March 1993 by the Finance Corporation, which are to be used for the Farm Hollow Building renovations.

NET POSITION

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

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The following GASB accounting pronouncements were adopted by the Finance Corporation during fiscal year 2021, none of which had a material impact on its financial statements: GASB Statement No. 84, *Fiduciary Activities* (GASB 84); GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89); GASB Statement No. 90, *Majority Equity Interests* (GASB 90); GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93); and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97).

UPCOMING ACCOUNTING PRONOUNCEMENTS

The Finance Corporation is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: GASB Statement No. 87, *Leases* (GASB 87) effective for reporting periods beginning after June 15, 2021, in accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95); GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91) effective for reporting periods beginning after December 15, 2021, in accordance with GASB 95; GASB Statement No. 92, *Omnibus 2020* (GASB 92) effective for fiscal years beginning after June 15, 2021 and reporting periods thereafter, in accordance with GASB 95; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter; and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter.

NOTE 2 – CAPITAL ASSETS

Capital assets as of June 30, 2021 and 2020 consisted of the following:

	2021	2020
Buildings	$ 29,730,870	$ 29,730,870
Land	6,593,084	6,593,084
Equipment	25,293	18,681
	36,349,247	36,342,635
Less: accumulated depreciation	12,382,768	11,628,593
Capital assets, net	$ 23,966,479	$ 24,714,042

The remaining balance in the custodial construction escrow account was $-0- and $27,274 as of June 30, 2021 and 2020, respectively.

As described in Note 1, the OP is leased to UConn Health under the terms of a direct financing lease. The cumulative costs incurred as of June 30, 2021 and 2020 were $196,980,084 and $200,907,882, respectively. During the year ended June 30, 2021, equipment was retired, which decreased the direct financing lease costs to $196,980,084.

Capital assets and depreciation activity for the years ended June 30, 2021 and 2020 were as follows:

	2020	Additions	Deductions	2021
Buildings	$ 29,730,870	$ --	$ --	$ 29,730,870
Land	6,593,084	--	--	6,593,084
Equipment	18,681	6,612	--	25,293
Less: accumulated depreciation - Buildings	(11,614,642)	(753,298)	--	(12,367,940)
Less: accumulated depreciation - Equipment	(13,951)	(877)	--	(14,828)
	$ 24,714,042	$ (747,563)	$ --	$ 23,966,479

NOTE 2 – CAPITAL ASSETS (CONTINUED)

	2019	Additions	Deductions	2020
Buildings	$ 29,730,870	$ --	$ --	$ 29,730,870
Land	6,593,084	--	--	6,593,084
Equipment	18,681	--	--	18,681
Less: accumulated depreciation - Buildings	(10,861,342)	(753,300)	--	(11,614,642)
Less: accumulated depreciation - Equipment	(13,128)	(823)	--	(13,951)
	$ 25,468,165	$ (754,123)	$ --	$ 24,714,042

NOTE 3 – NONCURRENT LIABILITIES

The Finance Corporation has a loan agreement held by KeyBank Real Estate Capital (KeyBank), which financed the construction of the UConn Musculoskeletal Institute. The Finance Corporation through its subsidiary, the Circle Road Corporation, has a mortgage with TIAA, which financed the construction of the OP. Changes in long-term obligations for the years ended June 30, 2021 and 2020, respectively are as follows:

	June 30, 2020 Balance	Additions	Repayments	June 30, 2021 Balance	Amounts due within 1 year
Business-type activities:					
Notes from Direct Borrowings -					
KeyBank	$ 7,741,328	$ --	$ (1,568,443)	$ 6,172,885	$ 1,670,824
TIAA	177,922,242	--	(5,535,524)	172,386,718	5,807,674
	$ 185,663,570	$ --	$ (7,103,967)	$ 178,559,603	$ 7,478,498

	June 30, 2019 Balance	Additions	Repayments	June 30, 2020 Balance	Amounts due within 1 year
Business-type activities:					
Notes from Direct Borrowings -					
KeyBank	$ 9,213,664	$ --	$ (1,472,336)	$ 7,741,328	$ 1,568,443
TIAA	183,198,369	--	(5,276,127)	177,922,242	5,535,524
	$ 192,412,033	$ --	$ (6,748,463)	$ 185,663,570	$ 7,103,967

NOTE 3 – NONCURRENT LIABILITIES (CONTINUED)

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

	2021	2020
Secured mortgage - KeyBank, principal and interest payments began January 2004 and continue until November 2024, with interest at 6.34%.	$ 6,172,885	$ 7,741,328
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040.	172,386,718	177,922,242
	$ 178,559,603	$ 185,663,570

The Finance Corporation's outstanding notes from direct borrowings related to business-type activities of $178,559,603 and $185,663,570 as of June 30, 2021 and 2020, respectively, are secured by the Musculoskeletal Institute building, the OP, the Leasehold (as to Land) and Fee (as to improvements) Mortgage, Security Agreement, Assignment of Lease and Rents and Fixture Filing. The outstanding notes from direct borrowings related to business-type activities contain a provision that in an event of default, outstanding amounts become immediately due.

NOTE 3 – NONCURRENT LIABILITIES (CONTINUED)

Debt service requirements on long-term debt at June 30, 2021 are as follows:

	Business-Type Activities: Notes from Direct Borrowings	
Year Ending June 30,	Principal	Interest
2022	$ 7,478,498	$ 8,506,542
2023	7,873,091	8,111,949
2024	8,288,840	7,696,199
2025	7,533,172	7,276,923
2026	7,036,815	6,934,037
2027-2031	40,726,442	29,127,818
2032-2036	51,771,874	18,082,385
2037-2040	47,850,871	4,539,824
	$ 178,559,603	$ 90,275,677

The Finance Corporation recorded interest expense of $8,864,456 and $9,220,818, respectively, during the years ended June 30, 2021 and 2020.

NOTE 4 – RELATED PARTY TRANSACTIONS

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

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Year ending June 30,	Outpatient Pavilion (a)	UConn Musculoskeletal Institute
2022	$ 13,975,852	$ 2,020,230
2023	13,975,852	2,020,230
2024	13,975,852	2,020,230
2025	13,975,852	841,762
2026	13,975,852	--
Thereafter	192,167,963	--
	$ 262,047,223	$ 6,902,452

(a) OP amounts are due under a non-cancellable direct financing lease with UConn Health. Additional details can be found in Note 5.

Listed in the tables below are material transactions with related parties and the component units of the Finance Corporation to show the changes in amounts due (to) from each entity as of June 30, 2021 and 2020. Certain transactions that were settled during the fiscal years with transfers, payments or cash receipts and did not result in a receivable or payable balance at June 30 have been excluded from these tables. The paragraphs that follow describe the related party transactions that are summarized in the aforementioned tables.

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE TO UCONN HEALTH

	2021	2020
Due to UConn Health - Beginning Balance:	$ (8,369,558)	$ (2,183,218)
Finance Corporation:		
Cash received for rent	--	(2,094,987)
Circle Road Corporation:		
Insurance proceeds	1,000,000	--
Construction and other transactions	--	2,228
Cash paid for prior years' expenses	--	72,129
OP final loan settlement closeout expenses	(68,970)	--
UHPSI:		
Internal contractual support and other expenses, net of pharmaceuticals sold	(881,501)	(1,494,956)
Cash repayments to UConn Health	4,000,000	--
Cash received from DOC by UConn Health	--	(2,670,754)
Total Change in Due to UConn Health	4,049,529	(6,186,340)
Due to UConn Health - Ending Balance:	$ (4,320,029)	$ (8,369,558)

During the year ended June 30, 2021, Circle Road Corporation was awarded $1.0 million as proceeds for a successful business interruption insurance claim based on UMG's COVID-19 related losses exceeding the policy's deductible. The insurance policy was held by Circle Road Corporation for the OP. This amount was deposited into UConn Health and is to be paid to Circle Road Corporation during fiscal year 2022. These funds were returned to UMG via a $1.0 million rent credit for the year ended June 30, 2021. No future rental credits are anticipated. Also, during fiscal year 2021, the final loan settlement was made for the OP. UConn Health paid a portion of these costs in the amount of $68,970 on behalf of Circle Road Corporation. During fiscal year 2020, Circle Road Corporation repaid UConn Health for prior years' advances net of current year activity of approximately $72,000.

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE TO UCONN HEALTH (CONTINUED)

During fiscal year 2021 and 2020, UHPSI incurred the cost of pharmacy personnel and other operating expenses offset by pharmaceutical revenues from sales to UConn Health, netting to an increase in the amount owed to UConn Health by approximately $882,000 and $1.5 million, respectively. During the years ended June 30, 2021 and 2020, UHPSI repaid UConn Health $4.0 million and $-0-, respectively.

DUE (TO) FROM JOHN DEMPSEY HOSPITAL

	2021	2020
Due from (to) John Dempsey Hospital - Beginning Balance:	$ 186,556	$ (4,444,666)
Finance Corporation:		
Cash received for rent	--	(483,793)
Cash paid to John Dempsey Hospital for advances	--	4,743,408
UHPSI:		
Deposits with vendors	(2,054,135)	--
Pharmaceuticals and other expenses	(38,000)	(63,250)
340B revenue	(7,498,431)	--
Cash repayments	3,000,000	--
Pharmacy overhead revenue	1,829,021	434,857
Total Change in Due from John Dempsey Hospital	(4,761,545)	4,631,222
Due (to) from John Dempsey Hospital - Ending Balance:	$ (4,574,989)	$ 186,556

During fiscal year 2020, the Finance Corporation repaid the Hospital approximately $4.7 million for prior year advances and received rental income from the Hospital of approximately $484,000. There were no such amounts during the year ended June 30, 2021.

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE (TO) FROM JOHN DEMPSEY HOSPITAL (CONTINUED)

During fiscal years 2021 and 2020, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately $1.8 million and $435,000, respectively. This was offset by current and prior year pharmaceutical expenses and supplies, totaling approximately $38,000 and $63,000, respectively. In fiscal year 2021, UHPSI was allocated its share of a deposit to AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI, from the Hospital for funds required to be on deposit in the amount of approximately $2.1 million.

During fiscal years 2021 and 2020, UHPSI repaid the Hospital $3.0 million and $-0-, respectively.

