UCONN
UNIVERSITY OF CONNECTICUT

UCONN
HEALTH

JOINT AUDIT & COMPLIANCE COMMITTEE MEETING

December 21, 2023

PUBLIC SESSION

Meeting held by Telephone

Public Call in # +1-415-655-0002 US Toll
Access code: 2630 190 4269

Public Streaming Link (with live captioning): https://ait.uconn.edu/bot

(A recording of the meeting will be posted on the Board website https://boardoftrustees.uconn.edu/ within seven days of the meeting.)

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University of Connecticut & UConn Health

Joint Audit & Compliance Committee Meeting

December 21, 2023

Agenda

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

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Topic	Proposed Action	Attachment
Executive Session Anticipated	Review	None
1. GENERAL		
• Public Comment*		None
• Minutes of the September 21, 2023 Meeting	Approval	1.1
2. EXTERNAL AUDIT ACTIVITIES		
• Status of External Audit Engagements	Update	2.1
• James Moore & Co (JMCO) – Approval to Extend the Appointment of James Moore & Company for the fiscal years ended June 30, 2024 and 2025	Approval	2.2
• James Moore & Co (JMCO) – 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 for Fiscal Year Ended June 30, 2023	Presentation Report	2.3 2.4
• CliftonLarsonAllen LLP (CLA) – Audits of Financial Statements for the Fiscal Year Ended June 30, 2023, of UConn Health's John Dempsey Hospital, University Medical Group & Finance Corporation	Presentation JDH Report UMG Report FC Report	2.5 2.6 2.7 2.8
• Auditors of Public Accounts - Annual Comprehensive Financial Reports for UConn and UConn Health for the Year Ended June 30, 2023	Presentation UC Report UH Report	2.9 2.10 2.11
• Auditors of Public Accounts - UConn Health Departmental Audit for Fiscal Years Ended June 30, 2021 and 2022 University of Connecticut Health Center FULL_20231109_FY2021,2022.pdf	Presentation	2.12
3. SIGNIFICANT INTERNAL AUDIT ACTIVITIES		
• Status of Audit Assignments	Update	3.1
• Status of Audit Findings	Update	3.2
4. COMPLIANCE ACTIVITIES		
• Mandatory Workforce COVID-19 Vaccination Policy -Storrs and Regionals	Approval	4.1
• Significant Compliance Activities	Update	4.2
• University Compliance Data and Trends - 2023 Annual Report	Presentation	4.3
• Healthcare Compliance and Privacy Dashboard	Presentation	4.4
• Informational/Educational Items	Informational	4.5
5. INFORMATION TECHNOLOGY		
• UConn	Update	5.1
• UConn Health	Update	5.2

University of Connecticut & UConn Health

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6. OTHER BUSINESS		
• JACC Meeting Schedule for Calendar Year 2024	Informational	6.1
7. ADJOURNMENT		

***** Individuals who wish to speak during the Public Participation portion of the Thursday, December 21, meeting must do so 24 hours in advance of the meeting's start time (i.e., 10:00 a.m. on Wednesday, December 20) by emailing BoardCommittees@uconn.edu. Speaking requests must include a name, telephone number, topic, and affiliation with the University (i.e., student, employee, member of the public). The Committee may limit the entirety of public comments to a maximum of 30 minutes. As an alternative, individuals may submit written comments to the Committee via email (BoardCommittees@uconn.edu), and all comments will be transmitted to the Committee.

ATTACHMENT 1.1

DRAFT

University of Connecticut & UConn Health
Joint Audit & Compliance Committee

Minutes of the Meeting of September 21, 2023

Telephone Meeting

ATTENDEES	
Committee Members	Board of Trustees Mark Boxer, Joshua Crow, Andrea Dennis-LaVigne, Jeanine Gouin UConn Health Board of Directors Francis Archambault, Jr., Rick Carbray, Jr., Timothy Holt
Other Committee Members	None
University Staff	Christopher Bernard, Elle Box, Anne D'Alleva, Kimberly Fearney, Nicole Gelston, Jeffrey Geoghegan, Kim Hill, Andrea Keilty, Bruce Liang, Peggy McCarthy, Radenka Maric, Rick McCarthy, Michael Mundrane, Claire Murray, Gregory Perrotti, Angelo Quaresima, Rachel Rubin, Janel Simpson, Scott Simpson, David Wallace, and Michelle Williams
External Invitees	John Harrison

Vice-Chair Boxer convened the Committee at 10:00 a.m.

1. Executive Session

   On a motion by Trustee Gouin, seconded by Trustee Dennis-LaVigne, the Committee 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; and
   - C.G.S. 1-200(6)(B) – Records or the information contained therein pertaining to strategy and negotiations with respect to pending claims; and
   - C.G.S. 1-210(b)(10) – Records, reports and statements privileged by the attorney-client relationship; and
   - 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:

Committee members: Boxer, Archambault, Carbray, Crow, Dennis-LaVigne, Gouin, and Holt.

Minutes of the Meeting of September 21, 2023

Telephone Meeting

University Staff: Box, D'Alleva, Fearney, Gelston, Geoghegan, Hill, Keilty, Liang, McCarthy, P., Maric, Murray, Perrotti, Quaresima, Rubin, R. Simpson, J. Simpson, Williams.

The following University staff were in attendance for part of the Executive session: Bernard, McCarthy, R., Mundrane, and Wallace.

The Executive Session ended at 10:37am, and the Committee returned to Open Session at 10:38 a.m.

2. Public Participation

No members of the public signed up to address the Committee.

3. Minutes of the June 15, 2023, meeting

On a motion by Trustee Gouin, seconded by Trustee Dennis-LaVigne, the Committee voted to unanimously approve the minutes of the June 15, 2023, meeting.

4. External Audit Activities

Associate Vice President and Chief Audit Executive Quaresima provided an update on the status of external audit engagements.

Mr. Quaresima also provided the committee with an update on the Annual 340B Drug Pricing Program Audit Close-out for the period June 1, 2022 – November 30, 2022, for:

- John Dempsey Hospital
- Ryan White (Ryan White Part A)
- Hemophilia Treatment Center (HTC)

John Harrison from the Auditors of Public Accounts presented the UConn Departmental Audit for Fiscal Years Ending June 30, 2019, 2020, and 2021.

5. Significant Internal Audit Activities

Mr. Quaresima provided an update on the status of internal audits. The Committee reviewed and accepted two audit reports. The committee was updated on the status of internal audit findings.

Mr. Quaresima provided the committee with the FY24 draft Audit Plan for approval.

On a motion Trustee Gouin, seconded by Director Archambault, the Committee voted to unanimously approve the Audit Plan for FY24.

6. Compliance Activities

   Associate Vice President and Chief Compliance Officer Fearney provided the Committee with an update on significant compliance activities, as well as several informational/educational items.

   Ms. Fearney provided the committee with two items for approval, the FY24 draft Compliance Plan and the draft Charter for the UConn Compliance & Ethics Committee.

   On a motion by Trustee Gouin, seconded by Director Archambault, the Committee voted to unanimously approve the Compliance Plan for FY24.

   On a motion by Director Carbray, seconded by Trustee Gouin, the Committee voted unanimously to approve the UConn Compliance & Ethics Committee Charter.

   Chief Healthcare Compliance & Privacy Officer Box presented an update on the Healthcare Compliance & Privacy Dashboard.

7. Information Technology Updates

   Vice President and Chief Information Officer Mundrane and Chief Information Systems Security Officer Bernard provided an update on the UConn information technology activities.

   Chief Information Officer McCarthy provided an update on UConn Health information technology activities.

8. Other Business

   No Other Business was presented to the Committee.

9. Adjournment

   On a motion by Trustee Boxer, seconded by Trustees Gouin, the Committee voted unanimously to adjourn the meeting. The Committee adjourned at 11:00 a.m.

   Respectfully submitted,
   Karen Violette

ATTACHMENT 2.1

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
December 21, 2023
Status of External Audit Engagements

Auditor	Area	Scope	Current Status of Audit	Recent Report Issued	Recent Report – Recommendations & Areas for Improvement		
					Total	No Further Action / Implemented	Open
Clifton Larson Allen LLP	UConn Health	Audits of Financial Statements for UConn Health's John Dempsey Hospital, University Medical Group, & Finance Corporation	FY 24 No Activity	FY 23 Issued 11/21/23	2	0	2
James Moore & Co	UConn Athletics	NCAA agreed upon procedures performed on all revenues, expenses, and capital expenditures for the Athletics Program	FY 24 No Activity	FY 23 Issued 12/4/23	No Recommendations Reported		
Mayor Hoffman McCann P.C.	UConn & UConn Health	Annual agreed upon procedures on UConn 2000 Infrastructure Program as required by Section 10a-109z of the Connecticut General Statues (CGS)	FY 23 No Activity	FY 22 Issued 3/23/23	1	1	0
Pharmacy Consultants, Inc. (DBA 340B Compliance Partners)	UConn Health	Audits of UConn Health's 340B Drug Pricing Program covered entities required by Health Resources and Services Administration	CY 23 No Activity	CY 22 Issued 2/23, 3/23 & 3/23	9	9	0
State Auditors	UConn & UConn Health	Annual audit of Federal Funds required under the Federal Single Audit Act (SWSA)	FY 23 Underway	FY 22 Issued 3/29/23	1	1	0
State Auditors	UConn	Annual audit of financial statements included in the Annual Comprehensive Financial Report (ACFR)	FY 24 No Activity	FY 23 Issued 12/8/23	No Recommendations Reported		
State Auditors	UConn Health	Annual audit of financial statements included in the Annual Comprehensive Financial Report (ACFR)	FY 24 No Activity	FY 23 Issued 12/8/23	No Recommendations Reported		
State Auditors	UConn	Departmental Statutory Required Audit (CGS Sec 2-90)	FYs 22 & 23 Underway	FYs 19, 20 & 21 Issued 8/15/23	22	6	16
State Auditors	UConn Health	Departmental Statutory Required Audit (CGS Sec 2-90)	FYs 23 & 24 Underway	FYs 21 & 22 Issued 11/9/23	12	0	12

ATTACHMENT 2.2

TO: Members of the Joint Audit and Compliance Committee

FROM: Angelo Quaresima
Associate Vice President and Chief Audit Executive

DATE: December 21, 2023

SUBJECT: Approval to Extend the Appointment of James Moore & Co - NCAA Financial Agreed Upon Procedures

RECOMMENDATION

It is recommended that the Joint Audit and Compliance Committee (JACC) retroactively approve an extension of the appointment of James Moore & Co to provide audit services for the fiscal years ended June 30, 2024 and 2025. The proposed fee for each year is $20,000. These services include reporting on the application of agreed-upon procedures in compliance with The National Collegiate Athletic Association (NCAA) Financial Reporting Requirements.

BACKGROUND

NCAA Bylaw 20.2.4.17 requires that "an active member institution shall submit financial data detailing operating revenues, expenses and capital related to its intercollegiate athletics program to the NCAA on an annual basis in accordance with the financial reporting policies and procedures." The report shall be subject to annual agreed-on verification procedures approved by the membership (in addition to any regular financial reporting policies and procedures of the institution) and conducted by a qualified independent accountant who is not a staff member of the institution and who is selected by the institution's chancellor or president or by an institutional administrator from outside the athletics department designated by the chancellor or president. The independent accountant shall verify the accuracy and completeness of the data prior to submission to the institution's chancellor or president and the NCAA. The institution's chancellor or president shall certify the financial report prior to submission to the NCAA.

On September 2, 2021, the JACC approved a 3-year contract with James Moore & Co to provide audit services for the years ended June 30, 2021, 2022 and 2023. In accordance with the terms of the contract, the University may elect to extend the audit services for years ending June 30, 2024 and 2025 at the proposed fee of $20,000 per year.

AMAS seeks JACC approval to move forward with this engagement.

28 PROFESSIONAL PARK ROAD
STORRS, CONNECTICUT 06268
PHONE 860.486.4526
audit.uconn.edu

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ATTACHMENT 2.3

NCAA Agreed-Upon Procedures

For the Year Ended June 30, 2023

Katie Davis, CPA | Partner
Shane Metzler, CPA | Senior Manager

December 2023

JAMESMOORE

Background

- Purpose: For NCAA Member Institution Presidents and Chancellors to gain an understanding of the financial position of their institution's intercollegiate athletics program and obtain peace of mind that material revenue and expense categories are in compliance with NCAA financial reporting requirements.
- Scope of Work: In accordance with NCAA Bylaws and professional standards performed by independent accountants. This is not an audit.
- The NCAA Financial Reporting Framework is not in accordance with Generally Accepted Accounting Principles, but is designed to allow the NCAA and member institutions to compare data in an "apples to apples" format.
- The NCAA Financial Reporting System also obtains relevant data that determines the University's revenue distribution for the upcoming year.

Results of Procedures and Reported Items

- There were no findings or exceptions to the procedures we performed.
- The Statement of Revenues and Expenses highlights the results of operations of your various sports programs, specifically highlighting football, men's basketball, women's basketball, men's ice hockey, all other sports, and nonprogram specific financial activity.
- The Notes and Variance Analysis disclosed in the report are the athletic department's opportunity to tell their financial story by providing context to the numbers.

Questions?

ATTACHMENT 2.4

UNIVERSITY OF CONNECTICUT
INTERCOLLEGIATE ATHLETICS PROGRAM

INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2023

UNIVERSITY OF CONNECTICUT
INTERCOLLEGIATE ATHLETICS PROGRAM
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JUNE 30, 2023

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Exhibit III – Supplement to Statement of Revenues and Expenses	21

JAMESMOORE

INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

Dr. Radenka Maric, President,
University of Connecticut:

We have performed the procedures enumerated below on the accompanying Statement of Revenues and Expenses (the Statement, see Exhibit I) of the University of Connecticut (the University) Intercollegiate Athletics Program (the Program) in compliance with the National Collegiate Athletic Association's (NCAA) Bylaw 20.2.4.17 for the year ended June 30, 2023. The University's management is responsible for the accompanying Statement and the Statement's compliance with those requirements for the year ended June 30, 2023.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the accompanying Statement is in compliance with the NCAA's Bylaw 20.2.4.17 for the year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Exceptions totaling the lesser of $100,000 or 10% of the line item total to which an agreed-upon procedure has been applied to, other than exceptions related to internal control procedures of the Program, for which there are no thresholds, have been reported. The procedures and the associated findings are as follows:

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

Procedure	Finding
All Revenue Categories	
• Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the Program. If a specific reporting category is less than 4.0% of the total revenues, no procedures are required for that specific category.	No exceptions noted.
• Compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.	No exceptions noted.

Procedure	Finding
• Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.	No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21.
1. **Ticket Sales**	
a. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Program in the statement and the related attendance figures and recalculate totals.	No exceptions noted.
2. **Direct State or Other Governmental Support**	
a. Compare direct state or other governmental support recorded by the Program during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals.	As there was no direct state or other governmental support for the year ended June 30, 2023, this procedure was not performed.
3. **Student Fees**	
a. Compare and agree student fees reported by the Program in the statement for the reporting to student enrollments during the same reporting period and recalculate totals.	We could not perform the procedure as outlined; however, we noted that the University determines the amount the Program receives. We confirmed the amount with the University and noted no exceptions.
b. Obtain documentation of Program's methodology for allocating student fees to intercollegiate athletics programs.	An understanding of the University's methodology was gained, and we noted the allocation was in accordance with the University's methodology.
c. If the Program is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals.	No exceptions noted.
4. **Direct Institutional Support**	
a. Compare the direct institutional support recorded by the Program during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.	No exceptions noted.

Procedure	Finding
5. **Less – Transfers to Institution**	
a. Compare the transfers back to the institution with permanent transfers back to the institution from the athletics department and recalculate totals.	As transfers to institution represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
6. **Indirect Institutional Support (6 and 6A)**	
a. Compare the indirect institutional support recorded by the Program during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.	As indirect institutional support represents less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
7. **Guarantees**	
a. Select a sample of settlement reports for away games during the reporting period and agree each selection to the Program's general ledger and/or the statement and recalculate totals.	As guarantees represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
b. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the Program's general ledger and/or the statement and recalculate totals.	As guarantees represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
8. **Contributions**	
a. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals.	No exceptions noted.
9. **In-Kind**	
a. Compare the in-kind recorded by the Program during the reporting period with a schedule of in-kind donations and recalculate totals.	As there was no in-kind support for the year ended June 30, 2023, this procedure was not performed.
10. **Compensation and Benefits Provided by a Third-Party**	
a. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the Program and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the Program's general ledger and/or the Summary and recalculate totals.	As there were no compensation and benefits provided by a third party for the year ended June 30, 2023, this procedure was not performed.

Procedure	Finding
11. **Media Rights**	
a. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the Program or through their conference offices as reported in the statement.	As media rights represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
b. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and the Program's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.	As media rights represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
12. **NCAA Distributions**	
a. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.	As NCAA distributions represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
13. **Conference Distributions and Conference Distributions of Football Bowl Generated Revenue (13 and 13A)**	
a. Obtain and inspect agreements related to the Program's conference distributions and participation in revenues from tournaments during the reporting period for relevant terms and conditions.	No exceptions noted.
b. Compare and agree the related revenues to the Program's general ledger, and/or the statement and recalculate totals.	No exceptions noted.
14. **Program Sales, Concessions, Novelty Sales and Parking**	
a. Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals.	As program sales, concessions, novelty sales and parking represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
15. **Royalties, Licensing, Advertisements and Sponsorships**	
a. Obtain and inspect agreements related to the Program's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period for relevant terms and conditions.	Agreements were obtained and an understanding of the relevant terms and conditions was gained.
b. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.	No exceptions noted.

Procedure	Finding
16. **Sports Camp Revenues**	
a. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain documentation of the Program's methodology for recording revenues from sports- camps.	As sports camp revenues represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
b. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports- camp participants and agree each selection to the Program's general ledger, and/or the statement and recalculate totals.	As sports camp revenues represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
17. **Athletics Restricted Endowment and Investment Income**	
a. Obtain and inspect endowment agreements (if any) for relevant terms and conditions.	As athletics restricted endowment and investment income represents less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
b. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals.	As athletics restricted endowment and investment income represents less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
18. **Other Operating Revenue**	
a. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals.	As other operating revenues represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
19. **Football Bowl Revenues**	
a. Obtain and inspect agreements related to the Program's revenues from post-season football bowl participation during the reporting period to gain an understanding of the relevant term and conditions.	As football bowl revenues represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.
b. Compare and agree the related revenues to the Program's general ledger, and or the statement and recalculate totals.	As football bowl revenues represent less than 4.0% of total revenues for the year ended June 30, 2023, this procedure was not performed.

Procedure	Finding
All Expense Categories	
• Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4.0% of the total expenses, no procedures are required for that specific category.	No exceptions noted.
• Compare and agree a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation.	No exceptions noted.
• Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an explanation of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.	No exceptions noted and amounts and explanations for variations from the prior period are included in the supplement on page 21.
20. **Athletic Student Aid**	
a. Select a sample of students (10% of the total student-athletes for institutions who have used NCAA's Compliance Assistant (CA) software to prepare athletic aid detail, with a maximum sample size of 40, and 20% of total student-athletes for institutions who have not, with a maximum sample size of 60) from the listing of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad/eligibility list for each sponsored sport.	A sample of 40 student aid recipients was selected.
b. Obtain individual student account detail for each selection and compare total aid in the institution's student system to the student's detail in CA or the institution report that ties directly to the NCAA Membership Financial Reporting System.	No exceptions noted.
c. **Division I Institutions Only:** Perform a check of each student selected to ensure their information was reported accurately in either the NCAA's CA software or entered directly into the NCAA Membership Financial Reporting System using the following criteria:	No exceptions noted.

Procedure	Finding
• The equivalency value for each student-athlete in all sports, including head-count sports, needs to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the Calculation of Revenue Distribution Equivalencies Report (CRDE) from CA as the numerator and the full grant amount which is the total cost for tuition, fees, required course-related books, room and board for an academic year as the denominator. If using the NCAA CA software, this equivalency value should already be calculated for you on the CRDE report labeled "Revenue Distribution Equivalent Award".	No exceptions noted.
• Grants-in-aid is calculated by using the revenue distribution equivalencies by sport and in aggregate. (Athletic grant amount divided by the full grant amount).	No exceptions noted.
• Other expenses related to attendance (also known as cost of attendance) should not be included in grants-in-aid revenue distribution equivalencies. Only tuition, fees, room, board and course-related books are countable for grants-in-aid revenue distribution per Bylaw 20.02.10). Note: for compliance purposes equivalencies may include other expenses related to attendance per Bylaw 15.02.2, however these expenses are not allowed to be included for revenue distribution equivalencies.	No exceptions noted.
• Full grant amount should be entered as a full year of tuition, not a semester or quarter.	No exceptions noted.
• Student-athletes are to be counted once, regardless of multiple sport participation, and should not receive a revenue distribution equivalency greater than 1.00.	No exceptions noted.
• Athletic grants are valid for revenue distribution purposes only in sports in which the NCAA conducts championships competition, emerging sports for women and football bowl subdivision football.	No exceptions noted.
• Grants-in-aid are valid for revenue distribution purposes in NCAA sports that do not meet the minimum contests and participants' requirements of Bylaw 20.10.6.3.	No exceptions noted.
• Institutions providing grants to student-athletes listed on the CRDE as "Exhausted Eligibility (fifth-year)" or "Medical" receive credit in the grants-in-aid component.	No exceptions noted.