Beginning in fiscal year 2021, UHPSI began transactions with the Hospital for 340B pharmaceutical sales. The amount of payments received by UHPSI for 340B sales was approximately $8.8 million. The amount due to the Hospital pharmacy, less dispensing fees of approximately $1.3 million, was approximately $7.5 million at June 30, 2021.

DUE (TO) FROM UMG

	2021	2020
Due from UConn Medical Group - Beginning Balance:	$ 6,051,907	$ 757,388
Finance Corporation:		
Cash received for rent	--	(307,785)
Circle Road Corporation:		
Rental credit	(1,000,000)	--
UHPSI:		
Pharmaceuticals charged back to UConn Medical Group	5,708,444	5,602,304
Cash received from UConn Medical Group	(11,000,000)	--
Total Change in Due from UConn Medical Group	(6,291,556)	5,294,519
Due (to) from UConn Medical Group - Ending Balance:	$ (239,649)	$ 6,051,907

During fiscal year 2021 and 2020, UHPSI provided pharmaceuticals to UMG in the amount of approximately $5.7 million and $5.6 million, respectively. Pharmaceutical expense to UMG is recorded as a chargeback from UHPSI. During the years ended June 30, 2021 and 2020, UMG repaid UHPSI $11.0 million and $-0-, respectively.

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE TO UCONN HEALTH - MALPRACTICE FUND

	2021	2020
Due to UConn Health - Malpractice Fund - Beginning Balance:	$ (2,173,675)	$ (357,022)
Cash transfers including interest from UConn Health	(3,201,041)	(4,505,699)
Payments on behalf of UConn Health	4,930,204	2,689,046
Total Change in Due to UConn Health - Malpractice Fund	1,729,163	(1,816,653)
Due to UConn Health - Malpractice Fund - Ending Balance:	$ (444,512)	$ (2,173,675)

Balances at fiscal year end for the Malpractice fund can fluctuate based on funding needs for payments. The amounts due to UConn Health – Malpractice fund at June 30, 2020 was higher due to a payment that was made in July 2021. The amounts due to UConn Health – Malpractice fund at June 30, 2021 and 2020 were approximately $445,000 and $2.2 million, respectively.

NOTE 5 – INVESTMENT IN DIRECT FINANCING LEASE

The OP lease, created through the Circle Road Corporation, is a non-cancellable 25-year lease supporting the repayment of the TIAA mortgage. As such, this lease is classified as a direct financing lease. Under this treatment, the underlying capital assets are not recorded separately on the consolidated statements of net position, but the Finance Corporation records its net investment in direct financing lease. The components of the net investment in direct financing lease are shown below as of June 30, 2021 and 2020.

	2021	2020
Net minimum lease payments receivable	$ 262,060,349	$ 276,036,901
Estimated residual value of leased property (unguaranteed)	65,861,269	65,861,269
Less unearned income	(145,384,326)	(155,955,321)
Net investment in direct financing lease	$ 182,537,292	$ 185,942,849

NOTE 5 – INVESTMENT IN DIRECT FINANCING LEASE (CONTINUED)

The following schedule provides an analysis of the Circle Road Corporation's cost of the property held for lease under the direct financing lease as of June 30, 2021 and 2020.

	2021	2020
Building	$ 182,613,585	$ 182,613,585
Equipment	14,262,148	18,189,946
Art	104,351	104,351
	$ 196,980,084	$ 200,907,882

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

NOTE 6 – PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

As disclosed in Note 1, beginning in fiscal year 2021, UHPSI expanded its business operations to include filling patient prescriptions to outpatients primarily from UConn Health related clinics.

Pharmaceutical revenues reported net of contractual allowances, DIR fees, and bad debt for the year ended June 30, 2021 were:

Gross pharmaceutical revenue	$ 49,356,197
Less: contractual allowances, DIR fees, bad debt	(11,979,063)
Net pharmaceutical revenues	$ 37,377,134

NOTE 6 – PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE (CONTINUED)

SIGNIFICANT CONCENTRATIONS

In fiscal year 2021, revenue received by UHPSI for Medicare was approximately 22.0%, revenue received by UHPSI for Medicaid was approximately 61.3%, and revenue received by UHPSI for commercial payers was approximately 16.7%.

As of June 30, 2021, pharmaceutical accounts receivable included approximately 24.3% due from Medicare, approximately 50.7% due from Medicaid, and approximately 25.0% due from commercial insurance.

NOTE 7 – SUBSEQUENT EVENTS

The Finance Corporation has evaluated subsequent events through December 13, 2021, which represents the date the financial statements were available to be issued. The following matters were noted:

In November 2021, UMG paid UHPSI approximately $760,000 toward its outstanding balance at June 30, 2021. Additionally, in November 2021, UConn Health paid Circle Road Corporation $1.0 million for the business interruption insurance claim, and in December 2021, Circle Road Corporation paid $1.0 million to UMG related to the rent credit described in Note 4.

In December 2021, approximately $3.3 million and $4.1 million was paid by UHPSI to the Hospital and UConn Health, respectively, toward the balances outstanding at June 30, 2021, as described in Note 4.

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

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

Joint Audit and Compliance Committee
University of Connecticut Health Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The University of Connecticut Health Center Finance Corporation (the Company), which comprise the consolidated statement of net position as of June 30, 2021, and the related consolidated 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, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

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

Marcum LLP

Hartford, CT
December 13, 2021

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE I – CONSOLIDATING STATEMENT OF NET POSITION

JUNE 30, 2021

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Assets				
Current Assets				
Cash	$ --	$ --	$ 7,104,513	$ 7,104,513
Malpractice fund	444,512	--	--	444,512
Pharmaceutical accounts receivable, net	--	--	2,278,442	2,278,442
Inventory	--	--	1,984,257	1,984,257
Due (to) from subsidiaries	(651,084)	547,806	103,278	--
Net investment in direct financing lease, current portion	--	3,594,218	--	3,594,218
Total Current Assets	(206,572)	4,142,024	11,470,490	15,405,942
Noncurrent Assets				
Deposits with vendors	--	--	2,054,135	2,054,135
Net investment in direct financing lease, net of current portion	--	178,943,074	--	178,943,074
Capital assets, net	23,956,014	--	10,465	23,966,479
Total Noncurrent Assets	23,956,014	178,943,074	2,064,600	204,963,688
Total Assets	$ 23,749,442	$ 183,085,098	$ 13,535,090	$ 220,369,630

See independent auditors' report.

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE I - CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2021

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued expenses	$ 75,190	$ 352,632	$ 1,902,138	$ 2,329,960
Due to UConn Health – Malpractice fund	444,512	--	--	444,512
Due (from) to UConn Health	--	(931,030)	5,251,059	4,320,029
Due to John Dempsey Hospital	--	--	4,574,989	4,574,989
Due to (from) UConn Medical Group	--	1,000,000	(760,351)	239,649
Advances for construction	6,619	--	--	6,619
Security deposits	--	2,229	--	2,229
Loans payable, current portion	1,670,824	5,807,674	--	7,478,498
Total Current Liabilities	2,197,145	6,231,505	10,967,835	19,396,485
Noncurrent Liabilities				
Loans payable, net of current portion	4,502,061	166,579,044	--	171,081,105
Total Noncurrent Liabilities	4,502,061	166,579,044	--	171,081,105
Total Liabilities	6,699,206	172,810,549	10,967,835	190,477,590
Net Position				
Net investment in capital assets	17,783,129	10,150,574	10,465	27,944,168
Unrestricted (deficit)	(732,893)	123,975	2,556,790	1,947,872
Total Net Position	17,050,236	10,274,549	2,567,255	29,892,040
Total Liabilities and Net Position	$ 23,749,442	$ 183,085,098	$ 13,535,090	$ 220,369,630

See independent auditors' report.

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE II - CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Operating Revenues				
Rental income	$ 2,020,230	$ (916,156)	$ --	$ 1,104,074
Interest income from direct financing lease	--	10,581,735	--	10,581,735
Contract and other income, net	--	--	1,851,832	1,851,832
Pharmaceutical revenue, net	--	--	37,377,134	37,377,134
Total Operating Revenues	2,020,230	9,665,579	39,228,966	50,914,775
Operating Expenses				
Professional services	42,799	98,456	--	141,255
Internal contractual support	--	--	750,619	750,619
Outside agency per diems	--	--	3,464,874	3,464,874
Pharmaceuticals/medical supplies	--	--	33,893,264	33,893,264
Rent	--	--	92,767	92,767
Equipment and software leases	--	--	131,789	131,789
Insurance	--	--	750	750
Repairs and maintenance	--	--	7,729	7,729
Interest expense	440,220	8,424,236	--	8,864,456
Depreciation	753,300	--	875	754,175
Other	--	14,040	6,639	20,679
Total Operating Expenses	1,236,319	8,536,732	38,349,306	48,122,357
Operating Income	783,911	1,128,847	879,660	2,792,418
Nonoperating Revenue (Expense)				
Insurance proceeds	--	1,000,000	--	1,000,000
Loan servicing fee	(6,042)	(5,000)	--	(11,042)
Net Nonoperating (Expense) Revenue	(6,042)	995,000	--	988,958
Increase in Net Position	777,869	2,123,847	879,660	3,781,376
Net Position - Beginning	16,272,367	8,150,702	1,687,595	26,110,664
Net Position - Ending	$ 17,050,236	$ 10,274,549	$ 2,567,255	$ 29,892,040

See independent auditors' report.

ATTACHMENT 3.1

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
March 18, 2022

Office of Audit and Management Advisory Services
Status of Open Audits
As of February 28, 2022

Audits Approved in the **2021** Audit Plan	Campus	Current Status	Anticipated JACC Meeting			
			Mar 2022	Jun 2022	Sep 2022	Dec 2022
Approval Authority Review	UC	Fieldwork		▬		
COVID-19 Relief Funding	UH	Report	▬			
Compensatory Time	UC	Fieldwork		▬		
Compensatory Time	UH	Draft		▬		
Controllable Property Inventory	UC	Report	▬			
Denials Management - Dental	UH	Draft		▬		
Denials Management - JDH & UMG	UH	Fieldwork		▬		
Diagnostic Imaging	UH	Planning		▬		
Faculty Consulting For the Period Fiscal Year 2021	UC	Draft		▬		
Foreign Influence	UC	Planning		▬		
Foreign Influence	UH	Planning		▬		
IT Change Control Management	UH	Draft		▬		
Injections and Infusions	UH	Draft		▬		
International Employees, Students & Visitors	UC	Report	▬			
International Employees, Students & Visitors	UH	Report	▬			
Indirect Cost Recovery Revenues from Grants	UC/UH	Planning			▬	
Memorandum of Understandings	UC/UH	Planning		▬		
Patch Management - College of Liberal Arts & Sciences	UC	Fieldwork		▬		
Planning for the Potential Impact of the Retirements in 2022	UC/UH	Fieldwork		▬		
School of Business Entrepreneurial Programs on Stamford Campus	UC	Fieldwork			▬	
Student Health Services Electronic Prescriptions	UC	Fieldwork		▬		
University of Connecticut Foundation Fiscal Year 2021	UC	Fieldwork		▬		
NCAA D-1 Football Certification Academic Year 2021-2022*	UC	Removed				

*Audit removed from 2021 Audit Plan due to NCAA Covid-19 waiver issued for academic year 2021/2022.

ATTACHMENT 3.2

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
March 18, 2022

Status of Audit Findings
Aging of Overdue Management Actions by Functional Area Based on Original Due Date
As of January 31, 2022

Functional Area	Not Due			0-3 Mos			3-6 Mos			6-12 Mos			1-2 Yrs			2-3 Yrs			> 3 Yrs			Total
	L	M	H	L	M	H	L	M	H	L	M	H	L	M	H	L	M	H	L	M	H	
UConn																						
Athletics													1									1
Controller													1									1
Facilities Operations														7						1		8
Human Resources					2														1	1		4
Information Technology Services																			2			2
OVPR																			1			1
President's Office											1						1					2
Procurement														1								1
Public Safety																				1		1
Research Compliance Services				2						1												3
School of Law																			1			1
School of Medicine	1																					1
Student Activities										2			2									4
Student Affairs Administration													3	5		1						9
UConn Total	1			2	2					3	1		7	13		1	1		5	3		39
UConn Health																						
Ambulatory Care											1											1
CEO and EVP for Health Affairs											1			1								2
Controller																	1					1
Epic											1			1								2
Human Resources																2	1		4	1		8
Information Technology Services		5						1	1		2	4	4	9	6		2					34
JDH Administration								3			4	2	1	7	1							18
JDH and UMG Revenue Cycle Management											3					1	4	1				9
JDH Quality and Patient Services											1											1
Office of Institutional Equity													3	2								5
OVPR												1										1
School of Dental Medicine													2	4								6
School of Medicine															1	2						3
UConn Medical Group								1														1
UConn Health Total		5						5	1		13	7	10	24	8	5	8	1	4	1		92
Total	1	5		2	2			5	1	3	14	7	17	37	8	6	9	1	9	4		131

Note: The net number of management open actions decreased by 32 from 163 to 131 from the prior reported quarter.

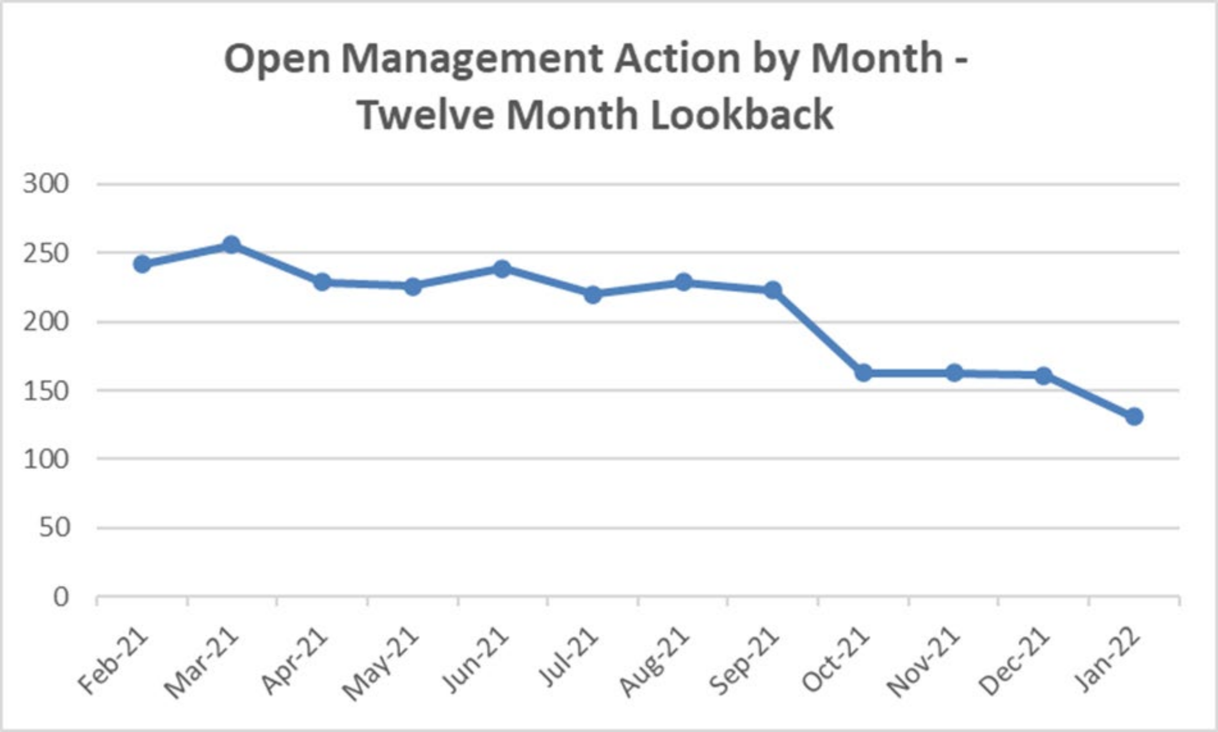
University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
March 18, 2022

Status of Audit Findings
Aging of Overdue Management Actions by Finding Category Based on Original Due Date
As of January 31, 2022

Finding Category	Not Due			0-3 Mos			3-6 Mos			6-12 Mos			1-2 Yrs			2-3 Yrs			> 3 Yrs			Total
	L	M	H	L	M	H	L	M	H	L	M	H	L	M	H	L	M	H	L	M	H	
UConn																						
Business Process Improvement	1				1					2			3	2			1		1	1		12
Business Purpose																			1			1
Documentation													1									1
Governance													2	1								3
Management Oversight																1						1
Monitoring														1								1
Physical Security of Assets														1								1
Policy				1	1									1						2		5
Regulatory Compliance				1						1				1					2			5
Security														6								6
Segregation of Duties													1									1
Use of Resources											1								1			2
UConn Total	1			2	2					3	1		7	13		1	1		5	3		39
UConn Health																						
Business Process Improvement											1	1		3		3	2	1	1			12
Documentation								4					3	1					1			9
Governance																				1		1
Management Oversight											1			1	1		2					5
Monitoring											2			2			1		1			6
Physical Security of Assets														1	1							2
Policy											1	1	3	5		1	1		1			13
Regulatory Compliance											6		2	2								10
Security		3						1	1			4		3	1		2					15
Segregation of Duties		2																				2
Technology											2			3	5							10
Training																1						1
Use of Resources												1	2	3								6
UConn Health Total		5						5	1		13	7	10	24	8	5	8	1	4	1		92
Total	1	5		2	2			5	1	3	14	7	17	37	8	6	9	1	9	4		131

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
March 18, 2022

Status of Audit Findings
Trend Analysis of Monthly Balances of Open Management Actions
As of January 31, 2022



Analysis:

A substantial effort was made by UConn and UConn Health to decrease of the number of open actions.

The effective collaboration between UConn and UConn Health and AMAS reflects a continued commitment to resolving outstanding open actions, as depicted in the downward trend in the above line graph minus the upticks for new required management actions.

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
March 18, 2022

Status of Audit Findings
Management Actions Closed By Functional Areas by Risk Level
For the Period November 1, 2021 to January 31, 2022

Audit Area	Implemented			No Longer Appilcable			Recommendation Moved to / Included in Another Audit			Total
	L	M	H	L	M	H	L	M	H	
UConn										
UC CAHNR - College of Agriculture, Health and Natura	1									1
UC Controller	1									1
UC Dining Services				1						1
UC Human Resources				1						1
UC Information Technology Services			2							2
UC Office of the Provost	1									1
UC Procurement	4	1								5
UC Budget	3									3
UConn Total	10	1	2	2						15
UConn Health										
UCH Ambulatory Care		1								1
UCH Controller		2					1			3
UCH Environmental Health and Safety			1							1
UCH Epic								1		1
UCH Information Technology Services	1	2								3
UCH JDH Administration		8	1		1					10
UCH JDH and UMG Revenue Cycle Management	2	1								3
UCH School of Dental Medicine	1									1
UCH School of Medicine	1									1
UConn Medical Group		1			1					2
UConn Health Total	5	15	2		2		1	1		26
Total	15	16	4	2	2		1	1		41