Procedure	Finding
• The athletics aid equivalency cannot exceed maximum equivalency limits. However, the total revenue distribution equivalency can exceed maximum equivalency limits due to exhausted eligibility and medical equivalencies (reference Bylaw 15.5.3.1).	No exceptions noted.
• If a sport is discontinued and the athletic grant(s) are still being honored by the institution, the grant(s) are included in student-athlete aid for revenue distribution purposes.	As there were no discontinued sports for the year ended June 30, 2023, this procedure was not performed.
• All equivalency calculations should be rounded to two decimal places.	No exceptions noted.
• If a selected student received a Pell Grant, ensure the value of the grant is not included in the calculation of equivalencies or the total dollar amount of student athletic aid expense for the institution.	No exceptions noted.
• If a selected student received a Pell Grant, ensure the student's grant was included in the total number and total dollar value of Pell Grants reported for Revenue Distribution purposes in the NCAA Membership Financial Reporting System.	No exceptions noted.
d. Recalculate totals for each sport and overall.	No exceptions noted.
21. **Guarantees**	
a. Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the Program's general ledger and/or the statement and recalculate totals.	As guarantees represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
b. Obtain and inspect contractual agreements pertaining to expenses recorded by the Program from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the Program during to the Program's general ledger and/or the statement and recalculate totals.	As guarantees represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
22. **Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities**	
a. Obtain and inspect a listing of coaches employed by the Program and related entities during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.	A listing of all coaches employed by the Program was obtained. A sample of five coaches for two pay periods each was selected, including the men's and women's basketball head coaches and the men's football head coach.

Procedure	Finding
b. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Program and related entities in the statement during the reporting period.	No exceptions noted.
c. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period.	No exceptions noted.
d. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.	No exceptions noted.
23. **Coaching Salaries, Benefits, and Bonuses Paid by a Third-Party**	
a. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.	As there were no coaching salaries and benefits paid by a third party for the year ended June 30, 2023, this procedure was not performed.
b. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the Program in the statement during the reporting period.	As there were no coaching salaries and benefits paid by a third party for the year ended June 30, 2023, this procedure was not performed.
c. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party recorded by the institution in the statement during the reporting period and recalculate totals.	As there were no coaching salaries and benefits paid by a third party for the year ended June 30, 2023, this procedure was not performed.
24. **Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities**	
a. Select a sample of support staff/administrative personnel employed by the Program and related entities during the reporting period.	A sample of five support staff/ administrative personnel for two pay periods each was selected.
b. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the Program and related entities expense recorded by the Program in the statement during the reporting period and recalculate totals.	No exceptions noted.

Procedure	Finding
25. **Support Staff/Administrative Compensation, Benefits and Bonuses Paid by a Third-Party**	
c. Select a sample of support staff/administrative personnel employed by the third parties during the reporting period.	As there were no support staff/ administrative compensation and benefits paid by a third-party for the year ended June 30, 2023, this procedure was not performed.
d. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the Program in the statement during the reporting period and recalculate totals.	As there were no support staff/ administrative compensation and benefits paid by a third-party for the year ended June 30, 2023, this procedure was not performed.
26. **Severance Payments**	
a. Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.	As severance payments represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
27. **Recruiting**	
a. Obtain documentation of the Program's recruiting expense policies.	As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
b. Compare and agree to existing institutional- and NCAA-related policies.	As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
c. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.	As recruiting expenses represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
28. **Team Travel**	
a. Obtain documentation of the Program's team travel policies.	We obtained and documented an understanding of the Program's team travel policies.
b. Compare and agree to existing institutional- and NCAA-related policies.	No exceptions noted and policies are consistent with institutional and NCAA-related policies.
c. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.	No exceptions noted.

Procedure	Finding
29. **Sports Equipment, Uniforms and Supplies**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As sports equipment, uniforms, and supplies represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
30. **Game Expenses**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
31. **Fund Raising, Marketing and Promotion**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As fund raising, marketing and promotion represents less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
32. **Sports Camp Expenses**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As there were no sports camp expenses for the year ended June 30, 2023, this procedure was not performed.
33. **Spirit Groups**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As spirit groups represent less than 4.0% of the total expenses for the year ended June 30, 2023, this procedure was not performed.
34. **Athletic Facilities Debt Service, Leases and Rental Fees**	
a. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).	No exceptions noted.
b. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.	No exceptions noted.
35. **Direct Overhead and Administrative Expenses**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As direct overhead and administrative expenses represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.

Procedure	Finding
36. **Indirect Institutional Support**	
a. Tested with revenue section- Indirect Institutional Support.	As there were no indirect institutional support expenses for the year ended June 30, 2023, this procedure was not performed.
37. **Medical Expenses and Insurance**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As medical expenses and insurance represents less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
38. **Memberships and Dues**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As memberships and dues represents less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
39. **Student-Athlete Meals (non-travel)**	
a. Obtain general ledger detail and compare to the total expenses report. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As student-athlete meals (non-travel) represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.
40. **Other Operating Expenses**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
41. **Football Bowl Expenses (41 and 41A)**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As football bowl expenses represent less than 4.0% of total expenses for the year ended June 30, 2023, this procedure was not performed.

Procedure	Finding

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

In order for the NCAA to place reliance on the Division I financial reporting to calculate the Division I NCAA revenue distributions, which is a financial benefit to the institution, the following procedures are required to be performed:

1. **Grants-in-Aid:**

a. Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistant (CA) or other report that supports the equivalency calculations from the institution between May and August. The NCAA Membership Financial Reporting System populates the sports from the NCAA Membership Database as they are reported by the institution. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the CRDE or other report that supports the equivalency calculations, inquire about the discrepancy and report the justification in the AUP report.	No exceptions noted.
b. Compare current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission. Inquire and document an explanation for any variance greater than +/- 4%.	We noted no variance greater than the threshold.

2. **Sports Sponsorship:**

a. Obtain the institution's Sports Sponsorship and Demographics Form submitted to NCAA Research for the reporting year. Validate that the countable NCAA sports reported by the institution met the minimum requirements, set forth in Bylaw 20.10.6.3, related to the number of contests and the number of participants. If the institution requested and/or received a waiver related to minimum contests or minimum participants for a sport, that sport would **not** qualify as a sponsored sport for the purposes of revenue distribution. Also, only sports in which the NCAA conducts championships competition, emerging sports for women and bowl subdivision football are eligible. Once the countable sports have been validated, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Note: Any discrepancies MUST be resolved within the NCAA Membership Financial Reporting System prior to the report being submitted to the NCAA.	No exceptions noted.
b. Compare current year number of Sports Sponsored to prior year reported total per the Membership Financial Report submission. Inquire and document an explanation for any variance.	No variance noted.

Procedure	Finding
3. **Pell Grants:**	
a. Agree the total number of Division I student-athletes who, during the academic year, received a Pell Grant award (e.g. Pell Grant recipients on Full Athletic Aid, Pell Grant recipients on Partial Athletic Aid and Pell Grant recipients with no Athletic Aid) and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the Program's financial aid records, of all student-athlete Pell Grants. Note 1: Only Pell Grants for sports in which the NCAA conducts championships competition, emerging sports for women and bowl subdivision football are countable. Note 2: Student-athletes should only be counted once even if the athlete participates in multiple sports. Note 3: Individual student-aid file testing in step 31 above should tie any selected student athletes who received Pell Grants back to the report of all student athlete Pell Grants to test the completeness and accuracy of the report.	No exceptions noted.
b. Compare current year Pell Grants total to prior year reported total per the Membership Financial Report submission. Inquire and document an explanation for any variance greater than +/- 20 grants.	We noted no variance greater than the threshold.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

Procedure	Finding
50. **Excess Transfers to Institution**	
a. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As there were no excess transfers to institution for the year ended June 30, 2023, this procedure was not performed.
51. **Conference Realignment Expenses**	
b. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.

Procedure	Finding
52. **Total Athletics Related Debt**	
a. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained.	No exceptions noted.
b. Agree the total annual maturities and total outstanding athletic related to supporting documentation and the institution's general ledger, if applicable.	No exceptions noted.
53. **Total Institutional Debt**	
a. Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements, if available, or the institution's general ledger.	No exceptions noted.
54. **Value of Athletics Dedicated Endowments**	
a. Obtain a schedule of all athletics dedicated endowments maintained by athletics, the institution, and affiliated organizations. Agree the fair market value in the schedules(s) to supporting documentations, the general ledger(s) and audited financial statements, if available.	No exceptions noted.
55. **Value of Institutional Endowments**	
a. Agree the total fair market value of institutional endowments to supporting documentation, the institution's general ledger and/or audited financial statements, if available.	No exceptions noted.
56. **Total Athletics Related Capital Expenditures**	
a. Obtain a schedule of athletics related capital expenditures made by athletics, the institution, and affiliated organizations during the reporting period, additions only.	No exceptions noted.
b. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.

Agreed-Upon Procedures Related to Affiliated and Outside Organizations

Procedure

1. The Program shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the Program has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the Program shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

Results

The Program identified the University of Connecticut Foundation, Inc. (the Foundation) and the UConn Club, Inc. (the Club) as the only outside organizations making expenditures for, or on behalf of the Program or its employees. The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the University of Connecticut. For the year ended June 30, 2023, the Foundation recognized revenues of $7,132,761, expenses of $4,750,161, and capital expenditures of $2,382,600 on behalf of the Program. The Club did not recognize any revenues or expenses on behalf of the Program for the year ended June 30, 2023.

Finding

No exceptions noted.

Procedure

2. The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The Program's independent accountant shall also inquire of institutional and outside organization management as to corrective action taken in response to comments concerning internal control structure (if any).

Results

We obtained and read the audited financial statements of the Foundation for the year ended June 30, 2023, and the related management letters. The results of this procedure disclosed that the independent auditors expressed an unmodified opinion on the financial statements of the Foundation. The independent auditors noted no material weaknesses in the Foundation's internal control. The Club is not subject to an annual audit; however, we obtained and reviewed the compiled financial statements of the Club for the year ended June 30, 2023.

Finding

No exceptions noted.

We were engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement of Revenues and Expenses (Exhibit I) of the University and the accompanying notes to the Statement of Revenues and Expenses (Exhibit II). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

James Moore & Co., P.L.

Gainesville, Florida
December 4, 2023

UNIVERSITY OF CONNECTICUT
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)

		Football	Men's Basketball	Women's Basketball	Men's Ice Hockey	Other Sports	Nonprogram Specific	Total
Revenues								
1	Ticket sales	$ 1,721,094	$ 6,289,298	$ 2,788,440	$ 645,157	$ 316,330	$ 1,181,383	$ 12,941,702
2	Direct state or other government support	-	-	-	-	-	-	-
3	Student fees	-	-	-	-	-	5,591,805	5,591,805
4	Direct institutional support	-	-	-	-	-	30,232,092	30,232,092
5	Less - Transfers to institution	-	-	-	-	-	(664,008)	(664,008)
6	Indirect institutional support	-	-	-	-	-	-	-
6A	Indirect institutional support - athletic facilities debt service, leases and rental fees	-	-	-	-	-	2,848,566	2,848,566
7	Guarantees	2,952,000	-	125,000	59,520	38,508	-	3,175,028
8	Contributions	949,070	1,338,839	974,134	254,230	2,335,218	11,889,613	17,741,104
9	In-kind	-	-	-	-	-	-	-
10	Compensation and benefits provided by a third-party	-	-	-	-	-	-	-
11	Media rights	-	-	-	-	-	1,680,000	1,680,000
12	NCAA distributions	-	321,750	96,868	-	142,505	2,300,272	2,861,395
13	Conference distributions (non media and non football bowl)	314,394	2,500,000	215,000	10,000	70,000	1,128,000	4,237,394
13A	Conference distributions of football bowl generated revenue	-	-	-	-	-	-	-
14	Program, novelty, parking and concession sales	-	167,607	100,777	43,557	59,394	192,205	563,540
15	Royalties, licensing, advertisement and sponsorships	-	-	-	-	-	10,583,732	10,583,732
16	Sports camp revenues	3,332	-	-	-	10,524	636	14,492
17	Athletics restricted endowment and investments income	799	4,066	-	-	102,422	130,102	237,389
18	Other operating revenue	26,875	9,200	130,618	21,210	96,308	736,966	1,021,177
19	Football bowl revenues	50,000	-	-	-	-	-	50,000
	Total operating revenues	6,017,564	10,630,760	4,430,837	1,033,674	3,171,209	67,831,364	93,115,408
Expenses								
20	Athletic student aid	$ 3,500,130	$ 616,544	$ 583,609	$ 827,503	$ 6,513,533	$ 543,343	$ 12,584,662
21	Guarantees	1,250,000	492,261	47,500	-	10,200	-	1,799,961
22	Coaching salaries, benefits and bonuses paid by the university and related entities	4,232,569	5,855,824	5,144,552	933,646	5,915,792	-	22,082,383
23	Coaching salaries, benefits and bonuses paid by a third-party	-	-	-	-	-	-	-
24	Support staff/administrative compensation, benefits and bonuses paid by the university and related entities	2,602,894	662,728	807,731	175,953	20,580	10,297,541	14,567,427
25	Support staff/administrative compensation, benefits and bonuses paid by a third-party	-	-	-	-	-	-	-
26	Severance payments	352,717	44,750	-	-	-	-	397,467
27	Recruiting	525,047	744,942	515,879	72,423	433,152	-	2,291,443
28	Team travel	2,328,320	2,871,229	1,764,962	284,372	4,017,199	164,328	11,430,410
29	Sports equipment, uniforms and supplies	703,887	171,447	167,444	183,721	1,224,841	357,369	2,808,709
30	Game expenses	1,352,222	716,340	672,058	339,318	611,568	10,021	3,701,527
31	Fund raising, marketing and promotion	-	-	-	-	-	732,893	732,893
32	Sports camp expenses	-	-	-	-	-	-	-
33	Spirit groups	52,300	50,941	22,032	-	-	31,158	156,431
34	Athletic facilities debt service, leases and rental fees	1,041,849	324,000	283,500	246,000	-	5,619,809	7,515,158
35	Direct overhead and administrative expenses	236,905	228,478	50,032	9,673	114,194	334,126	973,408
36	Indirect institutional support	-	-	-	-	-	-	-
37	Medical expenses and insurance	25,855	4,543	11,495	5,625	25,108	1,393,410	1,466,036
38	Memberships and dues	1,200	970	1,345	40,650	52,105	28,173	124,443
39	Student-athlete meals (non-travel)	13,672	4,081	10,693	887	10,698	376,518	416,549
40	Other operating expenses	610,851	1,104,803	385,440	51,133	608,175	3,669,669	6,430,071
41	Football bowl expenses	922,882	-	-	-	-	-	922,882
41A	Football bowl expenses - coaches compensation/bonuses	317,043	-	-	-	-	-	317,043
	Total operating expenses	20,070,343	13,893,881	10,468,272	3,170,904	19,557,145	23,558,358	90,718,903
Results of operations		$ (14,052,779)	$ (3,263,121)	$ (6,037,435)	$ (2,137,230)	$ (16,385,936)	$ 44,273,006	$ 2,396,505
50	Excess transfers to institution							-
56	Total athletics related capital expenditures							2,591,598
Excess (deficiency) of revenues over (under) expenses								$ (195,093)
Other reported items								
51	Conference realignment expenses							$ 1,292,910
52	Total athletics related debt							$ 58,797,445
53	Total institutional debt							$ 1,989,828,315
54	Value of athletics dedicated endowments							$ 57,224,692
55	Value of institutional endowments							$ 456,683,032

- See accompanying notes to statement of revenues and expenses -

UNIVERSITY OF CONNECTICUT
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)

(1) **Basis of Accounting:**

The accompanying Statement of Revenues and Expenses of the University of Connecticut (the University) Intercollegiate Athletics Program (the Program) has been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

(2) **Capital Assets:**

Capital asset purchases of the Program are recorded as expenditures when incurred, as capital assets are recorded in the property funds of the University, and are not recorded as assets in the Program's accounting records. As such, no depreciation expense is recorded in the Program's accounting records.

(3) **Contributions:**

The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Program. Contributions of $17,741,104 were recognized from the Foundation for the year ended June 30, 2023, and have been included in the accompanying statement of revenues and expenses. Contributions received from the Foundation were the only contributions exceeding 10% of total contributions, as reported in the statement of revenues and expenses, for the year ended June 30, 2023.

(4) **Debt:**

In March 2018, the University issued the 2018 Series A Special Obligation Student Fee Revenue Bonds, which included proceeds of $24,290,000 to fund the construction and infrastructure of athletic stadia. Principal payments are due annually beginning in November of 2018, with a maturity date of November 15, 2047. Interest payments are due semiannually, with interest rates ranging from 3.0% to 5.25%.

In July 2019, the University accepted an invitation to join the Big East Conference, effective June 30, 2020. As part of the conference realignment, the University agreed to pay a $17,000,000 exit fee to the American Athletic Conference (AAC). In lieu of a cash payment, the AAC retained the University's share of AAC conference distributions and media rights revenues of $5,171,007 and $4,071,532, for the years ended June 30, 2019 and 2020, respectively. The University and the AAC agreed to an arrangement where the University is to pay the remaining exit fee payable of $7,193,517 over six years pursuant to a noninterest bearing exit fee arrangement. The agreement terms include annual payments of $1,292,910 beginning on July 1, 2021 and ending on July 1, 2026. The University imputed interest on the exit fee arrangement at 2.2%, assigning $563,943 of the $7,757,461 payable to interest and the remaining $7,193,517 as principal.

In April 2013, the Foundation entered into a loan agreement with the Connecticut Health and Education Facilities Authority to issue $20,000,000 of Series C Revenue Bonds, the proceeds of which were used to fund the construction of the Werth Family UConn Basketball Champions Center on the University of Connecticut campus in Storrs. Principal and interest payments, made by the Foundation, are due annually on April 1st each year through 2023, with interest rates ranging from 1.9% to 2.30%. In October 2022, the Foundation repaid the outstanding balance on the bonds.

UNIVERSITY OF CONNECTICUT
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES)

(4) **Debt:** (Continued)

The following is a schedule of future principal and interest payments for long term debt as of June 30, 2023:

Fiscal Year Ending June 30,	Long Term Debt		Total Principal and Interest
	Principal	Interest	
2024	$ 1,655,127	$ 1,195,564	$ 2,850,691
2025	1,701,199	1,147,942	2,849,141
2026	1,752,846	1,098,620	2,851,466
2027	1,805,078	1,045,014	2,850,092
2028	570,000	989,431	1,559,431
2029-2033	3,305,000	4,484,922	7,789,922
2034-2038	4,190,000	3,599,106	7,789,106
2039-2043	5,320,000	2,466,156	7,786,156
2044-2048	6,845,000	934,406	7,779,406
Total	$ 27,144,250	$ 16,961,161	$ 44,105,411

The Program has entered into internal loan agreements with the University to fund multiple capital projects. The internal loans will be repaid at various timeframes by gifts received by the Foundation or other revenues.

The following is a schedule of the internal loan agreements as of June 30, 2023:

	Balance June 30, 2023
Stadia	$ 5,302,428
Hockey arena	23,742,550
Werth Hall of Fame	1,700,000
Werth Dining Hall	908,217
Total Internal Loans	$ 31,653,195

(5) **Surplus/Deficit Allocations:**

The Program is allowed to carry forward all available funds at the end of each fiscal year to the next fiscal year. Deficits are funded by the Program to the extent there is sufficient net position available.

Exhibit III

SUPPLEMENT TO STATEMENT OF REVENUES AND EXPENSES
VARIANCE ANALYSIS OF THE TOTAL REVENUES AND EXPENSES
TO PRIOR PERIOD AMOUNTS AND BUDGET ESTIMATES
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES)

		2023	2022	$ Variance	% Variance	Variance Explanation
Revenues						
1	Ticket Sales	$ 12,941,702	$ 9,747,824	$ 3,193,878	32.77%	This increase was due to success in the Football, Men's Basketball, and Women's Basketball programs during the FY23.
4	Direct Institutional Support	$ 30,232,092	$ 46,508,014	$ (16,275,922)	-35.00%	This decrease was due to the Program reducing spending during FY23 and a one-time payment of $13.4 million that occurred during FY22.
8	Contributions	$ 17,741,104	$ 13,614,836	$ 4,126,268	30.31%	This increase was due to the Program utilizing more contributions during FY23 to pay for athletes' student aid and ongoing construction projects.
Expenses						
22	Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	$ 22,082,383	$ 19,716,629	$ 2,365,754	12.00%	This increase was the result of contractual obligations, union mandated increases, and additional compensation payments due to the success of the Program's teams during FY23.
28	Team Travel	$ 11,430,410	$ 7,894,203	$ 3,536,207	44.79%	This increase was due to additional travel costs as a result of team successess during the FY2023. The Football team advanced to the Myrtle Beach Bowl and the Men's Basketball team won the NCAA National Championship.

Note 1: The budget estimates for the University of Connecticut are not prepared in a format consistent with the revenue and expense categories specified by the NCAA. Thus, the variance analysis of total revenues and expenses to the budget estimates for the year ended June 30, 2023, could not be performed.