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
March 18, 2022

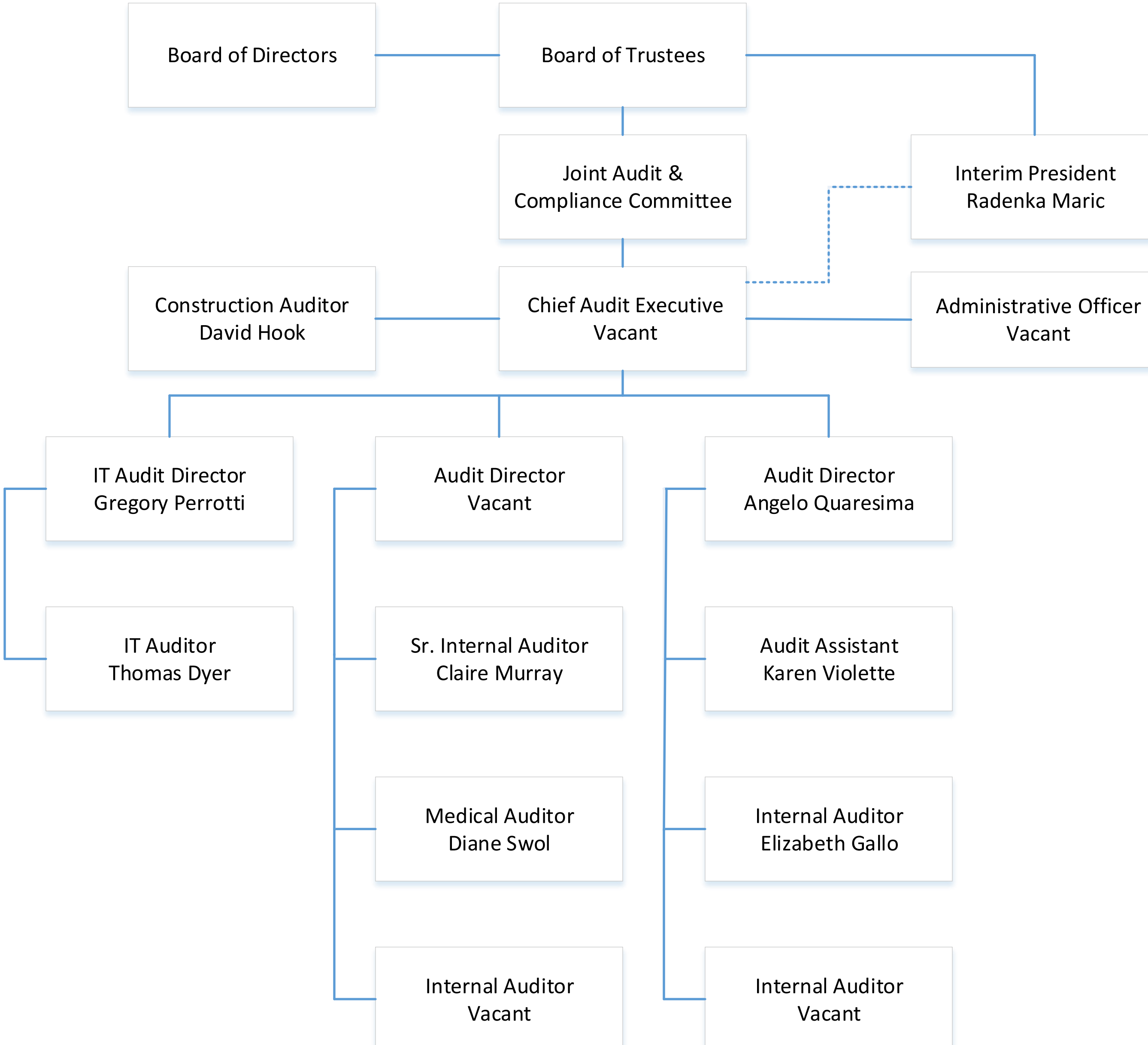
Status of Audit Findings
Risk Level Descriptions

The description of the risk levels identified in this report is based on the following methodology. Observations are ranked based on an analysis of the likelihood and impact of a control or process failure. Considerable professional judgment is used to determine the risk ratings. Accordingly, others could evaluate the results differently and draw different conclusions. The risk levels provide information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and personnel actions may significantly impact the risk ratings.

Low	Observation has a low probability of occurring. Preventive controls do not exist but detection and mitigating controls exist. Minimal exposure that will not typically lead to a material error and corrective action may lead to improvements in efficiencies and effectiveness. The issues identified may include: • Noncompliance with internal policies • Lack of internal policy that is not mandated by federal and state requirements • Minimal financial losses • Minor operational issues
Moderate	Observation is likely to occur or has occurred. Preventive and detection controls do not exist but mitigating controls exist. Exposure that requires priority attention because the observation has or may result in: • More than minimal financial losses or fraud or theft of resources • Noncompliance with laws and regulations or accreditation standards • Ineffective internal policy or practice • Reputation damage • Negative impact to audit area under review, which includes continuity, security and privacy issues • Safety and health concerns
High	Observation has a high probability of occurring or has occurred at a high rate. Preventive, detection and mitigating controls do not exist. High impact exposure that requires immediate attention because the observation has or may result in: • Substantial financial losses or fraud or theft of resources • Noncompliance with significant laws and regulations • Serious reputation damage • Negative impact to systemwide operations, which includes continuity, security and privacy issues • Significant safety and health concerns

ATTACHMENT 3.3

Office of Audit and Management Advisory Services
March 11, 2022



ATTACHMENT 4.1

University of Connecticut & University of Connecticut Health Center
Joint Audit & Compliance Committee Meeting

SIGNIFICANT COMPLIANCE ACTIVITIES

Organizational Update - Kim Fearney, Associate Vice President and Chief Compliance Officer, has been serving as the Interim Assistant Vice President for Healthcare Compliance and Privacy at UConn Health since January 14, 2022. The interim appointment will continue until the position is filled.

The Office of University Compliance recently reorganized the department to meet resource needs. Bruce Gelston is now the Senior Compliance and Privacy Specialist and will be providing support related to privacy matters as well as serve as a resource related to legal and regulatory compliance updates and analysis. Kim Hill is now the Director of University Compliance and will be responsible to provide day-to-day leadership and administrative management of the compliance staff as well as the development, implementation, and monitoring of an effective compliance function.

University Compliance is currently seeking to fill an Associate Compliance Officer position, which will be primarily responsible for conducting compliance investigations for UConn and UConn Health.

Training - University Compliance launched the 2022 Annual Compliance and Ethics training on January 31st for both UConn and UConn Health. Training evaluation data for the first two weeks has been included in the JACC packet. The completion deadline is May 27, 2022.

Education and Awareness - In January, University Compliance partnered with several offices to host a WebEx event, *The State of Compliance: Patient Rights and Responsibilities at UConn Health*. Education and Awareness was provided on the following topics: the 2022 Compliance and Ethics Training, Compliance Resources, Retirement from State Service, and Hiring Employees for Outside Employment.

Investigations - As of February 25, University Compliance received 21 reports through the Reportline for CY 2022. Of those cases, approximately 52% are for UConn Health.

Ethics - As required by the State Code of Ethics, the Faculty Consulting Oversight Committee (FCOC) convened on January 25th to review the implementation of the consulting program and to review audits of the program conducted by the University's Office of Audit and Management Advisory Services. The FCOC determined the consulting program complies with the statute and the committee's report was submitted to the Legislature on February 10th.

Compliance Monitoring - University Compliance closed out its compliance monitoring activities related to building code compliance, which resulted in 11 recommendations for enhancement - all of which have been implemented.

University of Connecticut & University of Connecticut Health Center
Joint Audit & Compliance Committee Meeting

SIGNIFICANT COMPLIANCE ACTIVITIES

University Compliance closed out its compliance monitoring activities related to the Drug Free Schools and Campuses Act, which resulted in 11 recommendations for enhancement - implementation is ongoing.

University Compliance is continuing to work with the Office of Institutional Equity on compliance monitoring related to required Title IX and related trainings for both the UConn and UConn Health campus.

Healthcare Compliance Update - Healthcare Compliance has been developing and presenting topic specific education in the following areas:

a. Co-surgery: - identified as a risk area based upon internal reviews of co-surgery chart documentation
b. Split/shared Visits – necessary due to 2022 changes to the regulatory requirements
c. Modifier 59 – identified as a risk area based upon payer data mining

Psychiatry: Healthcare Compliance has been meeting weekly with the Psychiatry Department to assist in addressing risk areas noted in both the Internal Audit and external consultant review.

OIG Work Plan: Healthcare Compliance continues to collaborate with management to address new items added to the Work Plan by the OIG

Privacy Update - UConn Health's Office of Healthcare Compliance and Privacy and University Compliance are reviewing UConn's Identity Theft Prevention Program and are in the process of making policy and program recommendations.

Policy Update - The UConn Health Policy Migration Team is developing a Communications Plan with the assistance of University Communications. The Team is drafting a Policy on Policies specific to the UCH policy processes that will align with the policy management software. Work continues with the software vendor, IT Project Management, and the Executive Steering Committee to build the infrastructure necessary to implement both institution-wide policy standards as well as the policy software across the four UConn Health policy domains: Academic, Administrative, Clinical and Research.

ATTACHMENT 4.2

Office of Science and Technology Policy Implementation Guidance Related to National Security Strategy for U.S. Government-Supported Research and Development (NSPM-33)

No Attachment
Presentation Only

ATTACHMENT 4.3

Each year, UConn's Compliance and Training is offered as part of the University's commitment to a culture of integrity and ethical conduct. This mandatory training provides us with a mechanism for staying current on important and relevant laws, regulations, policies, and resources. Here is what you need to know about this year's training.

Covered Topics

This year's training will provide an overview of the:

1. University's Code of Conduct
2. University Guide to the State Code of Ethics
3. Key Compliance Reminders and Updates

When and Where

To provide you with an engaging and accessible learning experience, live WebEx training sessions, as well as a fully online option will be offered.

Online Training: Register for the online training session via: http://hr.uconn.edu/learningatwork. In general, this training will take approximately 60-75 minutes to complete.

Live WebEx Training: Employees should register for live sessions as early as possible as sessions will be limited. All sessions will be held online via WebEx and will take approximately 90 minutes. If you register for a live WebEx session, you do not need to complete the Saba module as the content is the same.

2022 Live WebEx Training Dates:

- Tuesday, March 8: 1:00pm-2:30pm – **Register Now!**
- Wednesday, April 6: 9:00am-10:30am – **Register Now!**
- Tuesday, May 24: 1:30pm-3:00pm – **Register Now!**

The Deadline to complete this training is **May 27, 2022**.

For More Information

Visit **compliance.uconn.edu/training/university/** to learn more about this year's training or contact the Office of University Compliance at **compliance.training@uconn.edu**.

Please Note: Special Payroll employees are not required to complete the training unless Department Heads require it.

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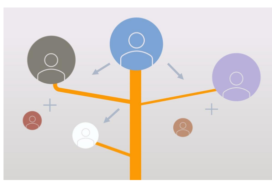
Office of University Compliance | Individual Responsibility • Institutional Success

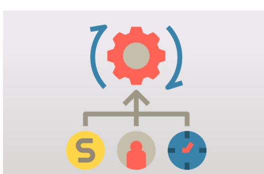
Have you ever wondered if you could hire another UConn Health employee to complete work for you outside of UConn Health?

If you are considering hiring another UConn Health employee to conduct work for you external to UConn Health, there are some important things to consider to ensure compliance with the State Code of Ethics.



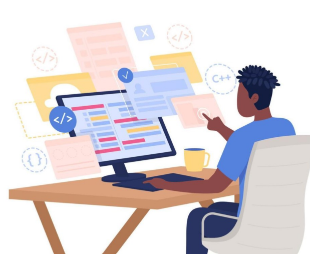
Based on the State Code of Ethics, it is impermissible for a UConn Health supervisor to hire a subordinate employee for outside work and vice versa, as it could impair the independence of judgement and create a conflict of interest. This applies to all supervisors and subordinates up and down the chain of supervision (**Advisory Opinion 2008-5**).

It is also impermissible for a UConn Health employee to advertise or solicit clients for an outside business while acting in their UConn Health employment, as this would be utilizing ones state position for their personal financial gain and the financial gain of an associated business.



Lastly, one is not permitted to utilize UConn Health time, materials, resources, or personnel in completing work for an outside business.

Scenario 1 – Supervisor/Supervisee



Meet Brandon who works in the UConn Health Sciences Library and is responsible for the libraries electronic resources and the library website. Outside of his UConn Health position, Brandon works as a freelance worker building websites for clients. Brandon's supervisor, Jane, has asked Brandon to build her son a website for his newly created dog rescue. Jane stated she would pay Brandon fair market value for the work and that the website would be a surprise gift for her son.

What do you think? Would this be permissible?

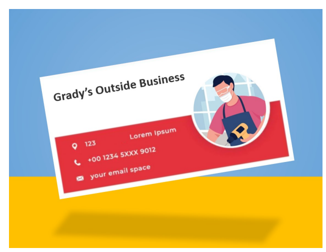
Based on the State Code of Ethics, it is impermissible for a UConn Health supervisor to hire a subordinate employee for outside work and vice versa, as it could impair the independence of judgement and create a conflict of interest. This applies to all supervisors and subordinates up and down the chain of supervision (**Advisory Opinion 2008-5**).

Therefore, if Jane was a colleague and not in a supervisory relationship with Brandon, it may be permissible so long as Brandon ensures he is observing the provisions of the State Code of Ethics related to outside employment and use of office.

Scenario 2 – Non-Supervisory Relationship

Meet Grady, a carpenter who works for UConn Health facilities. Grady is responsible to assist with various facility related work including some renovations and new construction. Grady is a General Contractor and has an outside business building custom cabinets and furniture for clients outside of his UConn Health work. Grady made an announcement at a facilities staff meeting about his outside business and encouraged others to share his contact information and promote his business. Grady also put his business card up in the dining hall and placed them on the tables in break rooms throughout UConn Health.

Gladis, an employee working in the School of Dental Medicine as a Dental Assistant found one of Grady's business cards on the break room table in the South Dental Clinic. Gladis had been looking for a carpenter to build a custom kitchen island for a kitchen remodel in her home, but is unsure if hiring Grady would be permissible.



What do you think? Are there issues with hiring Grady for this job?

No UConn Health employee should be disseminating business cards for their outside business at UConn Health as this could be seen as utilizing their state position for personal financial gain. In this circumstance, Grady would be violating the State Code of Ethics if he were to be hired for a position based on his dissemination of his business cards at UConn Health.

What if Grady did not disseminate his business card at UConn Health and Gladis found him through word-of-mouth?

In the event Gladis learned of Grady's outside business from another entity, for example, if Gladis searched for an outside contractor and stumbled on Grady's information or if another UConn Health employee recommended Grady to Gladis, it would be permissible for Grady to take the position as this scenario does not include Grady using his UConn Health position and resources to solicit business nor is Grady specifically recommending himself for the work. Gladis would, however, need to pay Grady fair market value for the work.

When in doubt, Gladis should seek guidance from the Office of University Compliance!

Applicability and Resources

Ultimately, it is the individual responsibility of UConn and UConn Health employees to adhere to the State Code of Ethics. Violations of the outside employment rules could be enforced by the Office of State Ethics and result in fines up to $10,000 per violation. For more information on the State Code of Ethics and the Post-State Employment rules, go to **compliance.uconn.edu** or **https://portal.ct.gov/Ethics/Public-Official-and-State-Employees-Information**.

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UCONN
OFFICE OF UNIVERSITY COMPLIANCE

UCONN HEALTH

COMPLIANCE RESOURCES FOR YOU

As UConn or UConn Health employees it is important that we understand and meet our various compliance responsibilities. The good news is that there are a number of resources available to assist us with this. In particular, the Office of University Compliance (OUC) supports the University's commitment to compliant and ethical conduct by providing educational training and resources; assisting decentralized compliance areas with monitoring efforts; and by offering channels for individuals to ask questions and report concerns.

Explore Our Featured Resources

Below we feature select compliance resources that aid in the mission of promoting a University-wide culture of compliance and ethics on all UConn campuses, including UConn Health.

TRAINING

OUC provides the UConn and UConn Health communities with innovative and accessible opportunities to build awareness, receive training, and further develop an understanding of compliance-related topics. This year's Annual Compliance and Ethics Training has launched and is due to be completed by May 27th.

Click here to learn more.

COMPLIANCE CLIPS

Compliance Clips is a series of short animated videos designed to raise awareness of important compliance topics, University expectations, and helpful resources. A summary of key takeaways and resources accompanies each clip.

Check out our latest Compliance Clips by visiting: **compliance.uconn.edu/compliance-clips/**.

COMPLIANCE CHATTER

Our compliance focused publication (Compliance Chatter) provides the UConn and UConn Health community with updates and resources on a wide range of compliance matters, policies, upcoming events, and much more. Want to receive periodic Compliance Chatters via email? **Click here to join our Compliance Listserv**.

Already signed up? **Re-read your favorite Compliance Chatters here**.

ETHICS RESOURCES

Do you have a question on the State Code of Ethics? Did you receive payment of reimbursement for a Necessary Expense or Gifts to the State and aren't sure how to report it to the Office of State Ethics? Need assistance with completing a Disclosure Conflict of Interest Form?

Visit the ethics page on our website for helpful tools and resources on matters related to complying with the State Code of Ethics.

24/7 REPORTLINE

UConn welcomes and encourages good-faith reporting of compliance concerns and seeking guidance regarding compliance issues. While employees are always encouraged to discuss concerns or potential compliance issues with their supervisors and managers, we recognize that may not be comfortable for all. Therefore, UConn and UConn Health community members are encouraged to contact the Office of University Compliance directly, or to utilize the UConn Reportline.

Not sure how? **Visit the reporting concerns page on our website to learn more**. Also, be sure to check out our latest **Compliance Clip on how to submit a report a concern using the Reportline's online web form**.

COMPLIANCE CONTACTS

A core component of our office is to partner with units across UConn and UConn Health with compliance responsibilities. With so many different functions, it can be hard to know who to contact when you have a question or concern. To assist with this, the Office of University Compliance has created a matrix which highlights key compliance units and briefly describes what they do and how they can help you.
Click here to check out this resources.

POLICIES

Policies and procedures are essential to UConn's daily operations. Policies provide a clear and consistent roadmap for maintaining compliance with institutional expectations, laws and regulations. To learn more about UConn policies, please visit **policy.uconn.edu.** Here you will also find information on how to sponsor a new or revised policy.

Contact the University's Policy and Compliance Coordinator for questions related to the policy process at UConn and UConn Health.

CONTACT UNIVERSITY COMPLIANCE

Would you like to learn more about these compliance resources?

Contact the Office of University Compliance at: **compliance@uchc.edu**.

Also, feel free to visit: **compliance.uconn.edu**.

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HEALTHCARE COMPLIANCE AND PRIVACY MATTERS

February 2022

Safeguarding Protected Health Information (PHI)

To help prevent unauthorized uses or disclosures of PHI we must exercise precautions to keep our patients' information safe.

Read More

2022 Split/Shared Visit Changes

CMS revised the split/shared visit guidelines for 2022. Find out what has changed and how these changes affect billing practices.

Read More

Office of Healthcare Compliance and Privacy
263 Farmington Avenue, Farmington, CT 06030

Phone: 860.679.4177 **Fax:** 860.679.1016

UCONN HEALTH

HEALTHCARE COMPLIANCE AND PRIVACY MATTERS

January 2022

Information Blocking and Test Results

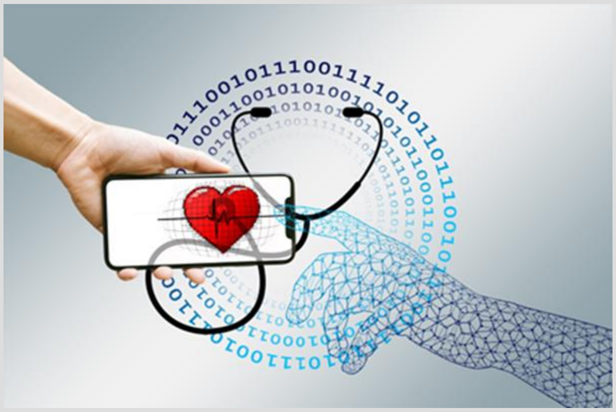
A test result blocked from MyChart to prevent a life or safety risk must be released by the clinician after discussing it with the patient.

Read More

2022 CPT Code Changes and Coding Updates

New year, new CPT codes. The American Medical Association (AMA) made several changes to the Current Procedural Terminology (CPT) code set in 2022.

Read More



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UCONN HEALTH

HEALTHCARE COMPLIANCE AND PRIVACY MATTERS

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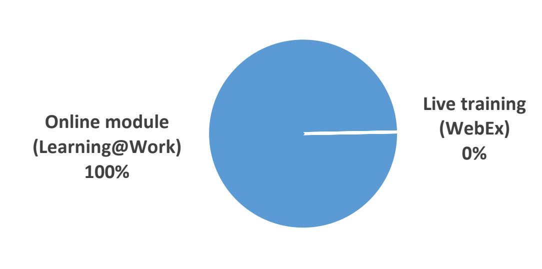
UCONN HEALTH

UConn Compliance and Ethics Training Survey Results

February 1, 2022 - February 14, 2022

# of Participants: 127

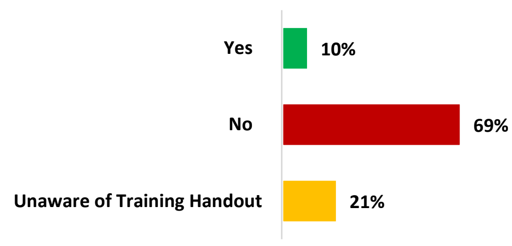
Training Method Used*



# of Responses: 127

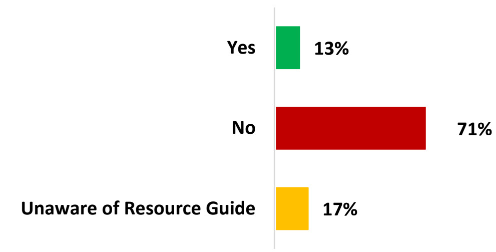
* Thus far, learners are only able to complete the training via the online (SABA) module. Three live WebEx training sessions will be held starting in March.