ATTACHMENT 2.5

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University of Connecticut Health Center

2023 Audit Results for John Dempsey Hospital, UConn Medical Group, and the Finance Corporation

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Required Communications

Our Responsibility under Generally Accepted Auditing Standards

- Express an opinion on the fair presentation of the financial statements in conformity with GAAP
- Plan and perform the audit to obtain reasonable, non absolute assurance that the financial statements are free of material misstatement
- Evaluate internal control over financial reporting
- Utilize a risk-based audit approach
- Communicate significant matters to appropriate parties

Planned Scope and Timing of the Audit

- Performed the audit as previously communicated

Other Information in Documents Containing the Audited Financial Statements

- Financial statements may only be used in their entirety
- Our approval is required to use our audit report in a client prepared document
- We have no responsibility to perform procedures beyond those related to the financial statements

Significant Accounting Policies

- Management is responsible for the accounting policies of the organization
- Accounting policies are outlined in the financial statements
- No significant changes to the accounting policies during the year, with the exception of GASB 96
- Accounting policies deemed appropriate
- No unusual transactions occurred

Significant Financial Statement Disclosures

- No significant risks, exposures, or uncertainties.
- No unusual transactions and disclosures are neutral, consistent, and clear

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Required Communications - Continued

Significant Accounting Estimates

- An area of focus under a risk-based audit approach
- Significant estimates include: contractual allowances and allowances for bad debts, depreciable lives of fixed assets, net pension/OPEB liability and deferred inflows and outflows, provider relief funds, and third-party payor settlement estimates
- Estimates determined by management based on their knowledge and experience
- No management bias indicated
- Estimates were deemed reasonable
- Estimate uncertainty is disclosed in the financial statements

Significant Transactions

- Adoption of GASB 96 – Subscription-based Information Technology Agreements

Supplemental Information

- Managements Discussion and Analysis
- The Schedule of Changes in the Hospital's Net Position Liability and Related Ratios, the Schedule of Pension Contributions, the Schedule of Changes in the Hospital's Net OPEB Liability and Related Ratios, the Schedule of the Hospital's Proportionate Share of the Net OPEB Liability, and the Schedule of the Hospital's OPEB Contributions
- (FC): Consolidating Statements of Net Position, Consolidating Statements of Revenues, Expenses, Changes in Net Position
- Engaged to report in relation to the financial statements as a whole
- Supplemental information included in financial statements not required part of audit, not subject to audit procedures
- Required supplemental information limited audit procedures

Management Representation Letter

- Management provided signed representation letters (JDH, UMG, FC) dated November 21, 2023

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Required Communications - Continued

Other

- No difficulties encountered in performing the audit
- No issues discussed prior to retention as independent auditors
- No disagreements with management regarding accounting, reporting, or other matters
- No consultations with other independent auditors, other than initial audit review
- No other findings or issues were discussed with, or communicated to, management

Corrected and Uncorrected Adjustments

- Various client prepared adjustments
- No uncorrected adjustments

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Internal Control Communication

Purpose

- Express an opinion on the financial statements, not on the effectiveness of internal controls.
- Our consideration of internal controls was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls.

Material Weakness

- Reasonable possibility that a material misstatement would not be prevented, or detected and corrected on a timely basis.

Significant Deficiencies

- Less significant than a material weakness, yet important enough to merit the attention of governance.

Restricted Use

- This communication is intended solely for the information and use of management, the audit committee, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Material Weaknesses Identified:

- No material weaknesses identified

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Internal Control Communication

General Comments and Recommendations

Account Reconciliation

The Hospital and UMG both underwent substantial accounting changes and restatements due to the current year adoption of GASB 96 (subscription-based technology agreements), and additional changes impacting prior year's adoption of GASB 87 (leases). As a result of our audit procedures and testing, there was an asset component relating to GASB 96 that was capitalized and included in property and equipment on the balance sheet, while also generating depreciation, and included in the Right-of-Use asset balance. Thus, this asset was double booked on the balance sheet. Management provided us with an adjusting entry correcting the asset balances on the Hospital and UMG. We recommend that the Organization continue to review reconciliations for accuracy, especially in areas that may be impacted by new accounting pronouncements during years of adoptions.

Related Party Lease Agreements

The Finance Corporation has leasing arrangements to related parties of UConn Health (JDH and UMG). These leasing arrangements surround the outpatient pavilion and the MSI building, which consist of arrangements for clinical space needs and strategic opportunities. We recommend that the Finance Corporation and UConn Health have formalized leasing agreements with legally enforceable terms and conditions stipulated and agreed upon, similar to arrangements entered into by any non-related party.

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Financial Highlights

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Financial Highlights

John Dempsey Hospital Statements of Net Position

- Restatement in 2022 due to GASB 96 adoption

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 8,177,490	$ 33,394,100
Patient accounts receivable, net of estimated uncollectibles of $27,453,960 and $35,489,396 at June 30, 2023 and 2022, respectively	54,512,073	51,303,763
Inventory	15,320,803	15,855,937
Contract and other receivables (note 6)	4,858,538	7,721,800
Lease receivable, current portion (note 6)	2,215,086	2,212,716
Due from State of Connecticut	222,603	11,573,542
Due from other funds	-	7,803,086
Due from UMG	3,244,811	306,193
Due from Finance Corporation	4,641,730	12,212,559
Prepaid expenses	1,852,657	1,310,615
Total Current Assets	95,045,791	143,694,311
Noncurrent Assets		
Deposits with vendors (note 1)	11,125,119	10,051,624
Other assets	117,543	117,543
Lease receivable, net of current portion (note 6)	2,030,495	4,245,581
Due from Finance Corporation, noncurrent portion	12,007,648	-
Property - right-to-use assets, net (note 8)	93,083,090	106,277,212
Capital and intangible assets, net (note 8)	306,271,612	315,345,371
Total Noncurrent Assets	424,635,507	436,037,331
Total Assets	519,681,298	579,731,642
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	168,793,761	163,359,909
Deferred amount for OPEB (note 10)	128,736,254	161,056,641
Total Deferred Outflows of Resources	$ 297,530,015	$ 324,416,550

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Financial Highlights

John Dempsey Hospital Statements of Net Position (Continued)

- Restatement in 2022 due to GASB 96 adoption

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 22,944,901	$ 23,248,665
Accrued payroll	8,848,291	17,912,350
Due to UConn Health Malpractice Fund	534,630	188,376
Due to other funds	3,786,683	-
Due to State of Connecticut	2,597,889	13,031,941
Due to third-party payors	23,426,706	46,246,397
Unearned revenue	4,419	4,419
Right-to-use liabilities, current portion (note 9)	11,181,983	11,444,359
Note payable, current portion (note 9)	2,917	35,451
Accrued compensated absences, current portion (note 9)	9,157,394	7,453,619
Total Current Liabilities	82,485,813	119,565,577
Noncurrent Liabilities		
Pension liabilities (note 10)	340,558,863	440,127,362
OPEB liabilities (note 10)	430,420,277	532,039,723
Right-to-use liabilities, net of current portion (note 9)	93,003,766	101,467,103
Note payable, net of current portion (note 9)	-	19,237
Accrued compensated absences, net of current portion (note 9)	11,485,965	10,783,765
Total Noncurrent Liabilities	875,468,871	1,084,437,190
Total Liabilities	957,954,684	1,204,002,767
Deferred Inflows of Resources		
Deferred amount for resources right-to-use assets	4,245,581	6,460,667
Deferred amount for pensions (note 10)	91,281,759	32,024,982
Deferred amount for OPEB (note 10)	198,677,634	130,125,778
Total Deferred Inflows of Resources	294,204,974	168,611,427
Net Position		
Net investment in capital assets	295,166,036	311,549,711
Unrestricted deficit	(730,114,381)	(780,015,713)
Total Net Position	$ (434,948,345)	$ (468,466,002)

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Financial Highlights

John Dempsey Hospital Statements of Revenue, Expenses and Changes in Net Position

- Restatement in 2022 due to GASB 96 adoption

	2023	2022 (Restated)
Operating Revenues		
Net patient service revenues (note 5)	$ 590,258,174	$ 533,884,633
Contract and other revenues	108,858,424	83,553,215
Total Operating Revenues	699,116,598	617,437,848
Operating Expenses		
Salaries and wages	233,913,029	202,595,954
Fringe benefits	121,088,632	212,980,057
Medical/dental house staff	3,695,641	2,743,421
Medical contractual support	2,439,996	338,011
Internal contractual support	43,580,737	46,273,076
Outside agency per diems	28,416,824	13,305,408
Depreciation (note 8)	19,118,955	18,593,755
Amortization (note 8)	17,532,514	16,455,626
Pharmaceutical/medical supplies	174,402,492	156,679,700
Utilities	5,763,274	5,590,825
Outside and other purchased services	57,546,671	52,416,711
Insurance	5,815,120	4,267,211
Repairs and maintenance	12,614,499	11,801,479
Other expenses	5,987,032	5,735,349
Total Operating Expenses	731,915,416	749,776,583
Operating Loss	(32,798,818)	(132,338,735)
Nonoperating Revenues (Expenses)		
Gift and endowment income	95,000	204,000
COVID-19 relief revenue	196,693	9,134,040
Interest income	197,212	267,334
Lease revenue	2,215,086	2,264,325
Interest expense	(4,981,464)	(4,250,823)
Loss on disposals	(35,580)	(82,883)
Net Nonoperating Revenues	(2,313,053)	7,535,993
Loss before Transfers	(35,111,871)	(124,802,742)
Transfers from UConn Health - Unrestricted (note 11)	86,511,361	127,685,703
Transfers to UConn Health (note 11)	(17,881,833)	(71,169,514)
Increase (Decrease) in Net Position	33,517,657	(68,286,553)
Net Position - Beginning of year	(468,466,002)	(399,921,402)
Cumulative effect of change in accounting method - GASB 87	-	(258,047)
Net Position - Beginning of year	(468,466,002)	(400,179,449)
Net Position - End of year	$ (434,948,345)	$ (468,466,002)

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Financial Highlights

UConn Medical Group Statements of Net Position

- Restatement in 2022 due to GASB 96 adoption

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 2,271,875	$ -
Patient accounts receivable, net of estimated uncollectibles of $4,844,729 and $6,851,293 at June 30, 2023 and 2022, respectively	9,035,644	8,576,272
Inventory	1,268,655	982,798
Contract and other receivables (note 6)	6,653,689	6,202,346
Lease receivable, current (note 4)	49,563	55,675
Due from other funds	21,536	711,851
Due from State of Connecticut	178,409	5,318,791
Prepaid expenses	28,409	27,582
Total Current Assets	19,507,780	21,875,315
Noncurrent Assets		
Lease receivable, net of current portion (note 4)	28,912	78,475
Right-to-use assets, net (note 9)	91,405,851	99,918,002
Capital and intangible assets, net (note 9)	14,756,166	12,427,735
Total Noncurrent Assets	106,190,929	112,424,212
Total Assets	125,698,709	134,299,527
Deferred Outflows of Resources		
Deferred amount for pensions (note 11)	81,123,747	84,136,265
Deferred amount for OPEB (note 11)	72,845,763	99,381,835
Total Deferred Outflows of Resources	$ 153,969,510	$ 183,518,100

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Financial Highlights

UConn Medical Group Statements of Net Position (Continued)

- Restatement in 2022 due to GASB 96 adoption

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Cash overdraft	$ -	$ 9,677,060
Accounts payable and accrued expenses	2,810,102	2,689,893
Accrued payroll	5,356,403	12,229,265
Due to State of Connecticut	1,215,491	6,956,254
Due to UConn Health Malpractice Fund (note 1)	35,587	12,539
Due to John Dempsey Hospital (note 12)	3,244,811	306,193
Due to Finance Corporation	617,544	545,517
Due to Central Administrative Services	25,558	-
Right-to-use liabilities, current portion (note 10)	6,408,427	6,685,690
Accrued compensated absences, current portion (note 10)	4,156,967	3,523,666
Total Current Liabilities	23,870,890	42,626,077
Noncurrent Liabilities		
Pension liabilities (note 11)	164,828,924	218,638,387
OPEB liabilities (note 11)	240,823,701	300,576,329
Right-to-use liabilities (note 10)	91,757,766	97,588,613
Accrued compensated absences, net of current portion (note 10)	5,214,014	5,097,978
Total Noncurrent Liabilities	502,624,405	621,901,307
Total Liabilities	526,495,295	664,527,384
Deferred Inflows of Resources		
Deferred amount for right-to-use assets	78,475	130,149
Deferred amount for pensions (note 11)	48,683,395	15,953,643
Deferred amount for OPEB (note 11)	111,161,777	73,514,677
Total Deferred Inflows of Resources	159,923,647	89,598,469
Net Position		
Net investment in capital assets	7,995,824	8,071,434
Unrestricted deficit	(414,746,547)	(444,379,660)
Total Net Position	$ (406,750,723)	$ (436,308,226)

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Financial Highlights

UConn Medical Group Statements of Revenue, Expenses and Changes in Net Position

- Restatement in 2022 due to GASB 96 adoption

	2023	2022 (Restated)
Operating Revenues		
Net patient service revenues (note 3)	$ 129,557,250	$ 123,774,850
Contract and other revenues	8,653,886	16,995,950
Total Operating Revenues	138,211,136	140,770,800
Operating Expenses		
Salaries and wages	135,717,462	130,876,360
Fringe benefits	63,221,400	113,137,637
Medical contractual support	1,516,192	2,771,047
Internal contractual support	1,535,001	1,886,549
Outside agency per diems	1,253,309	1,311,871
Depreciation (note 9)	2,199,920	2,039,412
Amortization (note 9)	9,451,484	9,129,022
Pharmaceutical/medical supplies	9,799,148	8,745,742
Utilities	2,454,222	2,418,891
Outside and other purchased services	14,595,619	12,271,311
Insurance	554,018	523,463
Repairs and maintenance	3,531,272	3,577,296
Other expenses	1,539,875	1,696,770
Total Operating Expenses	247,368,922	290,385,371
Operating Loss	(109,157,786)	(149,614,571)
Nonoperating Revenues (Expenses)		
COVID-19 relief revenue	-	5,927,938
Interest expense	(4,691,605)	(4,509,918)
Interest income	3,938	1,409
Lease revenue	51,675	52,877
Loss on disposals (note 9)	(960)	(2,843)
Net Nonoperating Revenues (Expenses)	(4,636,952)	1,469,463
Loss before Transfers	(113,794,738)	(148,145,108)
Net Transfers from UConn Health - Unrestricted (note 12)	143,352,241	103,738,133
Increase(Decrease) in Net Position	29,557,503	(44,406,975)
Net Position - Beginning of year **(as restated)**	(436,308,226)	(391,904,414)
Cumulative effect of change in Accounting method GASB 87	-	3,163
Net Position - Beginning of year	(436,308,226)	(391,901,251)
Net Position - End of year	$ (406,750,723)	$ (436,308,226)

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Financial Highlights

Finance Corporation Statements of Net Position

- Restatement in 2022 due to update in leasing software causing changes for GASB 87 (PY adoption)

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 15,915,421	$ 6,540,423
Malpractice Fund	778,942	568,424
Pharmaceutical accounts receivable, net (note 7)	3,609,689	3,920,747
Lease receivable - current portion (note 2)	1,775,505	1,809,386
Inventory	2,986,435	1,913,944
Due from UConn Medical Group (note 5)	617,544	545,517
Prepaid expenses	799	-
Net investment in direct financing lease, current portion (note 6)	4,028,844	4,112,746
Total Current Assets	29,713,179	19,411,187
Noncurrent Assets		
Deposits with vendors	12,007,648	7,583,784
Lease receivable - net of current portion (note 2)	1,095,480	2,853,492
Investment in subsidiaries	1,375,000	-
Net investment in direct financing lease, net of current portion (note 6)	171,067,095	174,791,204
Property - right-to-use assets, net (note 3)	532,043	652,954
Capital assets, net (note 3)	22,478,171	23,235,749
Total Noncurrent Assets	208,555,437	209,117,183
Total Assets	$ 238,268,616	$ 228,528,370

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Financial Highlights

Finance Corporation Statements of Net Position (Continued)

- Restatement in 2022 due to update in leasing software causing changes for GASB 87 (PY adoption)

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,991,773	$ 4,269,276
Due to UConn Health - Malpractice Fund (note 5)	778,942	568,424
Due to UConn Health (note 5)	2,321,675	2,539,919
Due to John Dempsey Hospital, current portion (note 5)	4,641,730	12,212,558
Due to third party payors	1,963,898	-
Advances for construction	6,619	6,619
Security deposits	2,229	2,229
Lease payable, current portion (note 4)	137,525	111,752
Loans payable, current portion (note 4)	8,288,841	7,873,092
Total Current Liabilities	24,133,232	27,583,869
Noncurrent Liabilities		
Due to John Dempsey Hospital, net of current portion	12,007,648	-
Lease payable, net of current portion (note 4)	522,910	660,435
Loans payable, net of current portion (note 4)	154,919,174	163,208,013
Total Noncurrent Liabilities	167,449,732	163,868,448
Total Liabilities	191,582,964	191,452,317
Deferred Inflows		
Deferred inflows - right-to-use assets	2,870,985	4,646,489
Net Position		
Net investment in capital assets	34,237,703	31,038,357
Unrestricted net assets	9,576,964	1,391,207
Total Net Position	43,814,667	32,429,564
Total Liabilities, Deferred Inflows and Net Position	$ 238,268,616	$ 228,528,370

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Financial Highlights

Financial Corporation Statements of Revenue, Expenses and Changes in Net Position

- Restatement in 2022 due to update in leasing software causing changes for GASB 87 (PY adoption)

	2023	2022 (Restated)
Operating Revenues		
Interest income from right-to-use assets	$ 255,081	$ 359,002
Lease revenue from right-to-use assets	1,774,805	1,803,609
Interest income from direct financing lease	10,171,221	10,382,334
Contract and other income	1,025,232	1,038,737
Pharmaceutical revenue, net (note 7)	111,329,599	75,368,565
Total Operating Revenues	124,555,938	88,952,247
Operating Expenses		
Professional services	42,813	25,274
Internal contractual support	2,033,041	1,088,904
Outside agency per diems	8,209,706	5,781,714
Pharmaceuticals/medical supplies	104,139,390	69,855,291
Equipment and software leases	88,455	71,574
Insurance	750	750
Repairs and maintenance	-	1,377
Interest expense	8,118,817	8,501,358
Depreciation	757,578	756,342
Amortization - right-to-use assets	120,911	147,578
Other	22,482	50,513
Total Operating Expenses	123,533,943	86,280,675
Operating Income	1,021,995	2,671,572
Nonoperating Expense		
Loan servicing fees	(11,892)	(11,042)
Total Nonoperating Expense	(11,892)	(11,042)
Gain before transfers	1,010,103	2,660,530
Net Transfers from UConn Health - Unrestricted (note 5)	10,375,000	-
Increase in Net Position	11,385,103	2,660,530
Net Position - Beginning of year **(as previously stated)**	32,429,564	30,121,870
Cumulative effect of change in accounting method GASB 87	-	(352,836)
Net Position - Beginning of year **(as restated)**	32,429,564	29,769,034
Net Position - Ending	$ 43,814,667	$ 32,429,564

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2023 Industry Trends

Understanding growth in health care spending, and what's at risk for providers in the coming year.

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Trends in National Health Care & Medicare FFS Spending

A Financial Profile of Health Care in the United States

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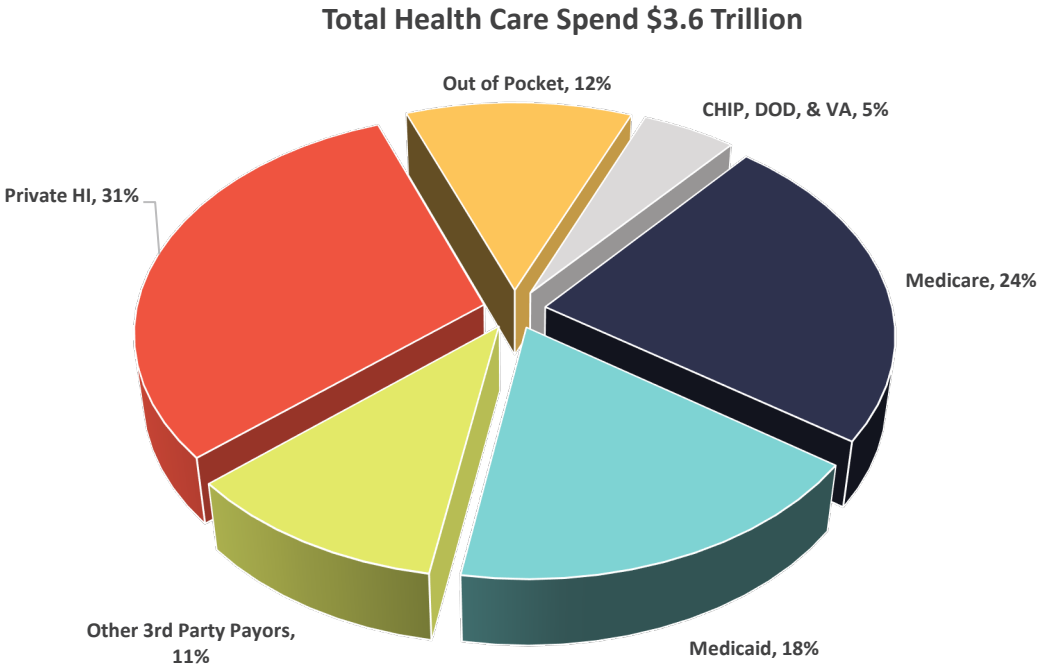
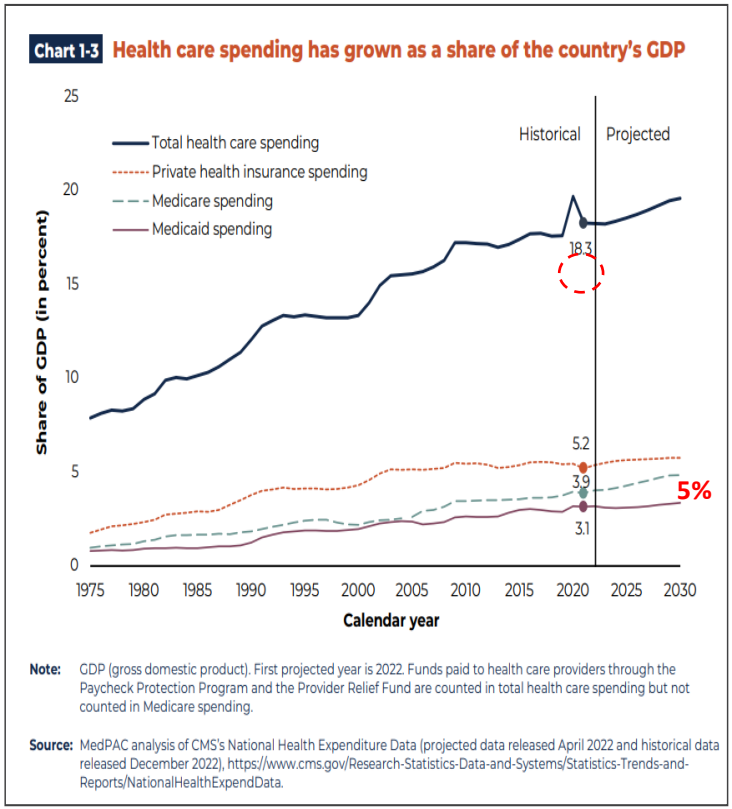
Federal Gov't Accounts for 47% of $3.6T in Health Care Spending in 2021*



** Source: 2023 MedPAC Data Book, based on 2021 data, available at www.medpac.gov/document-type/data-book*

Health Care Spending as a Percent of GDP



- Health care spending hit a peak of 19.7% of GDP in 2020, due to one-time Gov't payments as a result of COVID-19 Pandemic.
- In 2021, spending dropped to an estimated 18.3% of GDP.
- Medicare spending doubled from 2008 – 2022 from $455B to $918B and is projected to double again by 2032 hitting $1.9T or 5% of GDP.
- By comparison, in 1975 Medicare spending as a percent of GDP was about 1%.
- MedPAC Trustee's estimate the average annual increase in Medicare spending will be about 7.5% over the next 10 years.