Use of Training Handout



# of Responses: 127

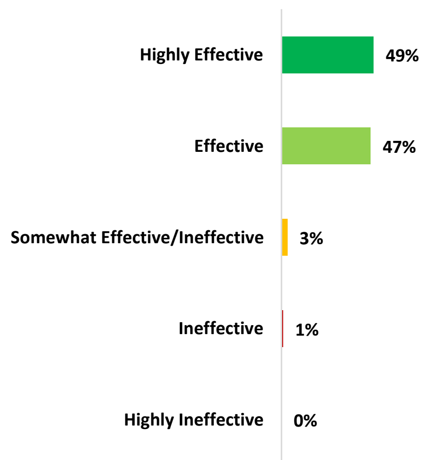
Use of Resource Guide



# of Responses: 127

In addition to the online and live web training sessions, University Compliance provides learners with a "print-friendly" version of the training, as well as a list of referenced resources. Based on prelimnary data, there appears to be a need to increase awareness of such resources.

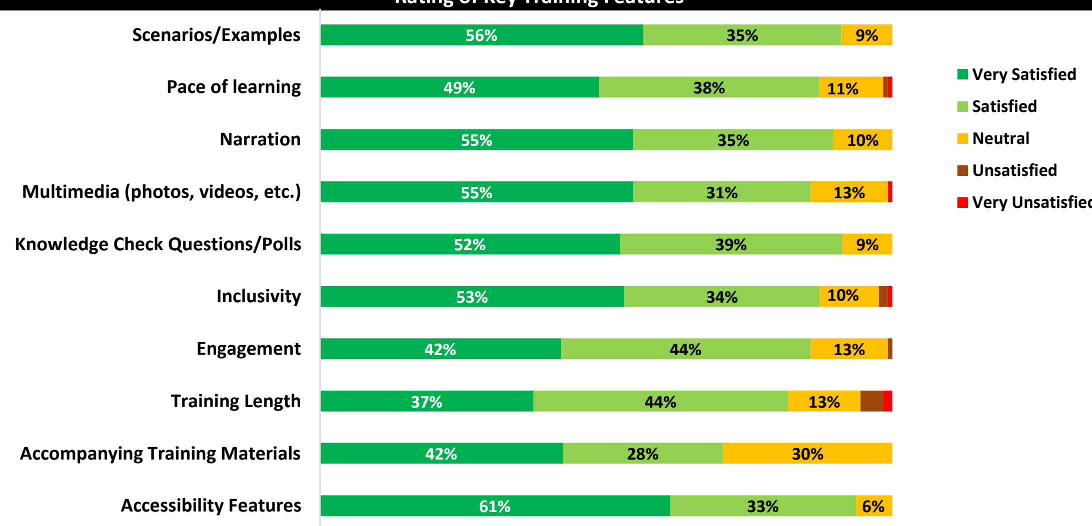
Effectiveness of Delivery Method



# of Responses: 127

96% of survey participants rated the delivery of this year's training as "highly effective" or "effective".

Rating of Key Training Features



# of Responses: 124 - 126

Values not displayed made up less than 5% of responses

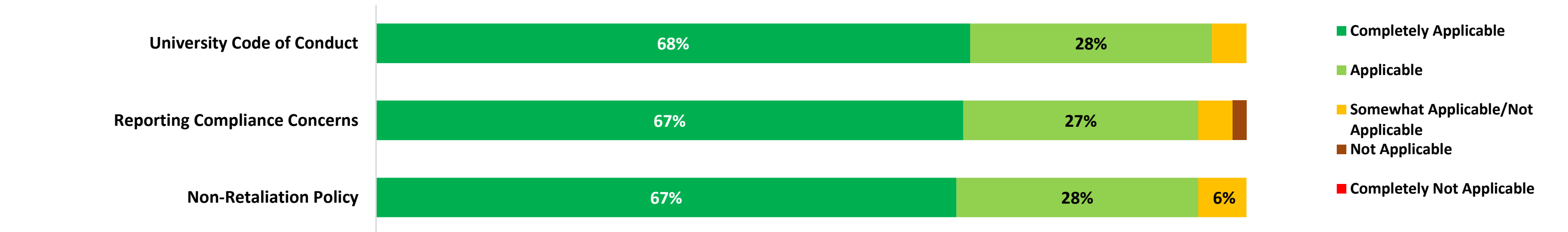
When assessing key training features, the majority of survey participants provided high ratings for most. In particular, training accessibility, scenarios, and quizzes received a 91-94% satisfaction rate. This type of feedback will continue to be monitored by University Compliance throughout the training

UConn Compliance and Ethics Training Survey Results

February 1, 2022 - February 14, 2022

# of Participants: 127

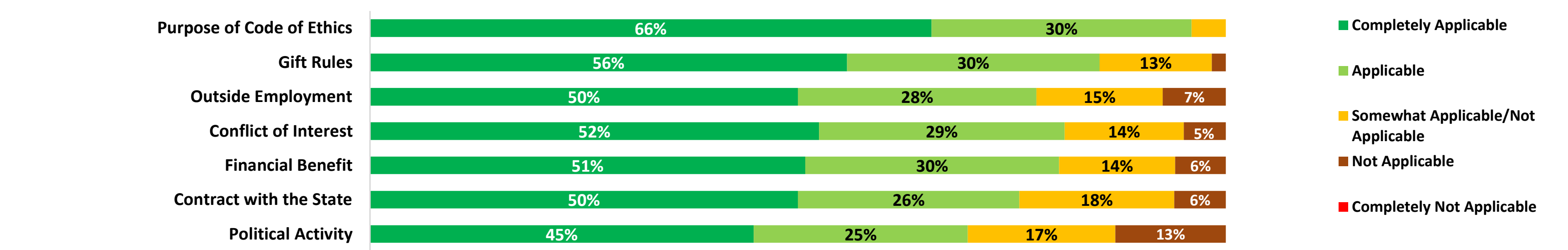
Applicability of Section 1 (Code of Conduct)



# of Responses: 126

Values not displayed made up less than 5% of responses

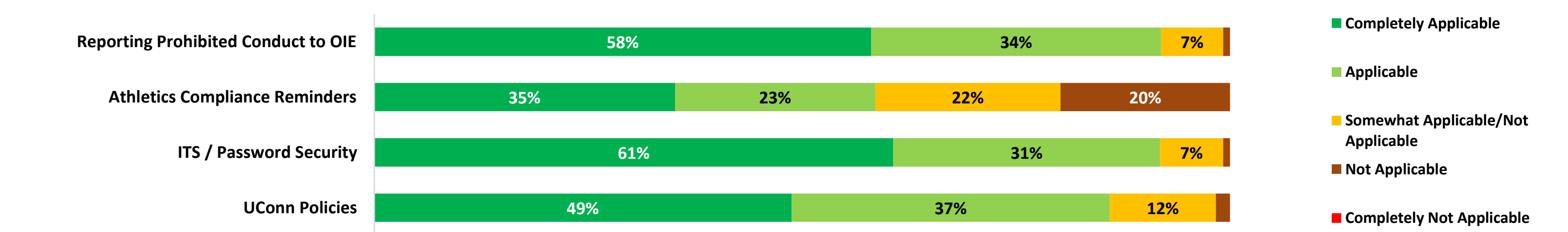
Applicability of Section 2 (Code of Ethics)



# of Responses: 116 - 125

Values not displayed made up less than 5% of responses

Applicability of Section 3 (Key Reminders and Updates)



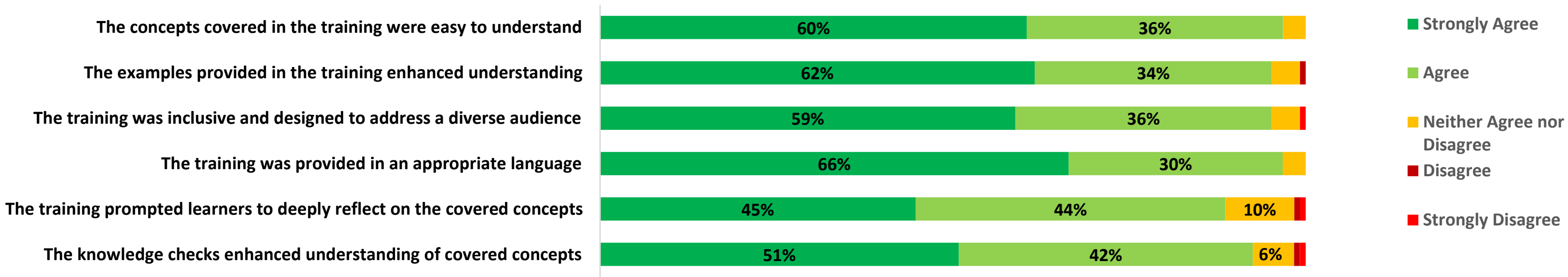
# of Responses: 111 - 124

Values not displayed made up less than 5% of responses

Of the survey participants that rated the applicability of this year's training content, most (70 - 96%) expressed that the training content was directly related to their position, role, or responsibilities at UConn Health.

UConn Compliance and Ethics Training Survey Results
February 1, 2022 - February 14, 2022
# of Participants: 127

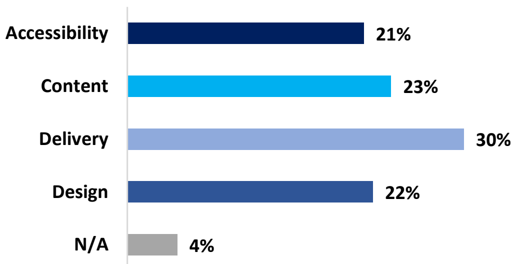
Assessment of Learning Objectives



# of Responses: 120 - 125

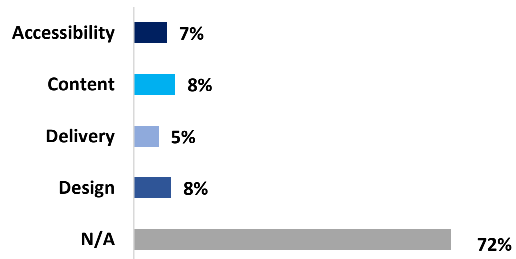
89 - 97% of participants agreed/strongly agreed that the learning objectives for this year's training were met, including those related to enhancing understanding of covered concepts, promoting reflection, and applying an inclusive approach to meeting audience needs.

Training Components Learners Enjoyed or found Most Valuable



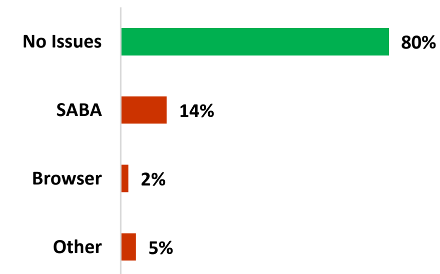
# of Responses: 249 (124 Participants)

Training Components Learners found Unfavorable or Less Valuable



# of Responses: 119 (110 Participants)

Reported Technical Issues



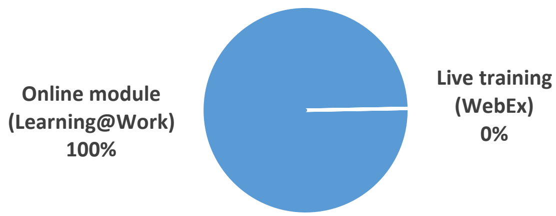
# of Responses: 44

UConn Health Compliance and Ethics Training Survey Results

February 1, 2022 - February 14, 2022

\# of Participants: 248

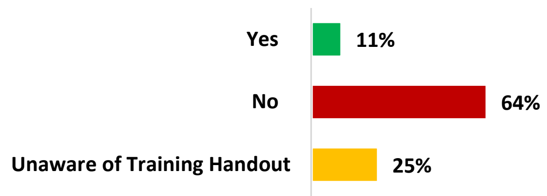
Training Method Used*



# of Responses: 248

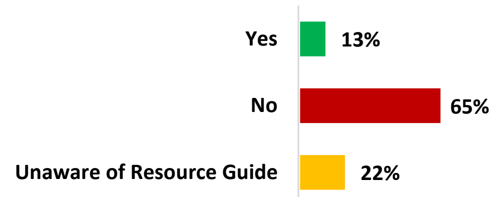
* Thus far, learners are only able to complete the training via the online (SABA) module. Three live WebEx training sessions will be held starting in March.

Use of Training Handout



# of Responses: 248

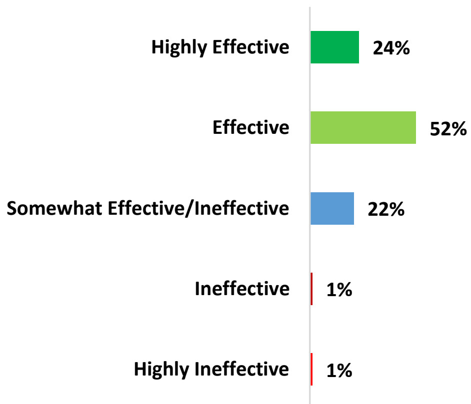
Use of Resource Guide



# of Responses: 238

In addition to the online and live web training sessions, University Compliance provides learners with a "print-friendly" version of the training, as well as a list of referenced resources. Based on prelimnary data, there appears to be a need to increase awareness of such resources.

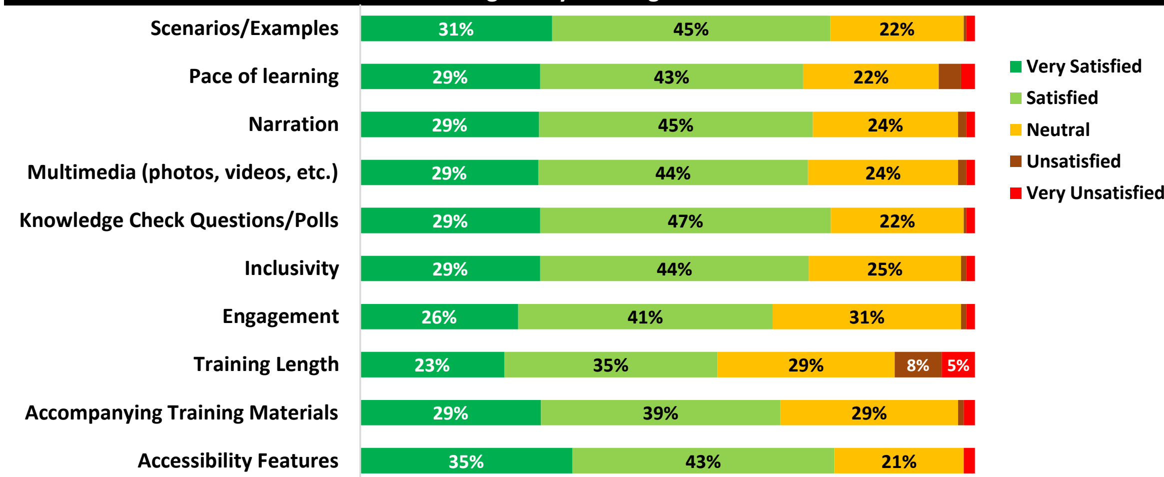
Effectiveness of Delivery Method



# of Responses: 237

76% of survey participants rated the delivery of this year's training as "highly effective" or "effective", while 22% of participants remained neutral.

Rating of Key Training Features



# of Responses: 220 - 223

Values not displayed made up less than 5% of responses

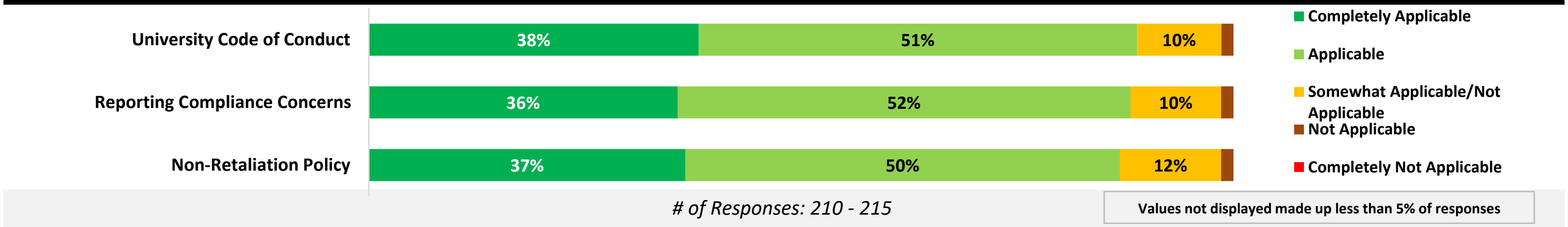
When assessing key training features, the majority of survey participants provided high ratings for most. This type of feedback will continue to be monitored by University Compliance throughout the training season to identify opportunities for enhancements.

UConn Health Compliance and Ethics Training Survey Results

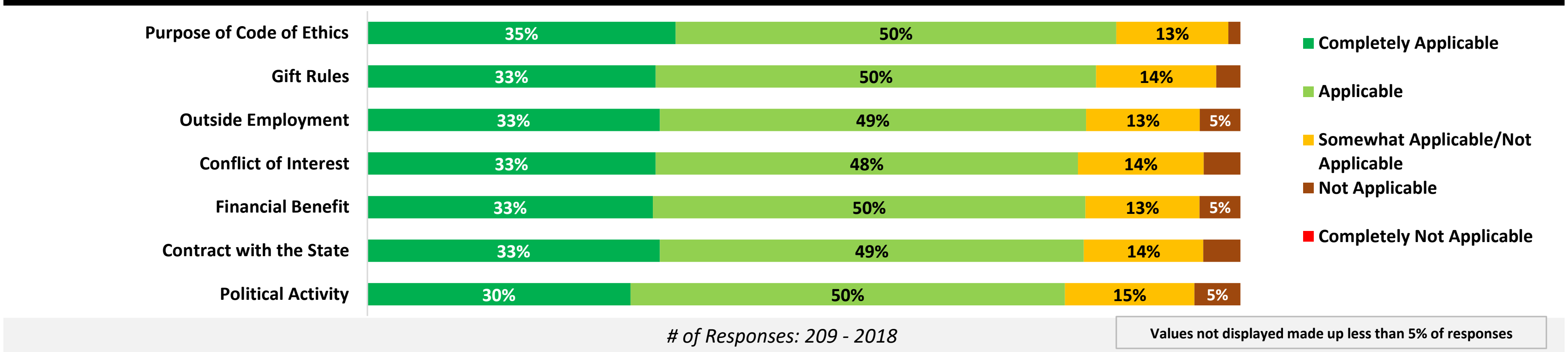
February 1, 2022 - February 14, 2022

# of Participants: 248

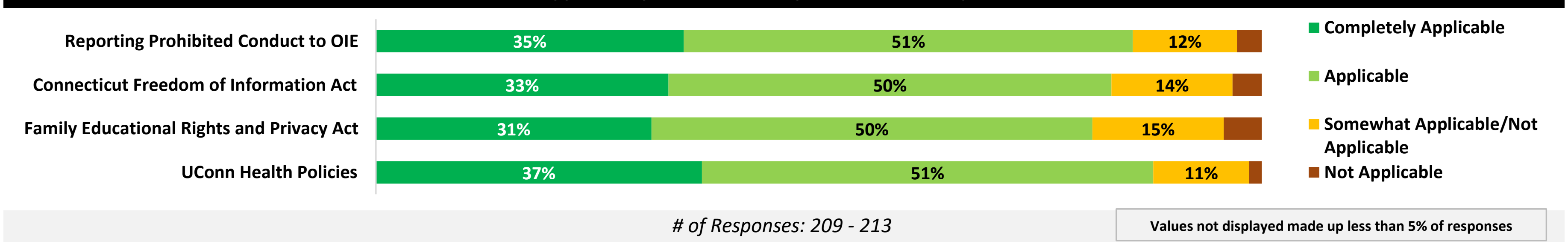
Applicability of Section 1 (Code of Conduct)



Applicability of Section 2 (Code of Ethics)



Applicability of Section 3 (Key Reminders and Updates)