**** Source: 2023 MedPAC Data Book, based on 2021 data, available at www.medpac.gov/document-type/data-book***

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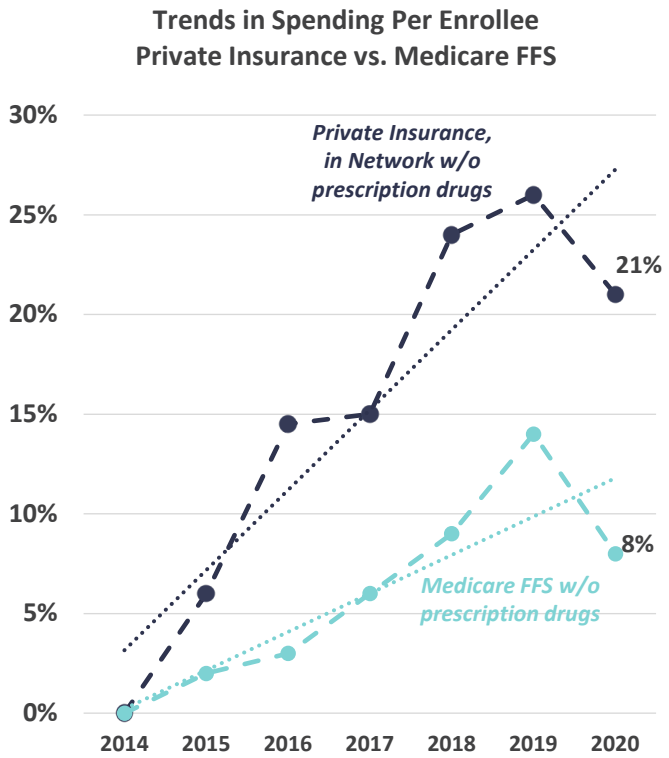
Health Care Spending Per Enrollee*



- Growth in health care spending for those with private insurance has increased proportionately faster than Medicare FFS spending.
- As depicted at left, from 2014 to 2020, private insurance spending per enrollee has grown at a rate of 21% compared to 8% for Medicare FFS**.
- Unlike Medicare FFS which has the ability to administratively set prices for many health care services, private insurance is impacted significantly by changes in price. Price increases were largely responsible for spending growth in private insurance.
- Hospital & physician consolidation is believed to be the cause for high prices as consolidation creates increased provider market power, which in turn leads to greater leverage in contract negotiations.

** Source: 2023 MedPAC Data Book, based on 2021 data, available at www.medpac.gov/document-type/data-book*

** * Spending includes payments to providers from health insurance and patients, but not from other sources (e.g., workers compensation or auto insurance. Spending for retail prescription drugs was not available and therefore not included.*

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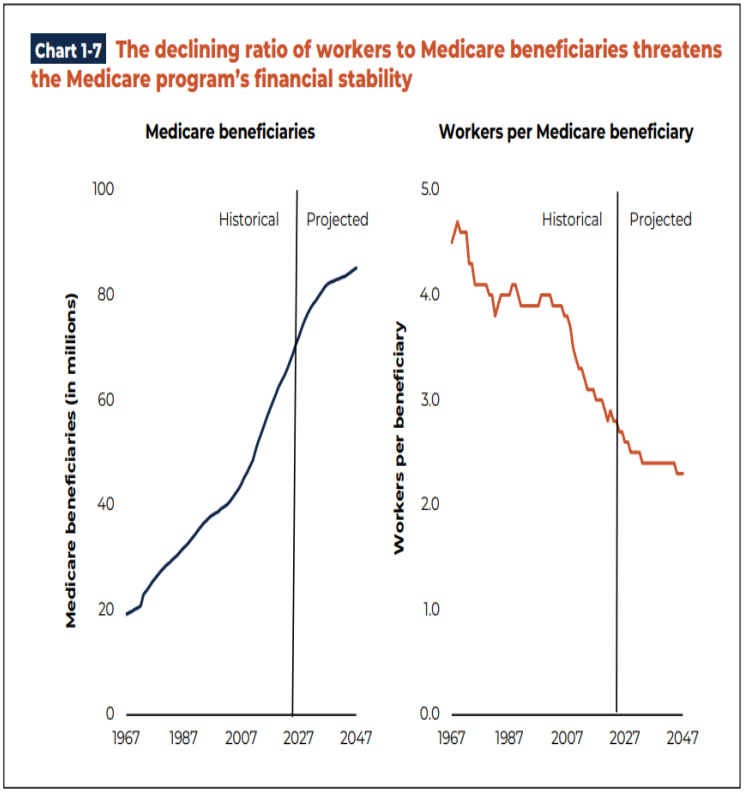
Declining Work Force vs. Growth in Medicare Population Creates Funding Challenges



** Source: 2023 MedPAC Data Book, based on 2021 data, available at www.medpac.gov/document-type/data-book*

- As the baby boomer generation ages, enrollment in the Medicare program is surging.
- By 2029, all baby boomers will have reached the age of eligibility for the Medicare program, and 75 million beneficiaries are expected to have Medicare Part A Hospital Insurance—up from 65 million beneficiaries in 2022.
- While Medicare enrollment is rising, the number of workers per beneficiary is declining rapidly.
- Per beneficiary work force has declined from 4.5 workers (1967) to 2.9 workers per beneficiary in 2022 with projections to decrease further to 2.5 workers by 2029.
- Medicare Part A Hospital Insurance is largely financed by workers' Medicare payroll taxes, so a declining workforce creates significant financial challenges for the program.

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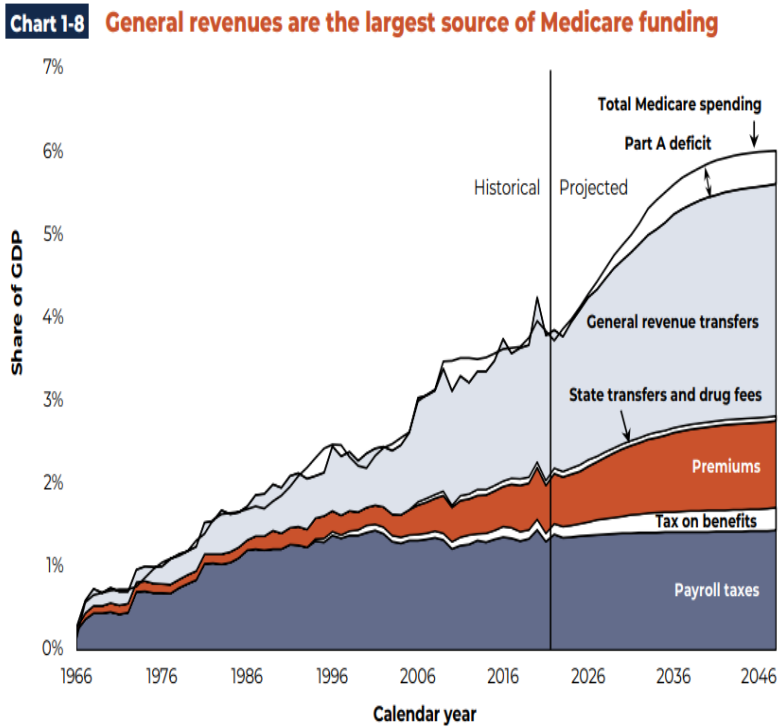
Medicare Part A Solvency Remains Concern



***Source: 2023 MedPAC Data Book, based on 2021 data, available at** www.medpac.gov/document-type/data-book*

** The Congressional Budget Office (CBO) projects it will take longer for the Trust Fund to become insolvent, sometime after its 10-year budget projection window which goes through 2033.

- Trend of declining workforce, growth in Medicare enrollment and spending has created gaps in funding for Medicare Part A.
- As depicted at left, the Federal Government has had to shift increasing amounts of General Fund Revenues to cover Medicare spending that out paces payroll taxes and premiums paid by beneficiaries. By 2009 these transfers became the largest funding source for Medicare Part A.
- MedPAC estimates that annual deficits in the coming years will cause the Part A Trust Fund to be zero dollars by 2031, leaving Medicare with enough funds to cover approximately 89% of incurred Part A costs in that year**.
- To keep the Trust Fund solvent for the next 25 years, MedPAC believes payroll taxes need to be increased immediately from 2.9% to 3.6% or implement permanent spending reductions of 15.6%, or some combination of the two.

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Provider Implications of Rising Health Care Spending

The "Levers" the Federal Government Can "Pull" to Control Spending

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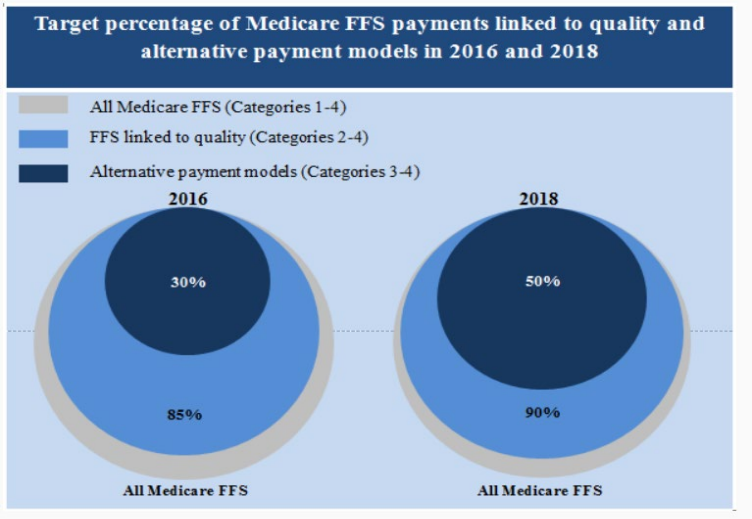
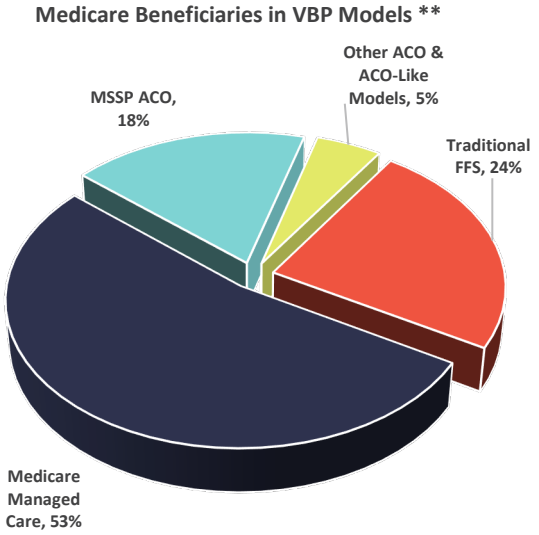
Evolution of Alternative Payment Models (APM)

- The passage of The Affordable Care Act (ACA) signaled a new direction for health care, with overarching goals of maintaining or improving the quality while reducing the cost of health care.
- In 2015 CMS established a goal of having 90% of Medicare payments linked to some form of "value-based payment" model, with 50% of those payments being in an APM built on FFS architecture or population-based payment.
- As of 2021, of the 59.8 million Medicare beneficiaries 76% of them are in a Medicare Managed Care or an ACO model.
- While not entirely an "apples-to-apples" comparison, it is clear CMS had significantly advanced it VBP payment model strategy since it's inception.



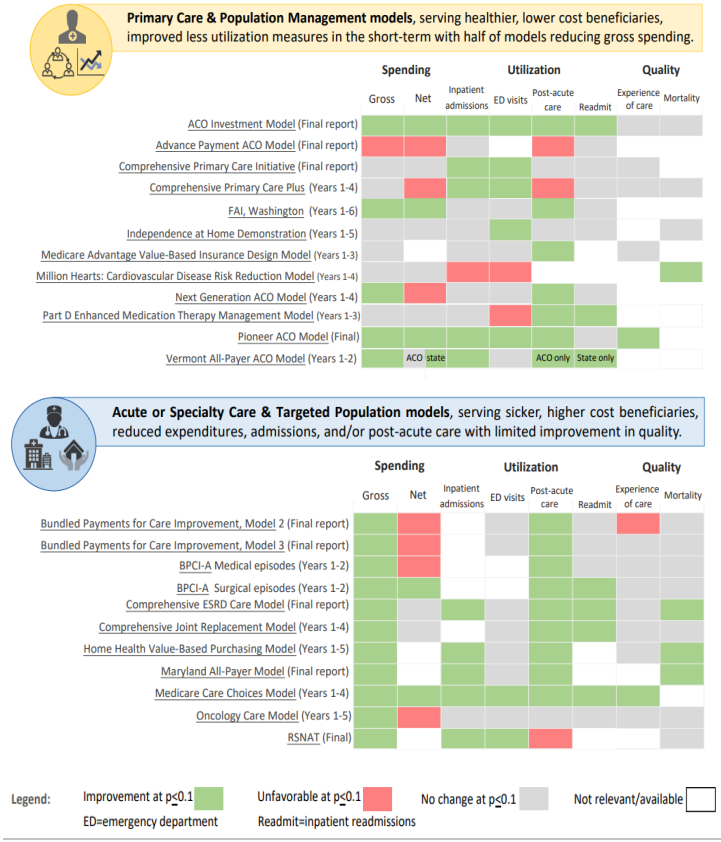
*Source: https://www.cms.gov/newsroom/fact-sheets/better-care-smarter-spending-healthier-people-paying-providers-value-not-volume



** Source: 2023 MedPAC Data Book, based on 2021 data, available at www.medpac.gov/document-type/data-book

APM Results to Date *

- CMS evaluation of 21 models operating from 2012 – 2020 noting across all models:
  - 14 demonstrated "gross savings" driven by reduced utilization & spending in IP admissions and/or more efficient post-acute care.
  - For models with incentives paid, 6 realized net savings, while 6 incurred net losses.
  - 10 models reduced IP admissions
  - 14 models improved post-acute care
  - 7 reduced ED visits and/or IP readmissions
  - 4 models had unfavorable increases in care
  - Quality of care has remained the same w/a few examples of improvement
  - Patient experience remained largely unchanged based on self-reported data.
- Primary Care & ACOs reflected smaller declines in spending and other outcomes.
- Acute or Specialty Care & Targeted Populations models produced large effects due to high-cost beneficiaries using targeted services.



** CMS CMMI "Synthesis of Evaluation Results across 21 Medicare Models 2012-2020" at https://innovation.cms.gov/data-and-reports/2022/wp-eval-synthesis-21models*

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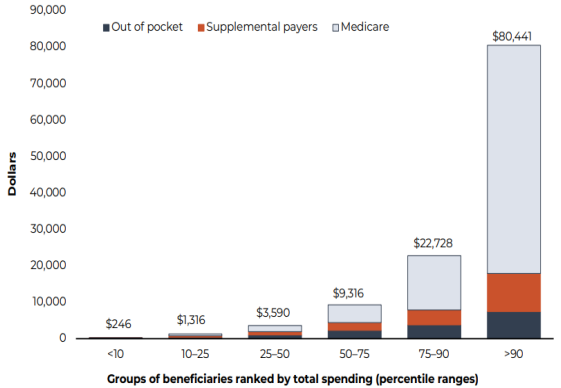
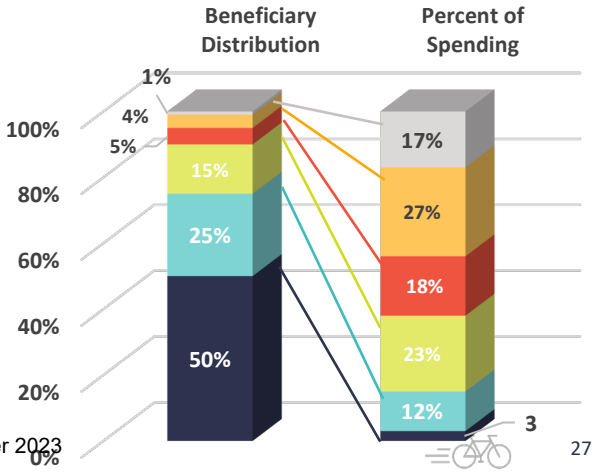
APMs Make Big Impact on Targeted Populations*

- The graphics at right depict Medicare spending based on beneficiary aging, and percentage of beneficiaries making up the largest spending percentages.
  - Beneficiaries > 90 years old represent ~ 10% of Medicare beneficiaries, and accounted for annual per capita costs of > $80,000, of which Medicare paid 78% of.
  - The costliest 5% of beneficiaries, account for about 44% of total Medicare spending, while the costliest 25% accounted for 85% of total Medicare spending.
- These are the population of beneficiaries that Targeted APMs are designed for. These APMs focus on improving care coordination and utilization across settings in an effort to reduce IP admissions, ED visits, post-acute utilization, and improved utilization of end-of-life services.

Chart 3-6 Distribution of per capita total spending on health care services among noninstitutionalized FFS beneficiaries, by source of payment, 2020





** Source: 2023 MedPAC Data Book, based on 2021 data, available at www.medpac.gov/document-type/data-book*

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Final & Proposed 2024 Medicare Rates**

- The table below depicts CMS's proposed payment rate updates for either Federal Fiscal Year or Calendar Year 2024. With the exception of the Physician Fee Schedule, and Home Health, most sectors of health care will see modest increases in payment rates.
- While the payment rate changes are generally positive, they are not keeping pace with the current inflation trends and the end result will be continued downward pressure on operational performance for all health care providers:***
  - July 2023 3.2% inflation over July 2022
  - July 2022 8.5% inflation over July 2021

							Hospice	
Description	Hospital IP PPS	Hospital OP PPS	LTACH's	Physician Fee Schedule	Skilled Nursing	Home Health	Meeting Quality Reporting	Failure to Meet Quality Reporting
Market Basket Increase or Current Conversion Factor	3.3%	3.0%	3.1%	-	3.0%	3.0%	3.3%	3.3%
2023 PFS Conversion Factor	-	-	-	$ 33.89	-	-	-	-
2024 PFS Proposed Conversion Factor	-	-	-	$ 32.75	-	-	-	-
Other Payment Rate Adjustment*	-	-	-	-	1.2%	-5.0%	-	-4.0%
Productivity Adjustment	-0.2%	-0.2%	-0.2%	-	-0.2%	-0.2%	-0.2%	-0.2%
Net Payment Change	**3.1%**	**2.8%**	**2.9%**	**$ (1.14)**	**4.0%**	**-2.2%**	**3.1%**	**-0.9%**
Other Key Provisions	**$957M Reduction in DSH & UCP Payments**	**N/A**	**N/A**	**Increase in PC reimbursement w/Modifier; corresponding decrease in various specialties.**	**N/A**	**N/A**	**N/A**	**N/A**

** Other adjustments include Market Basket Forecast Error increase for SKF; 2nd Phase PDPM Payment Phase-In Decrease for SNF; Proposed Prospective Behavior Adjustment for Home Health and failure to meet quality reporting penalty for Hospice.*

*** CMS proposed payment regulations updates accessed at www.cms.gov*

**** U.S. Bureau of Bureau of Labor Statistics "12-Month Percentage Change, Consumer Price Index" at www.bls.gov/charts/consumer-price-index-by-category-line-chart.*

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Other Legislative/Regulatory "Levers": "Site Neutral Payments" A Hot Topic!*

Site Neutral Provision	Legislation
Medicare site-neutral for all off-campus HOPDs ($30-$40 billion)	• Health Care Fairness for All Act • SITE Act
Medicare site-neutral for all off-campus HOPD drug administration ($4 billion)	• Health Care Price Transparency Act • PATIENT Act
Separate NPI for each off-campus HOPD ($2 billion)	• Primary Care and Healthcare Workforce Expansion Act • Transparency in Billing Act
Commercial market site-neutral HOPD payment caps ($120 billion)	• Primary Care and Healthcare Workforce Expansion Act

** Source: Health Policy Source, Inc., Washington, D.C. 8/1/2023*

Other Legislative/Regulatory "Levers"

Tax Exempt Designation in the Crosshairs!

"We are alarmed by reports that despite their tax-exempt status, certain nonprofit hospitals may be taking advantage of this overly broad definition of "community benefit" and engaging in practices that are not in the best interest of the patient. These practices – along with lax federal oversight – have allowed some nonprofit hospitals to avoid providing essential care in the community for those who need it most."