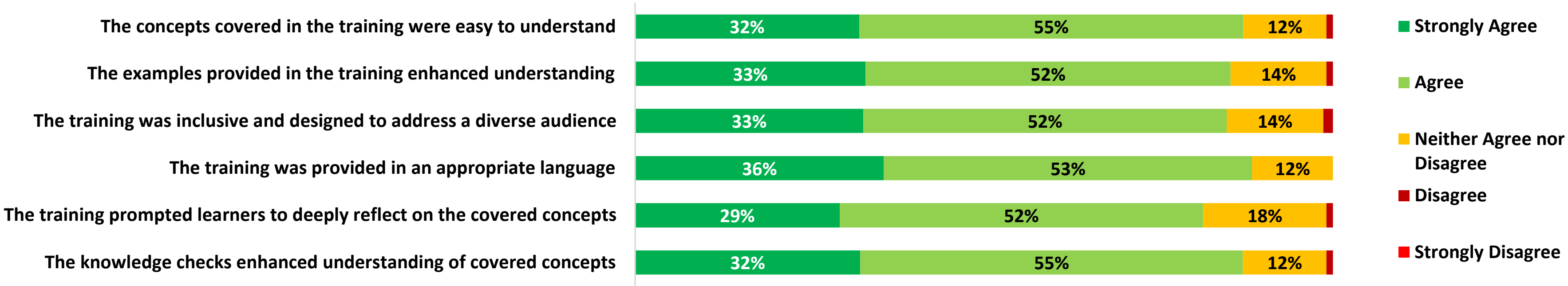
Of the survey participants that rated the applicability of this year's training content, most (81 - 89%) expressed that the training content was directly related to their position, role, or responsibilities at UConn Health, while 10 - 15% of participants indicated that the content was somewhat related to their work.

UConn Health Compliance and Ethics Training Survey Results

February 1, 2022 - February 14, 2022

# of Participants: 248

Assessment of Learning Objectives

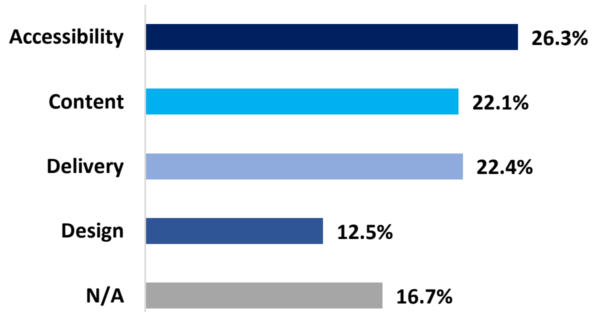


# of Responses: 215 - 218

Values not displayed made up less than 5% of responses

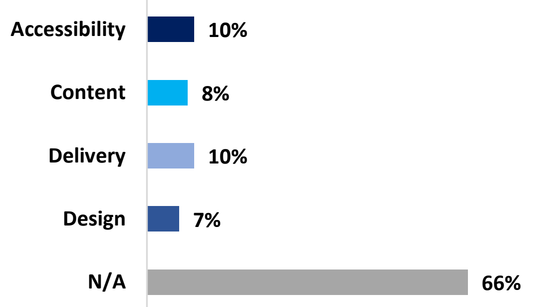
81 - 88% of participants agreed/strongly agreed that the learning objectives for this year's training were met, including those related to enhancing understanding of covered concepts, promoting reflection, and applying an inclusive approach to meeting audience needs.

Training Components Learners Enjoyed or found Most Valuable



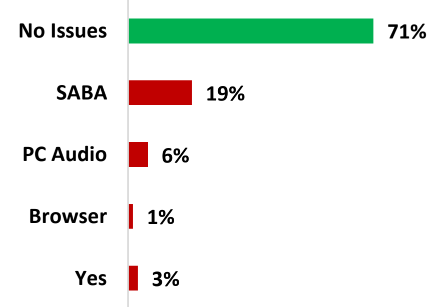
# of Responses: 335 (217 Participants)

Training Components Learners found Unfavorable or Less Valuable



# of Responses: 227 (205 Participants)

Reported Technical Issues



# of Responses: 70

ATTACHMENT 5.1

University of Connecticut

Joint Audit & Compliance Committee Meeting

Public Session

March 18, 2022

UConn – Information Technology Services

Financials FY2022 Operating

State Appropriation and Tuition Budget and Forecasted Expenditures:

Budget	$40.1M
Forecasted Personal Services and Fringe Benefits	$26.7M
Forecasted Operating Expenses	$ 13.2M
Forecasted Carryforward	$ .2M

To date in FY2022 ITS's operating budget was cut by $765K, our deferred maintenance budget remains at $1.7M and our 5-year wired access layer refresh budget was decreased to $4.0M (our original request was 5-years at $6.0M per year and FY2022 is year 3).

Also, in FY2022, ITS received operating budget for the director of high-performance computing position and capital funds for the $1.6M investment in high performance computing hardware.

Information Technology Staffing (as of 3/18/22)

- ITS has eleven new open positions:
  - Information Security Analyst for CEN
  - Software Developer 3 for Enterprise Systems
  - Network Administrator 1/2 for Network Engineering
  - (3) Software Developer 2's for Enterprise Applications
  - Director of Enterprise Systems
  - Computer Support Technician 2 for Campus Technology
  - Database Administrator 3 for Enterprise Systems
  - Computer Support Technician 1 for Campus Technology
  - Associate Network Engineer/Network Engineer 1 for CEN
- There have been nine new hires since November 30, 2021:
  - Team Lead 2 for Enterprise Systems
  - Computer Support Specialist 2 for Campus Technology
  - Fiscal Manager 1 for CEN
  - Executive Assistant to the CIO
  - Software Developer 2 for Campus Technology
  - System Developer 2 for Enterprise Systems
  - IT Project Manager 2 for Project Management
  - Fiscal Manager 2 for Budget and Finance
  - Applications Administrator 2 for Enterprise Applications

- There have been four new Special Payroll hires since November 30, 2021:
  - 3 Temporary University Specialists for Campus Technology
  - 1 Temporary University Specialist for Enterprise Applications
- Since November 30, ITS has had four employees separate or retire:
  - Effective 12/3/21 (1) in Campus Technology
  - Effective 12/31/21 (1) in Enterprise Applications
  - Effective 2/1/22 (1) in Enterprise Applications
  - Effective 3/11/22 (1) in Enterprise Systems

Major Outages (as of 02/22/22)

Outage Taxonomy	# of Issues	Systems Affected
Network Issue - Hardware	1	Data Center Network
Network Issue - Software	0	
Network Issue – Request Flood	0	
System Issue - Hardware	1	Archiving system down due to network upgrade
System Issue - Software	0	
Third Party	2	HuskyCT, AWS issue affecting DUO MFA

Total # of Major Outages: 4

UConn – IT Projects Status (as of 03/18/22)

Project Name	**Brief Project Description**	**Planned Budget**	**Actual Spend**	**Status**	**Rational for Yellow and Red Status**	**Expected Completion Date**
WALR FY 2021 Phase 2	Upgrade all network equipment and wired access infrastructure for the University	$4.200M	$2.98M	YELLOW	Construction work completed on time. Procurement delays resulted in design work delays.	12/31/2021
WALR FY 2022 Phase 3	Upgrade all network equipment and wired access infrastructure for the University	$4.000M	$.214M	YELLOW	Planned work cannot be completed by Fall 2022. Experiencing supply chain delays on purchased hardware. Residence Halls will be 40% over budget. Avery Point bids expected mid-March. Bids for Horsebarn Hill scheduled for May.	12/31/2022
Parking	Upgrade Parking software	$0.413M	$0.32M	COMPLETE		10/31/2021
HR Payroll Data Mart	First phase of HR Payroll data mart	$0.156M	$0.047M	COMPLETE		01/10/2022

ATTACHMENT 5.2

University of Connecticut

Joint Audit & Compliance Committee Meeting

Public Session

February 2022

UConn Health – Information Technology Services

Financials FY2022 Operating

State Appropriation and Tuition Budget and Forecasted Expenditures:

Budget	$55,520,764
Personal Services and Fringe Benefits	$36,047,892
Purchased Services	$19,112,872
FY22 YTD Actual/Projected	$26,594,274/26,981,741
YTD Variance	$(387,467)

Information Technology Staffing (as of 02/28/2022)

Open Positions, New Positions, Positions on Hold, Terminations and the areas they represent.

1. Open Positions:
    a. Infrastructure: Desktop Engineering
2. New Positions: 3 new Epic positions to support clinical growth/new clinical locations
3. Hold: none
4. Terminations: none

Outages (11/1/2021 – 02/28/2022)

Outage Taxonomy	# of Issues	Duration	Systems Affected

Total # of Outages: 0

UConn Health Project Updates 2/28/2022

Project Name	Brief Project Description	Planned Budget	Actual Spend[1]	Status	Notes/Rational for Yellow and Red Status	Expected Completion Date
Epic vFeb20 Upgrade	Routine maintenance	0	0	Green	QTR Epic Release	8/2021
Epic vMay21 Upgrade	Routine maintenance	0	0	Green	QTR Epic Release	11/17/21
Epic vAug21	Routine Maintenance	0	0	Green	QTR Epic Release	03/10/22
IT Infrastructure & Security Program	**Consists of 13 projects from Infrastructure & External Security Assessments**	**$6,086,000**	**$ 2,740,401**	**Green**	**Projects will be completed over 3 Fiscal Years See Next Page for details**	**FY2023**
Windows 7 & Server 2008 Migration	Upgrade all Win7 desktops to Win10 and Server 2008	0	0	Green	Combined with IT Infrastructure & Security Program	Q2 2022
Epic MyChart Bedside	Ability for patients to participate in their care	0	0	Green	Scoping	Q2 2022
Windows 365	Migrate to cloud based Microsoft Productivity Suite and associated Security tools	$960,000	373,730	Yellow	Ongoing vendor issues, working with procurement on next steps	6/2022
Dinning Vendor Conversion	Converted all supporting systems and the network to the new vendor	0	0	Blue (complete)		1/2022
Network Segmentation	Design and implement a UConn Health network that segments traffic based on risk	100,000	25,000	Green		5/2022
New clinical department builds	As providers move to new locations or new specialists move between locations, Epic is modified to support the clinical care	0	0	Ongoing		Rolling
3M/360	Supports coding and billing	0	0	Green		1/2022