- Letter from Senators Warren (D-MA.), Warnock (D-GA.), Cassidy (R-LA), Grassley (R-IA)*

Example Cited in Letter:

- 56 NY hospitals filed liens on nearly 5,000 people's homes w/nearly 80% of liens occurring in counties with incomes < 300% of FPL.
- Mosiac Life, MO, charging full fees for patients who should have received free or reduced fee care.
- Methodist Le Bonheur Hospital, TN brought > 8,300 lawsuits against patients or employees for unpaid medical bills.
- UV Health System filed 36,000 lawsuits for > $106M over a 6-year period that involved "relentless" debt collection efforts.
- NY Times article reporting that:
  - Providence Health pursued a strategy to "wring money" out of patients to "pressure them to pay" for services when those patients were eligible for free care.
  - Allina Health System, MN reportedly receives $209M > than was spent on providing charity care, having a policy of denying medical care from patients with unpaid medical bills.

**** Source: Bi-Partisan letter to The Honorable Daniel Werfel, Commissioner Internal Revenue Service & The Honorable Edward T. Killen, Commissioner Tax Exempt & Government Entities Division dated August 7, 2023 at www.warren.senate.gov/imo/media/doc/letters.***

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Other Legislative/Regulatory "Levers"

*13 New Merger Guidelines from DOJ & FTC **

Health care mergers will get greater scrutiny!

1. Mergers should not significantly increase concentration in highly concentrated markets
2. Mergers should not eliminate substantial competition between firms
3. Mergers should not increase the risk of coordination
4. Mergers should not eliminate a potential entrant in a concentrated market
5. Mergers should substantially lessen competition by creating a firm that controls products or services that its rivals may use to compete
6. Vertical mergers should not create market structures that foreclose competition
7. Mergers should not entrench or extend a dominant position
8. Mergers should not further a trend toward concentration
9. When a merger is part of a series of multiple acquisitions, the Agencies may examine the whole series
10. When a merger involves a multi-sided platform, the Agencies examine competition between platforms, on a platform, or to displace a platform
11. When a merger involves competing buyers, the Agencies examine whether it may substantially lessen competition for workers or other sellers
12. When an acquisition involves partial ownership or minority interests, the Agencies examine its impact on competition
13. Mergers should not otherwise substantially lessen competition or tend to create a monopoly

**** U.S. DOJ & FTC Draft Memo with 13 guidelines for Merger & Acquisition Activity dated July 19, 2023 at www.ftc.gov/news-events/news-press-releases***

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Summary Conclusions

- Total health care spending, including Medicare, is projected to continue to grow substantially over the next decade.
- By 2029 100% of baby boomers will be fully transitioned into Medicare; with this surge and declining ratio of workers to Beneficiaries, revenue streams that support the program will be in a shortfall position.
- The Federal Government will have to "shore-up" these finances, and it has several "levers" that can be pulled to accomplish that:
  - Immediate 24% increase in payroll taxes from 2.9% to 3.6%
  - Permanent spending reductions of 15.6%
  - Some combination of these two
  - Other regulatory/legislative levers
- Given the success with reducing spending in higher risk/higher use rate populations – expect Medicare to double down on these APMs in the coming years.
- Providers ***should expect*** to see stepped up scrutiny of M&A activity from the FTC, scrutiny of tax-exempt status from the IRS, as well as strong bi-partisan support to accelerate site-neutral payment legislation.

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Darryn McGarvey, CPA
Principal
darryn.mcgarvey@claconnect.com
612-376-4624

Taylor Puuri, CPA
Manager
taylor.puuri@claconnect.com
314-925-4359

CLAconnect.com

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ATTACHMENT 2.6

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

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

JUNE 30, 2023 AND 2022

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

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Schedules of Required Supplementary Information 68-75

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 fiscal years ended June 30, 2023, 2022, and 2021. 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 224 certified general acute care beds and 10 bassinets, 205 staffed), UConn Health provides specialized and routine inpatient and outpatient services. The Hospital has long been regarded as the premier facility in the region for high-risk maternity services. It is recognized for its cardiovascular program (interventional cardiology and surgery), cancer, musculoskeletal, neurosurgical care, stroke services and behavioral mental health services. Additionally, the Hospital is home to the only Emergency Department in Connecticut's Farmington Valley. The Hospital provides comprehensive healthcare services for the State of Connecticut's (State) incarcerated inmates. These services are provided through a variety of contracts with the Hospital and the State's Department of Correction (DOC).

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

The Hospital has received aid from a number of governmental and other sources throughout the pandemic. Notably, the Hospital received federal funding via the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. The Hospital believes it has met these requirements. A summary of significant amounts received is shown below:

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

	2023	2022	2021
Funding Source			
Coronavirus Aid, Relief, and Economic Security (CARES) Act	$ 196,693	$ 3,070,538	$ 12,450,000
Other funding	-	6,063,502	223,229
Total COVID-19 relief revenue	$ 196,693	$ 9,134,040	$ 12,673,229

Funding came from both general and targeted distributions. 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. The State of Connecticut also created a mechanism for expenditure submittal through December 31, 2021, to the extent such expenses were not submitted to other funding sources (such as FEMA).

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, statements of cash flows and related notes to the financial statements) present the financial position of the Hospital at June 30, 2023 and 2022, and the results of its operations and its financial activities for the fiscal 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 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 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The Hospital's financial position at June 30, 2023, consisted of assets of approximately $519.7 million, deferred outflows of approximately $297.5 million, liabilities of approximately $958.0 million (of which $864.0 million is related to GASB Statements No. 68, 75, 87 and 96), and deferred inflows of approximately $294.2 million. The Hospital's financial position at June 30, 2022, consisted of assets of approximately $579.7 million, deferred outflows of approximately $324.4 million, liabilities of approximately $1,204.0 million (of which $1,073.6 million is related to GASB Statements No. 68, 75 and 87), and deferred inflows of approximately $168.6 million. Net position, which represents the residual interest in the Hospital's assets and deferred outflows after liabilities and deferred inflows are deducted, increased by approximately $33.5 million from fiscal year 2022 to a net deficit position of approximately $434.9 million as of June 30, 2023.

The Hospital finished the year with an operating loss of $32.8 million compared to an operating loss of $132.3 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, 75 as well as the impact of the implementation of GASB No. 96 and change in accounting for GASB No. 87, as discussed in notes 2, 8, 9 and 10. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. The Hospital recorded a decrease of $46.5 million in 2023 as opposed to an increase of $63.4 million of expenses in 2022. The change was driven by changes in plan assumptions and changes in the Hospital's allocated percentage overall liabilities from fiscal 2022 to fiscal 2023. Operating losses exclusive of these entries were $79.3 million and $68.9 million in fiscal years 2023 and 2022, respectively.

The Hospital received net transfers from UConn Health of $68.6 million and $56.5 million in fiscal years 2023 and 2022, respectively. Current year transfers from UConn Health included $77.0 million and $9.5 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $17.9 million in transfers to UConn Health for operational support during fiscal year 2023. In fiscal year 2022, UConn Health transferred $95.9 million and $31.8 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $71.2 million in transfers to UConn Health for operational support during fiscal year 2022. Total net position increased by approximately $33.5 million in fiscal year 2023, compared to a decrease of approximately $68.5 million in fiscal 2022.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

Summarized components of the Hospital's Statements of Net Position as of June 30, 2023, 2022, and 2021 are presented below:

	2023	2022 (Restated)	2021
		(in thousands)	
Summary of assets, liabilities and net position at June 30:			
Current assets	$ 95,046	$ 143,694	$ 136,303
Other assets	25,280	14,415	15,904
Property - right-to-use assets, net	93,083	106,277	97,236
Capital assets, net	306,272	315,345	325,971
Total assets	$ 519,681	$ 579,731	$ 575,414
Deferred amount for pensions	$ 168,794	$ 163,360	$ 148,184
Deferred amount for OPEB	128,736	161,057	195,025
Total deferred outflows	$ 297,530	$ 324,417	$ 343,209
Current liabilities	$ 82,486	$ 119,566	$ 117,298
Noncurrent Liabilities	875,469	1,084,437	1,165,742
Total liabilities	$ 957,955	$ 1,204,003	$ 1,283,040
Deferred amount for lease liability	$ 4,245	$ 6,460	$ 8,701
Deferred amount for pensions	91,282	32,025	83
Deferred amount for OPEB	198,678	130,126	26,720
Total deferred inflows	$ 294,205	$ 168,611	$ 35,504
Net investment in capital assets	$ 295,166	$ 311,550	$ 324,350
Unrestricted deficit	(730,115)	(780,016)	(724,271)
Total net position	$ (434,949)	$ (468,466)	$ (399,921)

In this section, the Hospital explains the reasons for those financial statement items with significant variances relating to fiscal year 2023 amounts compared to fiscal year 2022 amounts.

Changes in assets included the following:

- *Contract and other receivables* – decreased from June 30, 2022 to June 30, 2023 by approximately $2.9 million due to collections of outstanding 340B payments owed to the Hospital.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

- *Due from State of Connecticut* – decreased from June 30, 2022 to June 30, 2023 by approximately $11.4 million due to a legislative change where the State is paying the retirement fringe of employees directly to the pension plan rather than through the University of Connecticut Health Center and allocated to the Hospital.

- *Due from Finance Corporation* – increased from June 30, 2022 to June 30, 2023 by approximately $4.4 million primarily as a result of amounts advanced by JDH on Finance Corporation's behalf for deposits with AmerisourceBergen under UConn Health's pharmacy contract.

- *Property – right-to-use assets, net* – decreased from June 30, 2022 to June 30, 2023 by approximately $13.2 million due to the revaluation of subscription based information-technology agreements to the statements in accordance with GASB 96.

- *Capital and Intangible Assets, net* – decreased from June 30, 2022 to June 30, 2023 by approximately $9.1 million, as depreciation and disposals outpaced capital acquisitions during the current fiscal year.

Changes in liabilities included the following:

- *Accrued payroll* – decreased approximately $9.1 million from June 30, 2022 to June 30, 2023. The payroll accrual fluctuates based on a payroll factor, which is calculated based on the number of days remaining as unpaid at the end of the fiscal year. The final payroll of the current year posted on June 30 resulting in a lower number of outstanding days at year end.

- *Due to other funds* – increased from June 30, 2022 to June 30, 2023 by approximately $3.8 million primarily due to home office allocations for administrative services.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

- *Due to State of Connecticut* – decreased from June 30, 2022 to June 30, 2023 by approximately $10.4 million primarily due changes in retirement fringe benefits.

- *Due to third-party payors* – decreased from June 30, 2022 to June 30, 2023 by approximately $22.8 million, primarily due to repayments under the Medicare Advance Payment Program for the advance payment from CMS (Medicare) for future claims. Advanced repayment began in September 2021 and ended in March 2023.

- *Pension and OPEB liabilities* – decreased from June 30, 2022 to June 30, 2023 by approximately $201.2 million due to changes in the Hospital's OPEB costs. 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.

- *Right-to-use liabilities* – decreased from June 30, 2022 to June 30, 2023 by approximately $8.7 million mostly due to the implementation of GASB 96 and the revaluation of leases due to an accounting change as a result of a change in lease tracking software.

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 fiscal years ended June 30, 2023, 2022, and 2021 are presented below:

	2023	2022 (Restated)	2021
		(in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 699,116	$ 617,438	$ 526,009
Operating expenses	(731,915)	(749,777)	(709,703)
Operating Loss	(32,799)	(132,339)	(183,694)
Nonoperating revenue (expense), net	(2,313)	7,536	10,253
Loss before transfers	(35,112)	(124,803)	(173,441)
Net transfers	68,629	56,516	20,137
Cumulative effect of change in accounting method GASB 87	-	(258)	(216)
Increase (Decrease) in Net Position	$ 33,517	$ (68,545)	$ (153,520)

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating revenues

Total operating revenues increased from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 by approximately $81.7 million or 13.2%.

- *Net patient service revenues* – increased by approximately $56.4 million or 10.6% from prior year due to increased volumes along with certain payor contract increases made in fiscal year 2023.

- *Contract and other revenues* – increased by approximately $25.3 million or 30.3% from the prior year, which was driven by increases in the Ryan White 340B contract, pharmacy 340B contract agreements (340B drug contract), and the 340B contract with UHPSI.

Operating expenses

Total operating expenses decreased from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 by approximately $17.9 million or 2.4%.

- *Salaries and wages* – increased by approximately $31.3 million or 15.5% from the prior year due to contractually bargained wage increases.

- *Fringe benefits* – decreased by approximately $91.9 million or 43.1% from the prior year primarily due to credits associated with the Hospital recording its proportionate share of expenses under GASB Statements No. 68 and 75. Additionally, a legislative change removing responsibility for payment of certain retirement fringe costs from the Hospital beyond June 30, 2023, reduced the Hospital's accrued fringe benefit expenses as of June 30, 2023.

- *Outside agency per diems* – increased by approximately $15.1 million or 113.6% from the prior year, staff turnover, shortages, and a lack of available resources forced the Hospital to use increased agency staffing during the year to meet demand for services.

- *Pharmaceutical/medical supplies* – increased by approximately $17.7 million or 11.3% from the prior year due to the cost of specialty drugs for the pharmacy department and increased surgical volumes during fiscal year 2023.

FINANCIAL HIGHLIGHTS (CONTINUED)

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 fiscal years ended June 30, 2023, 2022, and 2021 are as follows:

	2023	2022 (Restated)	2021
		(in thousands)	
Cash received from operations	$ 675,952	$ 595,959	$ 563,166
Cash expended for operations	(744,322)	(655,315)	(573,353)
Net cash (used in) provided by operations	(68,370)	(59,356)	(10,187)
Net cash (used in) investing activities	(14,222)	(56,927)	(5,062)
Net cash provided by noncapital financing activities	292	9,338	12,450
Net cash provided by capital and related financing activities	57,083	91,766	11,979
Net change in cash	(25,217)	(15,179)	9,180
Cash - Beginning	33,394	48,573	39,393
Cash - Ending	$ 8,177	$ 33,394	$ 48,573

Hospital discharges of 10,846 represent an increase of 1,045 from 2022 as demand for services has eclipsed pre-pandemic levels and continues to grow.

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2023, the Hospital had capital and intangible assets of $542.3 million and property – right to use assets of $136.7 million before accumulated depreciation and amortization, compared to $535.7 million and $140.3 million at June 30, 2022. A summary of capital and intangible asset balances is shown in the table below:

	2023	2022 (Restated)	2021
		(in thousands)	
Land	$ 183	$ 183	$ 183
Construction in progress	7,664	2,970	1,324
Buildings	404,149	402,852	403,107
Equipment	73,277	72,895	75,273
Computer software	56,979	56,696	57,632
Equipment - financed	71	71	-
Total capital assets	542,323	535,668	537,519
Less accumulated depreciation and amortization	236,051	220,322	211,548
Capital assets, net	$ 306,272	$ 315,345	$ 325,971
Property - right-to-use building	$ 94,397	$ 94,947	$ 94,728
Property - right-to-use equipment	17,055	20,566	24,482
Property - right-to-use subscriptions	25,266	24,784	-
Total property - right-to-use assets	136,718	140,297	119,210
Less accumulated amortization	43,635	34,020	21,974
Property - right-to-use assets, net	$ 93,083	$ 106,277	$ 97,236

For fiscal year 2024, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by UConn Health's Capital Prioritization Committee. More detailed information about the Hospital's capital and intangible assets are presented in note 8 to the financial statements.

FISCAL 2024 OUTLOOK

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

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

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

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2023 spending plan. The new biennium brings its own challenges. As State and Federal government seek to put the pandemic behind them, funding is at the forefront of new concerns. Public sentiment towards healthcare and education has eroded as the focus shifts to affordability, government sustainability, and tax relief.

Clinical volumes have rebounded in most specialties and clinical volumes now often exceed pre-pandemic volumes straining delivery mechanisms that saw significant staffing departures over the past year. Competition for doctors, nurses, and other clinical specialties is intense. Wage and general inflation remains an issue as it continues to outpace payment increases. Supply shortages and inflation provide additional operational challenges. The global supply chain continues to work towards stabilization. Ports, rail transit, and trucking have stabilized

FISCAL 2024 OUTLOOK(CONTINUED)

but remain short of their prior reliability requiring UConn Health to constantly re-evaluate stocking methodologies in hopes of minimizing operational disruptions.

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.

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
The University of Connecticut Health Center
Farmington, Connecticut

Report on the Audit of the Financial Statements

Opinions

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) as of June 30, 2023 and 2022, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of Connecticut Health Center John Dempsey Hospital (21002 Fund) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 and 8 to the financial statements, effective July 1, 2022, the Hospital adopted new accounting guidance for subscription-based information technology agreements. The guidance requires entities to recognize a subscription-based right-to-use asset and corresponding subscription-based liability. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation

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and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The University of Connecticut Health Center John Dempsey Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Connecticut Health Center John Dempsey Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the schedule of changes in the Hospital's net position liability and related ratios, the schedule of pension contributions, the schedule of changes in the Hospital's net OPEB liability and related ratios, the schedule of the Hospital's proportionate share of the net OPEB liability, and the schedule of the Hospital's OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of The University of Connecticut Health Center John Dempsey 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut

November 21, 2023

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

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 8,177,490	$ 33,394,100
Patient accounts receivable, net of estimated uncollectibles of $27,453,960 and $35,489,396 at June 30, 2023 and 2022, respectively	54,512,073	51,303,763
Inventory	15,320,803	15,855,937
Contract and other receivables (note 6)	4,858,538	7,721,800
Lease receivable, current portion (note 6)	2,215,086	2,212,716
Due from State of Connecticut	222,603	11,573,542
Due from other funds	-	7,803,086
Due from UMG	3,244,811	306,193
Due from Finance Corporation	4,641,730	12,212,559
Prepaid expenses	1,852,657	1,310,615
Total Current Assets	95,045,791	143,694,311
Noncurrent Assets		
Deposits with vendors (note 1)	11,125,119	10,051,624
Other assets	117,543	117,543
Lease receivable, net of current portion (note 6)	2,030,495	4,245,581
Due from Finance Corporation, noncurrent portion	12,007,648	-
Property - right-to-use assets, net (note 8)	93,083,090	106,277,212
Capital and intangible assets, net (note 8)	306,271,612	315,345,371
Total Noncurrent Assets	424,635,507	436,037,331
Total Assets	519,681,298	579,731,642
Deferred Outflows of Resources		
Deferred amount for pensions (note 10)	168,793,761	163,359,909
Deferred amount for OPEB (note 10)	128,736,254	161,056,641
Total Deferred Outflows of Resources	$ 297,530,015	$ 324,416,550

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

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 22,944,901	$ 23,248,665
Accrued payroll	8,848,291	17,912,350
Due to UConn Health Malpractice Fund	534,630	188,376
Due to other funds	3,786,683	-
Due to State of Connecticut	2,597,889	13,031,941
Due to third-party payors	23,426,706	46,246,397
Unearned revenue	4,419	4,419
Right-to-use liabilities, current portion (note 9)	11,181,983	11,444,359
Note payable, current portion (note 9)	2,917	35,451
Accrued compensated absences, current portion (note 9)	9,157,394	7,453,619
Total Current Liabilities	82,485,813	119,565,577
Noncurrent Liabilities		
Pension liabilities (note 10)	340,558,863	440,127,362
OPEB liabilities (note 10)	430,420,277	532,039,723
Right-to-use liabilities, net of current portion (note 9)	93,003,766	101,467,103
Note payable, net of current portion (note 9)	-	19,237
Accrued compensated absences, net of current portion (note 9)	11,485,965	10,783,765
Total Noncurrent Liabilities	875,468,871	1,084,437,190
Total Liabilities	957,954,684	1,204,002,767
Deferred Inflows of Resources		
Deferred amount for resources right-to-use assets	4,245,581	6,460,667
Deferred amount for pensions (note 10)	91,281,759	32,024,982
Deferred amount for OPEB (note 10)	198,677,634	130,125,778
Total Deferred Inflows of Resources	294,204,974	168,611,427
Net Position		
Net investment in capital assets	295,166,036	311,549,711
Unrestricted deficit	(730,114,381)	(780,015,713)
Total Net Position	$ (434,948,345)	$ (468,466,002)

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, 2023 AND 2022

	2023	2022 (Restated)
Operating Revenues		
Net patient service revenues (note 5)	$ 590,258,174	$ 533,884,633
Contract and other revenues	108,858,424	83,553,215
Total Operating Revenues	699,116,598	617,437,848
Operating Expenses		
Salaries and wages	233,913,029	202,595,954
Fringe benefits	121,088,632	212,980,057
Medical/dental house staff	3,695,641	2,743,421
Medical contractual support	2,439,996	338,011
Internal contractual support	43,580,737	46,273,076
Outside agency per diems	28,416,824	13,305,408
Depreciation (note 8)	19,118,955	18,593,755
Amortization (note 8)	17,532,514	16,455,626
Pharmaceutical/medical supplies	174,402,492	156,679,700
Utilities	5,763,274	5,590,825
Outside and other purchased services	57,546,671	52,416,711
Insurance	5,815,120	4,267,211
Repairs and maintenance	12,614,499	11,801,479
Other expenses	5,987,032	5,735,349
Total Operating Expenses	731,915,416	749,776,583
Operating Loss	(32,798,818)	(132,338,735)
Nonoperating Revenues (Expenses)		
Gift and endowment income	95,000	204,000
COVID-19 relief revenue	196,693	9,134,040
Interest income	197,212	267,334
Lease revenue	2,215,086	2,264,325
Interest expense	(4,981,464)	(4,250,823)
Loss on disposals	(35,580)	(82,883)
Net Nonoperating Revenues	(2,313,053)	7,535,993
Loss before Transfers	(35,111,871)	(124,802,742)
Transfers from UConn Health - Unrestricted (note 11)	86,511,361	127,685,703
Transfers to UConn Health (note 11)	(17,881,833)	(71,169,514)
Increase (Decrease) in Net Position	33,517,657	(68,286,553)
Net Position - Beginning of year	(468,466,002)	(399,921,402)
Cumulative effect of change in accounting method - GASB 87	-	(258,047)
Net Position - Beginning of year	(468,466,002)	(400,179,449)
Net Position - End of year	$ (434,948,345)	$ (468,466,002)

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, 2023 AND 2022

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 564,230,173	$ 516,324,670
Cash received from contract and other revenues	111,721,686	79,633,988
Cash paid to employees for salaries and fringe benefits	(429,937,513)	(337,320,717)
Cash (returned to) received from related parties	4,214,332	(10,617,617)
Cash paid for other than personnel services	(318,598,321)	(307,375,617)
Net Cash Used in Operating Activities	(68,369,643)	(59,355,293)
Cash Flows from Investing Activities		
Additions to property and equipment	(14,221,956)	(56,927,295)
Net Cash Used in Investing Activities	(14,221,956)	(56,927,295)
Cash Flows from Noncapital Financing Activities		
COVID-19 relief received	196,693	9,134,040
Gifts and endowment income	95,000	204,000
Net Cash Provided by Noncapital Financing Activities	291,693	9,338,040
Cash Flows from Capital and Related Financing Activities		
Interest paid	(4,981,464)	(4,480,456)
Transfer from UConn Health - unrestricted	86,511,361	127,685,703
Transfer to UConn Health	(17,881,833)	(71,169,514)
Payments on right-to-use lease liabilities, net	(8,725,713)	37,411,183
(Payments) borrowing on notes payable	(51,771)	54,688
Lease revenue	2,212,716	2,264,325
Net Cash Provided by Capital and Related Financing Activities	57,083,296	91,765,929
Net Change in Cash	(25,216,610)	(15,178,619)
Cash - Beginning	33,394,100	48,572,719
Cash - Ending	$ 8,177,490	$ 33,394,100
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Right-to-use assets acquired by entering into lease agreements	$ 1,222,678	$ 7,864,912
Right-to-use subscription acquired by entering into lease agreements	$ 481,440	$ 24,784,674
Change in lease interest receivable	$ -	$ 267,334
Change in lease interest payable	$ -	$ 59,157

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, 2023 AND 2022

	2023	2022 (Restated)
Reconciliation to Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (32,798,818)	$ (132,338,735)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	36,651,469	35,049,381
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(3,208,310)	(2,183,597)
Inventory	535,134	(789,578)
Contract and other receivables	2,863,262	(3,919,227)
Prepaid expenses	(542,042)	(86,941)
Deposit with vendors	(1,073,495)	(939,309)
Due from UMG	(2,938,618)	1,747,486
Due from Finance Corporation	(4,436,819)	(7,637,570)
Due from State of Connecticut	11,350,939	(4,731,371)
Due from other funds	7,803,086	(4,727,533)
Change in deferred inflows - pension	6,404	4,469
Change in deferred inflows - OPEB	(34,765,738)	(9,628,901)
Due to third-party payors	(22,819,691)	(15,376,366)
Due to malpractice	346,254	-
Due to other funds	3,786,683	-
Accounts payable and accrued expenses	(303,764)	3,054,145
Due to State of Connecticut	(10,434,052)	4,048,256
Change in deferred outflows - OPEB	21,407,796	28,077,785
Change in deferred outflows - pension	(35,259,971)	(21,796,996)
Change in net pension liability	(10,492,007)	44,455,051
Change in net OPEB liability	12,610,739	22,291,206
Accrued payroll	(9,064,059)	6,177,005
Accrued compensated absences	2,405,975	(103,953)
Net Cash Used in Operating Activities	$ (68,369,643)	$ (59,355,293)

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 nine 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. Since then, COVID-19 and its variants have continued to spread throughout the United States and the world. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. Since fiscal year 2021, UConn Health has diligently navigated a path back to providing full services in a changed world. The federal COVID-19 Public Health Emergency (PHE) declaration ended on May 11, 2023. UConn Health continues to monitor the pandemic and its many associated business challenges including variant waves, supply chain disruption, worker shortages, and aid application and reporting requirements. Management remains focused on providing exceptional, reliable, and safe patient care to our community.

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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, lease liabilities, subscription liabilities and malpractice.

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

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.

The Hospital's 340B pharmacy has an 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 2023 Due from State of Connecticut reported on the statements of net position includes a receivable from the State for certain defined contribution retirement plans. Effective July 1, 2023, the State has transferred responsibility for payment of retirement fringe benefit costs from UConn Health and its related entities to the Comptroller. As such, year-end amounts accrued related to JDH's Alternate Retirement Program (ARP) have been offset with a corresponding receivable as the State is expected to provide the funding. The prior year Due from State of Connecticut reported on the statements of net position represented a receivable from the General Fund of the State (General Fund) for certain salaries that were able to be charged to the General Fund. JDH also recorded the related revenues on the statements of revenues, expenses, and changes in net position.

The State also administers certain non-retirement employee benefits and is responsible for payroll and other taxes. The State then charges the Hospital for its portion of these costs. Due to State of Connecticut reported on the statements of net position represents the respective Hospital borne fringe benefit costs owed at the end of the fiscal year related 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, 2023 and 2022, deposits with vendors totaled approximately $11.1 million and $10.1 million, respectively. The majority of these funds, approximately $10.7 million and $9.7 million, respectively, was held on deposit by AmerisourceBergen. This is the Hospital's primary pharmaceutical vendor. As part of its contract, the Hospital is required to maintain a deposit with AmerisourceBergen based on a percentage of the prior quarter purchases. The deposits are non-interest bearing and are considered subject to the credit risk of the vendor.

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

LEASES

The Hospital routinely engages in lease agreements to meet operational needs. The Hospital's lease contracts generally relate to buildings and associated facilities, such as parking, and various machinery and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, the Hospital recognizes period revenue or expense based on the provisions of the lease contract. For all other contracts where the Hospital is the lessee, the Hospital recognizes a lease liability and an intangible right-to-use (RTU) lease asset based on the present value of future lease payments over the contracted term of the lease. RTU lease assets are amortized over the term of the lease, as the Hospital is not expected to lease assets beyond the underlying asset's useful life. On a more limited basis, the Hospital serves as a lessor providing leases of buildings. The financial statements recognize the lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

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

In addition, the Hospital has entered various subscription-based information technology arrangements to support its services. Information on the types of arrangements entered into and their financial impact on the Hospital can be found in Note 9.

CAPITAL ASSETS

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

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

CAPITAL ASSETS (CONTINUED)

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.

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, that do not meet the definition of subscription-based information technology agreements. 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 2023, the Hospital disposed of capital lease equipment, information technology, and general equipment of approximately $3.4 million (excluding right-to-use assets), all of which had reached the end of their useful lives and were retired. An additional $6.1 million relates to right-to-use assets which were fully amortized by the end of the fiscal year. These assets are reported 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 $35,580. None of these items were individually significant.

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

IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)

During 2022, the Hospital disposed of approximately $9.9 million of equipment and software which resulted in a total loss on disposal of $82,883.

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 the 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 has historically paid 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. Beginning in fiscal year 2024, the State transferred responsibility for fringe benefit expenses from UConn Health to the Office of the State Comptroller. Under this legislation, the State Comptroller will pay retirement related fringe costs for all constituent units including UConn and the Connecticut State Colleges and Universities. The change will impact how UConn Health records pension and OPEB liabilities in subsequent reporting periods. The impact of this change is still being evaluated.

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 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 its General Fund.

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 pro-rata share of the pension liability is calculated based on the percentage of contributions to the plan in the valuation year. 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. The 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 based on the valuations performed as of June 30, 2022 and 2021.

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

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 fiscal years ended June 30, 2023 and 2022.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

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.

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

COMPENSATED ABSENCES (CONTINUED)

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.

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 fiscal year's cash claims to be processed. For the fiscal years ended June 30, 2023 and 2022, annual premiums were approximately $4.3 and $2.3 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, 2023 and 2022, respectively.

NET POSITION

Net position is classified in two components. Net investment in capital assets consists of capital and right-to-use assets net of accumulated depreciation/amortization and reduced by the current balances of any 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.

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

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.

SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 21, 2023, the date the financial statements were available to be issued. No subsequent events required recognition or disclosure in the financial statements were identified.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

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

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This standard requires the recognition of subscription assets and liabilities that were previously accounted for as inflows of resources and outflows of resources recognized based on the payment provisions of the related agreement. Under this standard, the end user is required to recognize a subscription liability and an intangible right-to-use asset.

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

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT (CONTINUED)

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

The impact for select accounts of adopting GASB Statement No. 96 as well as the accounting change for right-to-use assets and liabilities on the statements of net position and statements of revenues, expenses and changes in net position as of June 30, 2022 was as follows:

Combined Statement of Net Position	As Previously Reported	Adjustment	As Restated
Current Assets			
Lease receivable, current portion	$ 2,212,664	$ 52	$ 2,212,716
Accrued interest receivable - leases	18,454	(18,454)	-
Noncurrent Assets			
Property - right-to-use assets, net	89,125,117	17,152,095	106,277,212
Lease receivable, net of current portion	4,461,696	(216,115)	4,245,581
Current Liabilities			
Accrued interest payable - leases	193,962	(193,962)	-
Right-to-use liability, current portion	6,710,041	4,734,318	11,444,359
Noncurrent Liabilities			
Right-to-use liability, net of current portion	86,156,048	15,311,055	101,467,103
Deferred amount for resources right-to-use-assets	6,437,137	23,530	6,460,667
Net Position	$ (465,508,162)	$ (2,957,840)	$ (468,466,002)
Combined Statement of Revenues, Expenses, and Changes in Net Position			
Expenses			
Amortization	$ 8,878,958	$ 7,576,668	$ 16,455,626
Outside and other purchased services	57,123,110	(4,706,399)	52,416,711
Nonoperating Revenues and Expenses			
Interest Expense	(4,421,299)	170,476	(4,250,823)
Cumulative effect of change in accounting method GASB	-	(258,047)	(258,047)
Net Position	$ (465,508,162)	$ (2,957,840)	$ (468,466,002)

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

UPCOMING ACCOUNTING PRONOUNCEMENTS

The Hospital is still evaluating the impact on its financial statements of the following upcoming GASB accounting pronouncements: Paragraphs 4 through 10 of GASB Statement No. 99, Omnibus 2022 (GASB 99) effective for fiscal years beginning after June 15, 2023 and all reporting periods thereafter; and GASB Statement No. 101, Compensated Absences (GASB 101) effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

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, 2023 and 2022, the Hospital had not drawn down any funds under the hypothecation. As of June 30, 2023 and 2022, the Hospital had available amounts of $53,433,549 and $53,123,006 respectively, under 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 2023 and 2022, the Hospital provided charity care services of $4,980,776 and $3,513,099, respectively. For fiscal years 2023 and 2022, the increase in charity care is attributed to leveraging EPIC to process versus paper-based adjustments at time of service. The estimated cost of these services was $1,441,935 and $1,005,800, respectively, for the fiscal years ended June 30, 2023 and 2022. 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 fiscal years ended June 30 were:

	2023	2022
Gross patient service revenues	$ 1,767,999,827	$ 1,587,939,342
Less contractual allowances and provision for bad debt	(1,177,741,653)	(1,054,054,709)
Net patient service revenues	$ 590,258,174	$ 533,884,633

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	
	2023	2022	2023	2022
Net Revenue	37%	34%	20%	20%
Accounts Receivable	33%	31%	9%	12%

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.

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.

NOTE 5 – NET PATIENT SERVICE REVENUES (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

MEDICARE (CONTINUED)

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 2020.

MEDICAID

Beginning January 1, 2015, Medicaid converted to an APR DRG Prospective Payment Methodology. Payments for inpatient services for patients admitted after January 1, 2015 have settlement distributions for GME and Case Mix Index withholds only. Beginning July 1, 2016, outpatient services rendered to patients are reimbursed based on the outpatient prospective payment system (OPPS) Ambulatory Payment Classification (APC) Methodology. Under the OPPS, services are listed on the Connecticut Medical Assistance Program (CMAP) Addendum B and are primarily reimbursed based on the CMAP APC system. CMAP Addendum B is a detailed list by procedure code that documents the APC group, status indicators, and relative weights adopted by Department of Social Services (DSS) for the APC methodology. CMAP Addendum B also documents the services that are not paid by APC and are instead reimbursed based on the Outpatient Hospital Fee Schedule or another specialized fee schedule.

The following is a schedule of payments received from DSS for both fiscal years 2023 and 2022, which is included in net patient service revenues in the statements of revenues, expenses and changes in net position:

	2023	2022
DSS Supplemental Revenue	$ 8,200,000	$ 8,200,000
DSS Taxonomy Revenue	2,550,487	-
Total revenue received from DSS	$ 10,750,487	$ 8,200,000

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

For substantially all payers, EPIC Contract Management (ECM) nets gross billings down to the expected net realizable amount at the time of billing based on the Hospital's loaded contracts.

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; and
- Various allowance coverage statistics.

The Hospital regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the fiscal year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

NOTE 6 – CONTRACT AND LEASE RECEIVABLES

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 fiscal year ended June 30, 2023, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled $2,461,939 and $19,513,821, respectively. During the fiscal year ended June 30, 2022, revenue related to the contract with CCMC's NICU for rental space and nursing resources totaled $2,416,441 and $16,652,218, 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 fiscal years ended June 30, 2023 and 2022, revenue related to the 340B contract totaled $31,604,028 and $27,478,669, respectively.

The Hospital's 340B pharmacy also contracts with UHPSI, related to certain pharmaceutical sales under the 340B program. These contracts resulted in revenue of $31,926,735 and $23,766,066 for the fiscal years ended June 30, 2023 and 2022, respectively.

Lease receivable for the fiscal years ended June 30, 2023 and 2022 is as follows:

	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amount due within 1 year
Lease receivable total	$ 6,458,297	$ -	$ (2,212,716)	$ 4,245,581	$ 2,215,086

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amount due within 1 year
Lease receivable total	$ 8,621,381	$ -	$ (2,163,084)	$ 6,458,297	$ 2,212,716

NOTE 6 – CONTRACT AND LEASE RECEIVABLES(CONTINUED)

For the fiscal years ended June 30, 2023 and 2022, the statements of revenues, expenses and changes in net position included lease revenue of $2,215,086 and $2,264,325 and interest income of $197,212 and $267,334, respectively. JDH recorded no additional revenue for variable or other payments in the measurement of the lease receivables.

	Lease Receivables	
Fiscal Year Ending June 30	Principal	Interest
2024	$ 2,215,086	$ 118,970
2025	2,030,495	37,960
	$ 4,245,581	$ 156,930

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, 2020, 2021 and 2022. The Hospital received funding from four 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. In fiscal 2022, the Hospital received additional CARES Act funding through Phase 4, based on COVID-19 related changes in operating revenues and expenses from June 1, 2020 to March 31, 2021 for $1.9 million. The Hospital also received $1.2 million received from the American Rescue Plan Act (ARPA), and $6.2 million in expense reimbursements from FEMA. The ARPA distributed funds based on Medicare and Medicaid Services for rural areas.

NOTE 7 – COVID-19 RELIEF (CONTINUED)

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.

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 through 2022 are complete, as the regulations associated with that time frame were finalized in July 2021. Amounts received under these programs are subject to retrospective reviews. 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. In September 2021, the Hospital began repayment on funds received. As of June 30, 2022, this amount is included in due to third-party payors on the statement of net position was $21.8 million. During Fiscal Year 2023, the balance was paid off without any interest applied.

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

Capital and intangible assets at June 30 consist of the following:

	2023	2022 (Restated)
Land	$ 183,137	$ 183,137
Construction in progress (estimated costs to complete of $15.8 million and $5.8 million at June 30, 2023 and 2022, respectively)	7,664,330	2,969,881
Buildings	404,148,697	402,852,430
Equipment	73,277,227	72,894,496
Computer software	56,978,642	56,695,922
Equipment -financed	71,009	71,009
Total capital and intangible assets	542,323,042	535,666,875
Less accumulated depreciation and amortization	236,051,430	220,321,504
Capital and intangible assets, net	$ 306,271,612	$ 315,345,371
Right-to-use assets - building	$ 94,396,692	$ 94,946,682
Right-to-use assets - equipment	17,055,500	20,565,861
Right-to-use assets - subscription	25,266,114	24,784,674
Total right-to-use assets	136,718,306	140,297,217
Less accumulated amortization	43,635,216	34,020,005
Right-to-use assets, net	$ 93,083,090	$ 106,277,212

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Capital activity for the fiscal year ended June 30, 2023 and 2022 was as follows:

	2022 (Restated)	Additions	Deductions	2023
Land	$ 183,137	$ -	$ -	$ 183,137
Construction in progress	2,969,881	7,556,293	(2,861,844)	7,664,330
Buildings	402,852,430	1,296,267	-	404,148,697
Equipment	72,894,496	3,562,449	(3,179,718)	73,277,227
Computer software	56,695,922	527,611	(244,891)	56,978,642
Equipment - financed	71,009	-	-	71,009
Total capital and intangible assets	$535,666,875	$ 12,942,620	$ (6,286,453)	$ 542,323,042

	2021	Additions	Deductions	2022 (Restated)
Land	$ 183,137	$ -	$ -	$ 183,137
Construction in progress	1,323,555	2,626,719	(980,393)	2,969,881
Buildings	403,107,002	948,700	(1,203,272)	402,852,430
Equipment	75,272,857	5,271,537	(7,649,898)	72,894,496
Computer software	57,632,478	113,093	(1,049,649)	56,695,922
Equipment - financed	-	71,009	-	71,009
Total capital and intangible assets	$537,519,029	$ 9,031,058	$(10,883,212)	$ 535,666,875

Related information on accumulated depreciaton for the years ended June 30, 2023 and 2022 was as follows:

	2022	Additions	Deductions	2023
Buildings	$137,155,041	$ 9,772,269	$ -	$ 146,927,310
Equipment	56,169,538	3,912,611	(3,145,453)	56,936,696
Computer software	26,979,173	5,398,570	(243,576)	32,134,167
Equipment - financed	17,752	35,505	-	53,257
Total accumulated depreciation	$220,321,504	$ 19,118,955	$ (3,389,029)	$ 236,051,430

	2021	Additions	Deductions	2022 (Restated)
Buildings	$128,682,412	$ 9,672,660	$ (1,200,031)	$ 137,155,041
Equipment	60,150,778	3,589,016	(7,570,256)	56,169,538
Computer software	22,714,495	5,314,327	(1,049,649)	26,979,173
Equipment - financed	-	17,752	-	17,752
Total accumulated depreciation	$211,547,685	$ 18,593,755	$ (9,819,936)	$ 220,321,504

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Activity for the Right-to-use assets for the fiscal years ended June 30, 2023 and 2022 was as follows:

	2022 (Restated)	Additions	Deductions	2023
Right-to-use assets - building	$ 94,946,682	$ -	$ (549,990)	$ 94,396,692
Right-to-use assets - equipment	20,565,861	3,440,971	(6,951,332)	17,055,500
Right-to-use assets - subscription	24,784,674	481,440	-	25,266,114
Total right-to-use assets	$ 140,297,217	$ 3,922,411	$ (7,501,322)	$ 136,718,306

	2021	Additions	Deductions	2022 (Restated)
Right-to-use assets - building	$ 94,727,513	$ 219,169	$ -	$ 94,946,682
Right-to-use assets - equipment	24,482,131	7,645,743	(11,562,013)	20,565,861
Right-to-use assets - subscription	-	24,784,674	-	24,784,674
Total right-to-use assets	$ 119,209,644	$ 32,649,586	$ (11,562,013)	$ 140,297,217

Related information on accumulated amortization for the years ended June 30, 2023 and 2022 was as follow

	2022 (Restated)	Additions	Deductions	2023
Right-to-use assets - building	$ 11,663,840	$ 5,823,395	$ (437,621)	$ 17,049,614
Right-to-use asset - equipment	14,458,361	2,609,400	(6,856,984)	10,210,777
Right-to-use asset - subscription	7,897,804	9,099,719	(622,698)	16,374,825
Total accumulated amortization	$ 34,020,005	$ 17,532,514	$ (7,917,303)	$ 43,635,216

	2021	Additions	Deductions	2022 (Restated)
Right-to-use assets - building	$ 5,636,179	$ 6,027,661	$ -	$ 11,663,840
Right-to-use asset - equipment	16,337,673	2,530,161	(4,409,473)	14,458,361
Right-to-use asset - subscription	-	7,897,804	-	7,897,804
Total accumulated amortization	$ 21,973,852	$ 16,455,626	$ (4,409,473)	$ 34,020,005

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

For the fiscal years ended June 30, 2023 and 2022, the Hospital did not receive any transfers related to projects.

NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTIONS

Activity related to notes payable and other long-term liabilities for the fiscal years ended June 30, 2023 and 2022 is as follows:

	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amounts due within 1 year
Right-to-use Lease liabilities	$ 92,613,184	$ 2,151,273	$ (6,628,061)	$ 88,136,396	$ 6,645,627
Right-to-use Subscriptions	20,298,278	567,373	(4,816,298)	16,049,353	4,536,356
Total leases and subscriptions	$ 112,911,462	$ 2,718,646	$ (11,444,359)	$ 104,185,749	$ 11,181,983
Other long term liabilities					
Notes payable	$ 54,688	$ -	$ (51,771)	$ 2,917	$ 2,917
Accrued compensated absences	18,237,384	17,203,875	(14,797,900)	20,643,359	9,157,394
Pension liabilities	440,127,362	67,321,354	(166,889,853)	340,558,863	-
OPEB liabilities	532,039,723	30,202,608	(131,822,054)	430,420,277	-
Total other long term liabilities	$ 990,459,157	$ 114,727,837	$ (313,561,578)	$ 791,625,416	$ 9,160,311
Total long-term liabilities	$ 1,103,370,619	$ 117,446,483	$ (325,005,937)	$ 895,811,165	$ 20,342,294

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amounts due within 1 year
Right-to-use Lease liabilities	$ 75,500,279	$ 23,871,953	$ (6,759,048)	$ 92,613,184	$ 6,628,061
Right-to-use Subscriptions	-	20,298,278	-	20,298,278	4,816,298
Total leases and subscriptions	$ 75,500,279	$ 44,170,231	$ (6,759,048)	$ 112,911,462	$ 11,444,359
Other long term liabilities					
Notes payable	$ -	$ 71,009	$ (16,321)	$ 54,688	$ 35,451
Accrued compensated absences	18,341,337	13,193,009	(13,296,962)	18,237,384	7,453,619
Pension liabilities	434,230,079	101,100,975	(95,203,692)	440,127,362	-
OPEB liabilities	628,674,477	41,291,075	(137,925,829)	532,039,723	-
Total other long term liabilities	$ 1,081,245,893	$ 155,656,068	$ (246,442,804)	$ 990,459,157	$ 7,489,070
Total long-term liabilities	$ 1,156,746,172	$ 199,826,299	$ (253,201,852)	$ 1,103,370,619	$ 18,933,429

NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTIONS (CONTINUED)

Future minimum notes payable payments at June 30, 2023 are as follows:

	Notes Payable	
Fiscal Year Ending June 30:	Principal	Interest
2024	$ 2,917	$ 623
Total Notes Payable	$ 2,917	$ 623

The Hospital routinely leases various facilities and equipment instead of purchasing assets. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. There were no residual guarantee payments expensed for the fiscal year ended June 30, 2023. For the fiscal years ended June 30, 2023 and 2022, the Hospital recognized expense for lease variable payments as summarized in the table below:

	2023 Expenses Allocated	2022 Expenses Allocated
Common area expenses	$ 162,040	$ 63,531
Property taxes	134,904	18,977
Fit out costs	-	4,800
Grand Total	$ 296,944	$ 87,308

NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

The following is a schedule by fiscal year of future minimum payments due for leases with the present value of the net minimum lease payments as of June 30, 2023.

	Lease Liabilities	
Fiscal Year Ending June 30:	Principal	Interest
2024	$ 6,645,627	$ 3,996,570
2025	6,155,406	3,711,242
2026	5,502,569	3,432,386
2027	4,701,788	3,190,297
2028	4,604,739	2,959,453
2029-2033	23,853,972	11,537,234
2034-2038	26,323,236	5,740,368
2039-2044	10,349,059	460,575
Total Lease Liabilities	$ 88,136,396	$ 35,028,125

The Hospital has entered various subscription-based information technology arrangements (SBITAs) to support its services. SBITAs entered into, or in place, during the fiscal years ended June 30, 2022 and 2023 include:

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

NOTE 9 – LONG-TERM LIABILITIES AND LEASES (CONTINUED)

The following is a schedule, by fiscal year, of future minimum subscription payments due:

Fiscal Year Ending June 30:	Subscription Liabilities Principal	Interest
2024	$ 4,536,356	$ 599,772
2025	4,102,547	417,961
2026	3,475,590	249,073
2027	2,229,218	126,261
2028	1,705,642	30,888
Total subscription liabilities	$ 16,049,353	$ 1,423,955

The Hospital had no other outflows of resources in relation to these subscriptions during the fiscal years ended June 30, 2022 and 2023 that were not included in the measurement of the subscription liability.

NOTE 10 – PENSION AND OPEB PLANS

SERS PLAN DESCRIPTION

Employees of the Hospital are eligible to participate in 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. 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 the Hospital holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

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. The SERS plan 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. Employees are covered under one of five tiers; Tier I, Tier II, Tier IIA, Tier III, and Tier IV including the (Hybrid Plan). In accordance with GASB 68, the Hospital must report for its participation in SERS as if it were a cost-sharing employer plan.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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 Connecticut General Statutes.

Deferred Vesting – SERS

Tier I -	10 years of service
Tier II and IIA -	Effective July 1, 1997, 5 years of actual state service, 10 years of vesting service, or age 70 with 5 years of service
Tier III and IV -	10 years of benefit service

Contributions - The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2023 were:

Tier I Hazardous - 6% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level
Tier I Plan B - 4% of earnings up to Social Security Taxable Base plus 7% of earnings above that level
Tier I Plan C - 7% of earnings
Tier II Hazardous - 6% of earnings
Tier II (all others) - 2% of earnings
Tier IIA and III Hazardous - 7 % of earnings
Tier IIA and III (all others) - 4% of earnings
Tier IV Hazardous - 8% of earnings
Tier IV (all others) - 5% of earnings

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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.

The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from 0.0% to 2.0%, plus 60% of the annual rate of increase in the CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA rate of 7.5%. A COLA moratorium exists for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If the rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.

The pension liability recorded as of June 30, 2023 and 2022 was based on the June 30, 2022 and 2021 actuarial valuations, respectively.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN ASSUMPTIONS (SERS)

Listed below are the changes to the actuarial assumptions since the June 30, 2021 measurement date:

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

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 67.40%, 65.90%, and 64.14%, during fiscal years 2023, 2022, and 2021, respectively. SERS contributions made compared to covered payroll is as follows:

	2023	2022	2021
Total Hospital payroll covered by SERS	$ 123,119,446	$ 96,312,081	$ 87,511,966
Total Hospital SERS contributions	$ 55,514,986	$ 43,644,786	$ 36,809,634
Contributions as a percentage of covered payroll	45.1%	45.3%	42.1%

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.

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, 2023 and 2022, the Hospital recorded a SERS related liability of $337.8 million and $438.0 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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, 2022 and June 30, 2021, 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 2022 and 2021 fiscal years, respectively. For the fiscal years ended June 30, 2022 and 2021, the Hospital's proportion of contributions was 1.53% and 2.06%, respectively.

For the fiscal years ended June 30, 2023 and 2022, the Hospital recognized SERS pension expense of $9.7 million and $66.2 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.

At June 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2023		2022	
	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	$ 60,766	$ -	$ 88,282	$ -
Hospital contributions subsequent to measurement date	55,515	-	43,645	-
Net difference between projected and actual earnings on pension plan investments	15,128	-	-	30,887
Difference between expected and actual experience	35,995	-	30,306	-
Net difference between employer contribution and proportionate share	-	90,781	-	-
Changes in assumptions	-	462	-	807
	$ 167,404	$ 91,243	$ 162,233	$ 31,694

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 5.15 and 5.33 years for the fiscal years ended June 30, 2023 and 2022, 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	Difference between employer contribution and proportionate share	Change in assumptions
			(in thousands)		
2024	24,865	2,734	12,779	(21,875)	248
2025	20,290	2,406	10,329	(21,875)	(197)
2026	12,418	269	7,539	(21,875)	(548)
2027	3,193	9,719	4,795	(21,875)	2
2028	-	-	553	(3,281)	33
	$ 60,766	$ 15,128	$ 35,995	$ (90,781)	$ (462)

The amortization of the aforementioned deferred inflows and deferred outflows (decreased) increased fringe benefits expense by ($45,829,941) and $22,595,254 during the fiscal years ended June 30, 2023 and 2022, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2022 and 2021 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. The Mortality Table was used for the period after service retirement and for dependent beneficiaries. The key actuarial assumptions are summarized below:

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SERS) (CONTINUED)

Inflation:	2.50%
Salary increase:	3.00% - 11.50% including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

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 for June 30, 2022 and 2021 through the year 2125 and 2144, respectively.

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)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (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 for June 2022 and 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.4%
Developed Market Intl. Stock Fund	11%	6.4%
Emerging Market Intl. Stock Fund	9%	8.6%
Real Estate Fund	19%	5.2%
Private Equity	10%	9.4%
Private Credit	5%	6.5%
Alternative Investments	3%	3.1%
Core Fixed Income Fund	13%	0.8%
High Yield Bond Fund	3%	3.4%
Emerging Market Debt Fund	5%	3.8%
Liquidity Fund	2%	(0.4)%
	100%	

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2022 Pension Liability	2021 Pension Liability	2020 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 789,884	$ 672,536	$ 601,533
Changes for the year:			
Service cost	6,655	8,170	7,070
Interest	39,270	50,967	43,960
Differences between expected and actual experience	25,996	16,032	3,786
Changes of assumptions	-	(994)	-
Benefit payments, including refunds of member contributions	(36,496)	(45,884)	(38,750)
Change in proportionate allocation of pension liability	(202,509)	89,057	54,937
Net change in pension liability	(167,084)	117,348	71,003
Ending balance - pension liability (a)	$ 622,800	$ 789,884	$ 672,536

	2022 Fiduciary Net Position	2021 Fiduciary Net Position	2020 Fiduciary Net Position
		(in thousands)	
Beginning balance - fiduciary net position	$ 351,856	$ 241,018	$ 221,285
Changes for the year:			
Contributions - employer	43,645	36,810	29,402
Contributions - employee	3,098	4,012	3,506
Net investment income	(23,182)	68,005	5,380
Benefit payments, including refunds of member contributions	(36,496)	(45,884)	(38,750)
Administrative expenses	-	(12)	(14)
Other	36,266	15,991	-
Change in proportionate allocation of fiduciary net position	(90,208)	31,916	20,209
Net change in fiduciary net position	(66,877)	110,838	19,733
Ending balance - fiduciary net position (b)	$ 284,979	$ 351,856	$ 241,018
Hospital's net pension liability - ending (a)-(b)	$ 337,821	$ 438,028	$ 431,518

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, 2023 and 2022, 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:

	2023		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	$ 412,229	$ 333,782	$ 275,804

	2022		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Hospital's proportionate share of the net pension liability	$ 532,323,604	$438,027,986	$359,397,548

TEACHERS' RETIREMENT SYSTEM

The Hospital has a limited number of participants in the TRS.

As of June 30, 2023 and 2022, the Hospital recorded the following amounts in the financial statements related to the TRS:

	2023	2022
	(in thousands)	
Deferred outflows of resources	$ 1,324	$ 1,127
Deferred inflows of resources	$ 39	$ 331
Pension liability	$ 2,739	$ 2,099

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN

The Hospital also participates in 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 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 2023 and 2022, via a charge recouped from the Hospital.

Participant and State contributions are both 100% vested immediately. For fiscal years 2023 and 2022, charges to the Hospital for ARP were approximately $10.1 million and $8.4 million, respectively. The liabilities as of June 30, 2023 and 2022 were approximately $415,000 and $622,000, 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 Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. 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.

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

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 Office of the State Comptroller. 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 available on the State Comptroller'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, 2023 and 2022, the SEOPEBP was based on plan membership at June 30, 2021, covering the following:

Inactive employees or beneficiaries currently receiving benefit payments	79,870
Inactive employees entitled to but not yet receiving benefit payments	385
Active employees	49,927
Total covered employees	130,182

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

NET SEOPEBP LIABILITY

The Hospital's OPEB liability of $430.4 million as of June 30, 2023 for its proportionate share of the net OPEB liability was measured as of June 30, 2022 based on an actuarial valuation that was rolled forward to June 30, 2023. The Hospital's OPEB liability of $532.0 million as of June 30, 2022 for its proportionate share of the net OPEB liability was measured as of June 30, 2021 based on an actuarial valuation that was rolled forward to June 30, 2022. 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 fiscal years ended June 30, 2022 and 2021, the Hospital's proportion of contributions was 2.78% and 2.72%, respectively.

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial experience study:	July 1, 2015 - June 30, 2020
Payroll growth rate:	3.00%
Inflation:	2.50%
Salary increase:	3.00% to 11.5% varying by years of service and retirement system, including inflation
Discount rate:	2.38% as of June 30, 2022 and 2.31% as of June 30, 2021
Healthcare cost trends rates	
Medical	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years
Dental	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

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP) (CONTINUED)

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 (3.54% as of June 30, 2022 and 2.16% as of June 30, 2021). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to cover payroll is as follows:

	2023	2022	2021
Total Hospital payroll covered by SEOPEBP	$ 193,672,172	$ 156,009,740	$ 145,042,421
Total Hospital SEOPEBP contributions	$ 31,655,990	$ 23,548,884	$ 23,651,207
Contributions as a percentage of covered payroll	16.3%	15.1%	16.3%

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY

	2022 Net OPEB Liability	2021 Net OPEB Liability	2020 Net OPEB Liability
		(in thousands)	
Beginning balance	$ 532,040	$ 628,674	$ 546,723
Changes for the year:			
Service cost	25,169	33,096	25,896
Interest	14,317	16,844	21,549
Differences between expected and actual experience	(8,603)	10,606	(4,795)
Changes in assumptions or other inputs	(123,938)	(134,488)	59,440
Benefit payments	(17,718)	(17,362)	(16,640)
Change in proportionate allocation of OPEB liability	9,153	(5,330)	(3,499)
Net changes	(101,620)	(96,634)	81,951
Ending balance	$ 430,420	$ 532,040	$ 628,674

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, 2023 and 2022, using the discount rate of 3.90% and 2.31%, respectively, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	2023		
	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
		(in thousands)	
Net OPEB Liability	$ 503,243	$ 430,420	$ 371,517

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

SENSITIVITY OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES (CONTINUED)

	2022		
	1% Decrease (1.31%)	Discount Rate (2.31%)	1% Increase (3.31%)
	(in thousands)		
Net OPEB Liability	$ 631,515	$ 532,040	$ 453,044

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	$ 363,339	$ 430,420	$ 515,574

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the fiscal years ended June 30, 2023 and 2022, the Hospital recognized OPEB income (expense) of $747,203 and ($40.7) million, respectively. At June 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)		*(in thousands)*	
Changes in proportion	$ 37,977	$ -	$ 51,949	$ -
Hospital contributions subsequent to measurement date	31,656	-	23,549	-
Changes in assumptions or other inputs - outflows	48,472	-	85,559	-
Changes in assumptions or other inputs - inflows	-	185,431	-	114,672
Net difference between projected and actual experience in total OPEB liability	6,621	13,247	-	10,498
Net difference between projected and actual earnings	4,010	-	-	4,956
	$ 128,736	$ 198,678	$ 161,057	$ 130,126

Hospital contributions subsequent to the measurement date totaling $31.7 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the fiscal year ending June 30, 2024. 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	Net difference between expected and actual experience in total OPEB liability	Net difference between projected and actual earnings on OPEB plan investments	Changes in assumptions or other inputs	Net difference between expected and actual experience in total OPEB liability
			(in thousands)			
2024	21,912	29,343	2,086	786	(52,264)	(5,947)
2025	8,682	15,843	2,086	794	(50,446)	(3,397)
2025	4,533	3,048	2,085	472	(50,325)	(1,941)
2027	2,504	213	359	1,958	(28,501)	(1,693)
2028	346	25	5	-	(3,895)	(269)
	$ 37,977	$ 48,472	$ 6,621	$ 4,010	$ (185,431)	$ (13,247)

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%	5.4%
Developed Market Intl. Stock Fund	11%	6.4%
Emerging Market Intl. Stock Fund	9%	8.6%
Real Estate Fund	19%	5.2%
Private Equity	10%	9.4%
Private Credit	5%	6.5%
Alternative Investments	3%	3.1%
Core Fixed Income Fund	13%	0.8%
High Yield Bond Fund	3%	3.4%
Emerging Market Debt Fund	5%	3.8%
Liquidity Fund	2%	(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.

UConn Health performs a Home Office allocation, which allocates 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.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

For the fiscal years ended June 30, 2023 and 2022, 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 fiscal years ended June 30, 2023 and 2022, 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	2023 Expenses Allocated	2022 Expenses Allocated
Salaries and wages	$ 21,858,209	$ 20,635,249
Fringe benefits	17,598,194	16,518,610
Internal contractual support	2,230,717	2,985,749
Utilities	5,662,575	5,502,754
Temporary Per Diem Staff	161,277	-
Outside and other purchased services	15,036,346	14,464,016
Insurance	174,286	318,197
Pharmaceutical/medical supplies	(8,726)	(21,721)
Repairs and maintenance	5,772,863	5,255,972
Debt Services	18,625	-
Other expenses	2,397,918	2,616,919
Total Expenses	$ 70,902,284	$ 68,275,745

For the fiscal years ended June 30, 2023 and 2022, the Hospital received net transfers from UConn Health of $66.1 million and $56.5 million, respectively. Fiscal year 2023 transfers from UConn Health included $76.9 million and $9.5 million related to fringe benefit support and working capital, respectively. These transfers in were offset by $17.9 million in transfers to UConn Health for operational support during fiscal year 2023. In fiscal year 2022, UConn Health transferred $95.9 million and $31.8 million to the Hospital related to fringe benefit support and working capital, respectively. These transfers in were offset by $71.2 million in transfers to UConn Health for operational support during fiscal year 2022. 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 fiscal years ended June 30, 2023 and 2022, the Hospital expensed $121,088,632 and $212,980,057, respectively, for employee fringe benefits. Related salary costs for 2023 and 2022 were $233,913,029 and $202,595,954, respectively.

The amounts due to the State related to the fringe benefit programs as of June 30, 2023 and 2022 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. Premiums paid by the Hospital in 2023 and 2022 were, $4.3 million and $2.3 million, respectively.

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 $2,945,626 and $2,286,229 for the fiscal years ended June 30, 2023 and 2022, respectively. The related DOC cases for the fiscal years ended June 30, 2023 and 2022 were 2,678 and 2,597, respectively.

At June 30, 2023 and 2022, the Hospital had a due from UMG balance of $3,244,811 and $306,193, respectively. The 2023 balance consisted primarily of patient deposits posted to a central clearing account in UMG that are owed back to the Hospital at year-end.

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 Outpatient Pavilion (OP) building. Rental payments to the Finance Corporation for leased space totaled $7.2 million for years 2023 and 2022, respectively.

The Hospital engages in transactions with UHPSI for pharmacy services including 340B contractual pharmacy services. In addition, during fiscal years 2023 and 2022, the Hospital allocated pharmacy overhead revenue to UHPSI totaling approximately $898,000 and $953,000, respectively. During fiscal years 2023 and 2022, UHPSI repaid the Hospital $25.0 million and $15.8 million, respectively. The outstanding due from/(to) Finance Corporation and its subsidiaries was $16.6 million and $12.2 million at June 30, 2023 and 2022, 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.

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, 2023 and 2022, UConn Health's Malpractice Fund had reserves of approximately $49.7 million and $42.5 million, respectively, and assets of approximately $42.8 million and $41.2 million, respectively. It was estimated that $2.4 million would be used in fiscal year 2024 for settling cases. Current reserves include provision for the initial rulings in *Monroe Lynch, et al v. State of Connecticut*, which awarded the plaintiffs therein $34.6 million. UConn Health has accrued a liability based on the initial adjusted judgment. UConn Health appealed the ruling in September 2021 and the case remains before the Connecticut Supreme Court.

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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
The University of Connecticut Health Center
Farmington, Connecticut

Hartford, Connecticut

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), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements, and have issued our report thereon dated November 21, 2023.

Report on 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 opinions 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 a 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 a 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 or significant deficiencies may exist that were not identified.

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Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 21, 2023

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S CONTRIBUTIONS
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2022	2021	2020	2019	2018	2017	2016	2015	2014
					(dollars in thousands)				
Total Pension Liability									
Service cost	$ 6,655	$ 8,170	$ 7,070	$ 6,533	$ 6,019	$ 6,524	$ 4,024	$ 3,537	$ 2,662
Interest	39,270	50,967	43,960	38,182	31,024	30,636	26,310	23,387	18,508
Differences between expected and actual experience	25,996	16,032	3,786	20,408	6,770	(19,616)	9,654	-	-
Change of assumptions	-	(994)	-	-	-	-	61,962	-	-
Benefit payments, including refunds of member contributions	(36,496)	(45,884)	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Change in proportionate allocation of pension liability	(202,509)	89,057	54,937	90,629	14,444	36,632	29,897	56,513	-
Net Change in Total Pension Liability	(167,084)	117,348	71,003	121,862	30,727	28,971	110,156	64,551	6,660
Total Pension Liability - Beginning	789,884	672,536	601,533	479,671	448,944	419,973	309,817	245,266	238,606
Total Pension Liability - Ending (a)	$ 622,800	$ 789,884	$ 672,536	$ 601,533	$ 479,671	$ 448,944	$ 419,973	$ 309,817	$ 245,266

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2022	2021	2020	2019	2018	2017	2016	2015	2014
					(dollars in thousands)				
Fiduciary Net Position									
Contributions - employer	$ 43,645	$ 36,810	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,872	$ 15,628	$ 11,750
Contributions - employee	3,098	4,012	3,506	8,153	2,719	1,800	1,687	2,133	1,341
Net investment income	(23,182)	68,005	5,380	11,849	12,280	20,508	(1)	3,354	13,366
Benefit payments, including refunds of member contributions	(36,496)	(45,884)	(38,750)	(33,890)	(27,530)	(25,205)	(21,691)	(18,886)	(14,510)
Administrative expenses	-	(12)	(14)	(12)	(5)	(9)	(8)	-	-
Other	36,266	15,991	-	62	(44)	(5)	959	-	-
Change in proportionate allocation of fiduciary net position	(90,208)	31,916	20,209	33,184	5,236	11,609	11,731	22,343	-
Net Change in Fiduciary Net Position	(66,877)	110,838	19,733	45,654	12,887	29,647	11,549	24,572	11,947
Fiduciary Net Position - Beginning	351,856	241,018	221,285	175,631	162,744	133,097	121,548	96,976	85,029
Fiduciary Net Position - Ending (b)	$ 284,979	$ 351,856	$241,018	$ 221,285	$ 175,631	$ 162,744	$ 133,097	$ 121,548	$ 96,976
Hospital's Net Pension Liability - Ending (a)-(b)	$ 337,821	$ 438,028	$431,518	$ 380,248	$ 304,040	$ 286,200	$ 286,876	$ 188,269	$ 148,290
Hospital's Estimated Portion of SERS Net Pension Liability	1.53184%	2.05997%	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	45.76%	44.55%	35.84%	36.79%	36.61%	36.25%	31.69%	39.23%	39.54%
Hospital's Covered Payroll	$ 96,312	$ 87,512	$ 80,546	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258
Hospital's Estimated Net Pension Liability as a Percentage of Covered Payroll	350.76%	500.53%	535.74%	577.46%	519.96%	503.27%	545.57%	411.83%	432.86%

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	(dollars in thousands)									
Contractually required contributions	$ 55,515	$ 43,645	$ 36,810	$ 29,402	$ 26,308	$ 20,231	$ 20,949	$ 18,920	$ 15,714	$ 11,750
Contributions in relation to the contractually required contribution	55,515	43,645	36,810	29,402	26,308	20,231	20,949	18,762	15,628	11,750
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158	$ 86	$ -
JDH's covered payroll	$ 123,119	$ 96,312	$ 87,512	$ 80,546	$ 65,848	$ 58,474	$ 56,868	$ 52,583	$ 45,715	$ 34,258
Contributions as a percentage of covered payroll	45.09%	45.32%	42.06%	36.50%	39.95%	34.60%	36.84%	35.68%	34.19%	34.30%

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

Inflation: 2.5%
Salary increases: 3.00 - 11.50 percent, including inflation
Investment rate of return: 6.90 percent, net of pension plan investment expense, including inflation.

Change 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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN
STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

Annual money-weighted rates of return net of investment expense	2022	2021	2020	2019	2018	2017	2016	2015	2014
State Employees' Retirement Fund	-7.63%	24.36%	1.86%	5.88%	7.30%	14.32%	0.23%	2.83%	15.62%

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017
			(dollars in thousands)			
Net OPEB Liability						
Service cost	$ 25,169	$ 33,096	$ 25,896	$ 22,421	$ 19,867	$ 20,288
Interest	14,317	16,844	21,549	19,490	14,986	10,791
Differences between expected and actual experience	(8,603)	10,606	(4,795)	(17,066)	-	-
Changes of assumptions or other inputs	(123,938)	(134,488)	59,440	90,342	(15,955)	(10,783)
Benefit payments	(17,718)	(17,362)	(16,640)	(15,686)	(14,285)	(13,500)
Change in proportionate allocation of OPEB liability	9,153	(5,330)	(3,499)	66,836	9,224	14,409
Change in Net OPEB Liability	(101,620)	(96,634)	81,951	166,337	13,837	21,205
Net OPEB Liability - Beginning	532,040	628,674	546,723	380,386	366,549	345,344
Net OPEB Liability - Ending	$ 430,420	$ 532,040	$ 628,674	$ 546,723	$ 380,386	$ 366,549
JDH Covered Payroll	$ 156,010	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044
Net OPEB Liability as a Percentage of Covered Payroll	275.89%	366.82%	455.88%	421.83%	299.04%	293.14%

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.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016
	(dollars in thousands)						
The Hospital's proportion of the net OPEB liability	2.78%	2.72%	2.67%	2.64%	2.20%	2.11%	2.00%
The Hospital's proportionate share of the net OPEB liability	$ 430,420	$ 532,040	$ 628,674	$ 546,723	$ 380,386	$ 366,549	$ 345,344
The Hospital's covered payroll	$ 156,010	$ 145,042	$ 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 payroll	275.89%	366.82%	455.88%	421.83%	299.04%	293.14%	279.69%
Plan fiduciary net position (assets)	$ 2,240,138	$ 2,199,545	$ 1,537,194	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 17,738,337	$ 21,726,989	$ 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	12.63%	10.12%	6.13%	5.47%	4.69%	3.03%	1.94%

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 OF BENEFIT TERMS: In the June 30, 2022 and 2021 actuarial valuations, there were no changes of benefit terms.

CHANGES OF ASSUMPTIONS: In the June 30, 2022 actuarial valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 3.90% as of June 30, 2022. The demographic assumptions (mortality, disability, retirement, withdrawal and salary scale) were updated to be consistent with the corresponding retirement system assumptions. Per capita health costs, administrative expenses and retiree contributions were updated for recent experience. Health care cost trend rates and retiree contribution increase rates were adjusted.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF JOHN DEMPSEY HOSPITAL'S OPEB CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016
	(dollars in thousands)							
Contractually required contribution	$ 31,656	$ 23,549	$ 23,651	$ 23,160	$ 19,903	$ 17,668	$ 14,090	$ 12,189
Contributions in relation to the contractually required contribution	31,656	23,549	23,651	23,160	19,903	17,668	14,090	12,189
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Hospital's covered payroll	$ 193,672	$ 156,010	$ 145,042	$ 137,902	$ 129,606	$ 127,204	$ 125,044	$ 123,476
Contributions as a percentage of covered payroll	16.35%	15.09%	16.31%	16.79%	15.36%	13.89%	11.27%	9.87%

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.

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

In the June 30, 2022 actual valuation, the trends for Medicare-eligible retiree costs were updated to reflect final negotiated changed in Medicare Advantage rates for calendar year 2022.

Inflation: 2.50%
Salary Increase: 3.0% to 11.5%
Discount rate: 3.90% as of June 30, 2022

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN

Annual money-weighted rates of return net of investment expense	2022	2021	2020	2019	2018	2017	2016	2015
OPEB Fund	-7.40%	24.61%	2.13%	6.62%	5.85%	11.83%	2.44%	3.44%

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.

ATTACHMENT 2.7

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

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

JUNE 30, 2023 AND 2022

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

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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 fiscal years ended June 30, 2023, 2022, and 2021. 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 support 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 550 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. Since then, COVID-19 and its variants have continued to spread throughout the United States and the world. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. Since fiscal year 2021, UConn Health has diligently navigated a path back to providing full services in a changed world. The federal COVID-19 Public Health Emergency declaration ended on May 11, 2023. We continue to monitor the pandemic and its many associated business challenges including variant waves, supply chain disruption, worker shortages, and aid application and reporting requirements. Management remains focused on providing exceptional, reliable, and safe patient care to our community.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

UMG has received aid from a number of governmental and other sources throughout the pandemic. Notably, UMG received federal funding via the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds received under this program carry reporting and other requirements outlined by the federal government, which began September 30, 2021. UMG believes it has met these requirements. A summary of significant amounts received is shown below:

	2023	2022	2021
Funding Source			
Coronavirus Aid, Relief, and Economic Security (CARES) Act	$ -	$ 5,216,087	$ 2,012,523
Rent relief	-	-	1,000,000
Other funding	-	711,851	33,227
Total COVID-19 relief revenue	$ -	$ 5,927,938	$ 3,045,750

Funding received came from both general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated. UMG was also eligible for distributions for treating uninsured patients, though this population is not considered material.

UMG, as part of UConn Health, was 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 expenses incurred in responding to the public health emergency to FEMA for consideration. The State of Connecticut also created a mechanism for expense submittal through December 31, 2021, to the extent such expenses were not submitted to other funding sources (such as FEMA).

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, statements of cash flows, and related notes to the financial statements) present the financial position of UMG at June 30, 2023 and 2022, and the results of its operations and financial activities for the fiscal 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 outflows and inflows. 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).

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, 2023, consisted of assets of approximately $125.7 million, deferred outflows of approximately $154.0 million, liabilities of approximately $526.5 million (of which $405.7 million is related to GASB Statements No. 68 and 75, $94.7 million is related to GASB Statement No. 87 and $3.4 million is related to GASB Statement No. 96), and deferred inflows of approximately $159.9 million. UMG's financial position at June 30, 2022, consisted of assets of approximately $134.3 million, deferred outflows of approximately $183.5 million, liabilities of approximately $664.5 million (of which $519.2 million is related to GASB Statements No. 68 and 75, and $104.3 million is related to GASB Statement No. 87), and deferred inflows of approximately $89.6 million. Net position, which represents the residual interest in UMG's assets and deferred outflows after liabilities and deferred inflows are deducted, increased by approximately $29.6 million from fiscal year 2022 to a net deficit position of approximately $406.8 million as of June 30, 2023.

UMG finished the fiscal year with an operating loss of $109.2 million compared to an operating loss of $149.6 million in the prior fiscal 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 11. These expenses reflect changes to the pension and other post-employment benefits (OPEB) plans on a State level. UMG recorded a decrease of $13.6 million and an increase of $36.5 million of expenses related to pension and OPEB liabilities in fiscal years 2023 and 2022, respectively. Operating losses exclusive of these entries were $122.8 million and $113.1 million in fiscal years 2023 and 2022, respectively.

UMG received net transfers from UConn Health of $143.4 million and $103.7 million in fiscal years 2023 and 2022, respectively. Current year transfers included $112.5 million from UConn Health as working capital support and $30.9 million related to fringe benefit support. Prior year transfers included $63.3 million from UConn Health related to working capital support and $40.4 million of fringe benefit support. Total net position increased by approximately $29.6 million in fiscal year 2023, compared to a decrease of approximately $44.4 million in fiscal year 2022.

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of UMG's Statements of Net Position as of June 30, 2023, 2022, and 2021 are presented below:

	2023	2022 (Restated)	2021
		(amounts in thousands)	
Summary of assets, liabilities, and net position at June 30:			
Current assets	$ 19,508	$ 21,875	$ 20,151
Lease receivable, net of current portion	29	78	15
Right-to-use assets, net	91,406	99,918	103,374
Capital and intangible assets, net	14,756	12,428	12,798
Total assets	$ 125,699	$ 134,299	$ 136,338
Deferred outflows for pensions	$ 81,124	$ 84,136	$ 79,428
Deferred outflows for OPEB	72,846	99,382	118,197
Total deferred outflows	$ 153,970	$ 183,518	$ 197,625
Current liabilities	$ 23,871	$ 42,626	$ 33,842
Noncurrent liabilities	502,624	621,901	676,891
Total liabilities	$ 526,495	$ 664,527	$ 710,733
Deferred amount for right-to-use assets	$ 79	$ 130	$ 67
Deferred amount for pensions	48,683	15,953	63
Deferred amount for OPEB	111,162	73,515	15,005
Total deferred inflows	$ 159,924	$ 89,598	$ 15,135
Net investment in capital assets	$ 7,996	$ 8,072	$ 10,865
Unrestricted deficit	(414,746)	(444,380)	(402,770)
Total net position	$ (406,750)	$ (436,308)	$ (391,905)

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

Changes in assets included the following:

- *Due from other funds* – decreased by approximately $700,000 from June 30, 2022 to June 30, 2023. Prior year amounts due related to Covid revenues were received and no new funding allocations were made in the current year.

- *Due from State of Connecticut* – decreased by approximately $5.1 million from June 30, 2022 to June 30, 2023 due to a legislative change where the State is paying the retirement fringe of employees directly to the pension plan rather than charging UConn Health and UMG.

- *Right-to-use assets, net* – decreased by approximately $8.5 million from June 30, 2022 to June 30, 2023 due to amortization of lease and subscription balances recorded under GASB 87 and GASB 96.

Changes in liabilities included the following:

- *Accrued payroll* – decreased by approximately $6.9 million from June 30, 2022 to June 30, 2023. 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. The final payroll of the current year posted on June 30 resulting in a lower number of outstanding days at year end.

- *Due to State of Connecticut* – decreased by approximately $5.7 million from June 30, 2022 to June 30, 2023. This amount represents the portion of fringe benefits related to accrued salaries owed to the State at the end of the fiscal year.

- *Due to John Dempsey Hospital (JDH)* – increased by approximately $2.9 million from June 30, 2022 to June 30, 2023. The 2023 balance primarily consisted of patient deposits posted to a central clearing account for UMG that were owed back to JDH at year-end.

- *Pension and OPEB liabilities* – decreased by $113.6 million from June 30, 2022 to June 30, 2023 due to changes in UMG's OPEB and pension costs. This represents UMG's proportional share of the State's liability as actuarially determined based on UMG's percentage of overall contributions.

- *Right-to-use liabilities, net of current portion* – decreased by approximately $5.8 million from June 30, 2022 to June 30, 2023 due to UMG making contractually required lease payments in the current fiscal year.

FINANCIAL HIGHLIGHTS (CONTINUED)

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 fiscal years ended June 30, 2023, 2022, and 2021 are presented below:

	2023	2022 (Restated)	2021
		(amounts in thousands)	
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	$ 138,211	$ 140,771	$ 137,009
Operating expenses	247,369	290,385	299,695
Loss from operations	(109,158)	(149,614)	(162,686)
Nonoperating revenues (expenses), net	(4,636)	1,470	(2,729)
Net loss	(113,794)	(148,144)	(165,415)
Transfers, net	143,352	103,738	101,034
Cumulative effect of change in accounting method GASB 87 and cumulative effect of implementing GASB 96	-	3	(20)
Increase(Decrease) in net position	$ 29,558	$ (44,403)	$ (64,401)

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

Operating revenues

Total operating revenues decreased from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 by approximately $2.5 million or 1.8%.

- *Net patient service revenues* – increased by approximately $5.8 million or 4.7% from the prior year due to increased patient visits post Covid.

- *Contract and other revenues* – decreased by approximately $8.3 million or 49.0% from the prior year due to discontinuation of the Anesthesia revenue agreement with Integrated Anesthesia Associates, LLC (IAA).

Operating expenses

Total operating expenses decreased from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 by approximately $43.0 million or 14.8%.

- *Salaries and wages* – increased by approximately $4.8 million or 3.7% from the prior year primarily due to increases in the number of providers and contractually bargained salary wage increases.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating expenses (Continued)

- *Fringe benefits* – decreased by approximately $49.9 million or 44.1% from the prior year due to a decline in UMG's proportionate share of pension and OPEB expenses. Total pension and OPEB expenses were approximately $36.5 million in fiscal year 2022 and a reduction of $13.6 million in fiscal year 2023. Additionally, a legislative change removing responsibility for payment of certain retirement fringe costs from UMG beyond June 30, 2023, reduced UMG's accrued fringe benefit expenses as of June 30, 2023.

- *Medical contractual support* – decreased by approximately $1.3 million or 45.3% from the prior year, primarily driven by the discontinuation of UMG anesthesia contract. UMG retained physician services for anesthesia while other personnel under the contract moved to JDH in FY23.

- *Depreciation and Amortization* – increased by $2.2 million or 23.9% from the prior year, primarily driven by computer software amortization costs.

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 fiscal years ended June 30, 2023, 2022 and 2021 are as follows:

	2023	2022 (Restated)	2021
	(amounts in thousands)		
Cash received from operations	$ 140,427	$ 140,599	$ 131,306
Cash expended for operations	(255,621)	(242,006)	(232,171)
Net cash used in operations	(115,194)	(101,407)	(100,865)
Net cash used in investing activities	(5,461)	(7,345)	(482)
Net cash provided by noncapital financing activities	133,675	114,461	107,929
Net cash used in capital and related financing activit	(10,748)	(5,709)	(9,566)
Net change in cash	2,272	-	(2,984)
Cash - Beginning	-	-	2,984
Cash - Ending	$ 2,272	$ -	$ -

FINANCIAL HIGHLIGHTS (CONTINUED)

OPERATIONAL HIGHLIGHTS

UMG patient visits of approximately 850,000 represent an increase of approximately 48,000 from 2022. Demand for services now surpasses pre-COVID levels and continues to grow.

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2023, UMG had capital and intangible assets of $156.4 million before accumulated depreciation, compared to $151.8 million at June 30, 2022. Construction in progress (CIP) increased by approximately $213,000 from June 30, 2022 to June 30, 2023, due to UMG's ongoing projects. Equipment increased by approximately $687,000 due to the acquisition of ultrasounds, tomography, and equipment for the Hopmeadow Street practice. A summary of capital and intangible asset balances is shown in the table below:

	2023	2022 (Restated)	2021
	(amounts in thousands)		
Land	$ 89	$ 89	$ 89
Construction in progress (estimated costs to complete of $5 million and $4.3 million at June 30, 2023 and 2022, respectively)	1,369	1,156	271
Buildings and leasehold improvements	15,822	12,689	12,560
Equipment	8,723	8,037	9,155
Computer software	13,931	13,706	13,544
Total capital and intangible assets	39,934	35,677	35,619
Less: accumulated amortization	25,178	23,249	22,821
Capital and intangible assets, net	$ 14,756	$ 12,428	$ 12,798

	2023	2022 (Restated)	2021
	(amounts in thousands)		
Right-to-use assets - buildings	$ 110,290	$ 110,625	$ 110,123
Right-to-use assets - equipment	682	534	305
Right-to-use assets - subscriptions	5,476	4,942	-
Total right-to-use assets	116,448	116,101	110,428
Less: accumulated amortization	25,042	16,183	7,054
Right-to-use assets, net	$ 91,406	$ 99,918	$ 103,374

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS (CONTINUED)

For fiscal year 2024, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by UConn Health's Capital Prioritization Committee. More detailed information about UMG's capital and intangible assets are presented in note 9 to the financial statements.

FISCAL 2024 OUTLOOK

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

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

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

A combination of institution-wide financial initiatives and additional State funding allowed UConn Health to balance its 2023 spending plan. The new biennium brings its own challenges. As State and Federal government seek to put the pandemic behind them, funding is at the forefront of new concerns. Public sentiment towards healthcare and education has eroded as the focus shifts to affordability, government sustainability, and tax relief.

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

FISCAL 2024 OUTLOOK (CONTINUED)

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.

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
The University of Connecticut Health Center
Farmington, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of The University of Connecticut Health Center UConn Medical Group (UMG), a component unit of the State of Connecticut, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise UMG's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The University of Connecticut Health Center UConn Medical Group as of June 30, 2023 and 2022, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of Connecticut Health Center UConn Medical Group and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Notes 9 and 10 to the financial statements, effective July 1, 2022, UMG adopted new accounting guidance for subscription-based technology agreements. The guidance requires entities to recognize a subscription-based right-to-use asset and corresponding subscription-based. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the schedule of changes in UMG's net position liability and related ratios, the schedule of pension contributions, the schedule of changes in UMG's net OPEB liability and related ratios, the schedule of UMG's proportionate share of the net OPEB liability, and the schedule of UMG's OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of The University of Connecticut Health Center 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 UMG'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 UMG's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut

November 21, 2023

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 2,271,875	$ -
Patient accounts receivable, net of estimated uncollectibles of $4,844,729 and $6,851,293 at June 30, 2023 and 2022, respectively	9,035,644	8,576,272
Inventory	1,268,655	982,798
Contract and other receivables (note 6)	6,653,689	6,202,346
Lease receivable, current (note 4)	49,563	55,675
Due from other funds	21,536	711,851
Due from State of Connecticut	178,409	5,318,791
Prepaid expenses	28,409	27,582
Total Current Assets	19,507,780	21,875,315
Noncurrent Assets		
Lease receivable, net of current portion (note 4)	28,912	78,475
Right-to-use assets, net (note 9)	91,405,851	99,918,002
Capital and intangible assets, net (note 9)	14,756,166	12,427,735
Total Noncurrent Assets	106,190,929	112,424,212
Total Assets	125,698,709	134,299,527
Deferred Outflows of Resources		
Deferred amount for pensions (note 11)	81,123,747	84,136,265
Deferred amount for OPEB (note 11)	72,845,763	99,381,835
Total Deferred Outflows of Resources	$ 153,969,510	$ 183,518,100

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, 2023 AND 2022

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Cash overdraft	$ -	$ 9,677,060
Accounts payable and accrued expenses	2,810,102	2,689,893
Accrued payroll	5,356,403	12,229,265
Due to State of Connecticut	1,215,491	6,956,254
Due to UConn Health Malpractice Fund (note 1)	35,587	12,539
Due to John Dempsey Hospital (note 12)	3,244,811	306,193
Due to Finance Corporation	617,544	545,517
Due to Central Administrative Services	25,558	-
Right-to-use liabilities, current portion (note 10)	6,408,427	6,685,690
Accrued compensated absences, current portion (note 10)	4,156,967	3,523,666
Total Current Liabilities	23,870,890	42,626,077
Noncurrent Liabilities		
Pension liabilities (note 11)	164,828,924	218,638,387
OPEB liabilities (note 11)	240,823,701	300,576,329
Right-to-use liabilities (note 10)	91,757,766	97,588,613
Accrued compensated absences, net of current portion (note 10)	5,214,014	5,097,978
Total Noncurrent Liabilities	502,624,405	621,901,307
Total Liabilities	526,495,295	664,527,384
Deferred Inflows of Resources		
Deferred amount for right-to-use assets	78,475	130,149
Deferred amount for pensions (note 11)	48,683,395	15,953,643
Deferred amount for OPEB (note 11)	111,161,777	73,514,677
Total Deferred Inflows of Resources	159,923,647	89,598,469
Net Position		
Net investment in capital assets	7,995,824	8,071,434
Unrestricted deficit	(414,746,547)	(444,379,660)
Total Net Position	$ (406,750,723)	$ (436,308,226)

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, 2023 AND 2022

	2023	2022 (Restated)
Operating Revenues		
Net patient service revenues (note 3)	$ 129,557,250	$ 123,774,850
Contract and other revenues	8,653,886	16,995,950
Total Operating Revenues	138,211,136	140,770,800
Operating Expenses		
Salaries and wages	135,717,462	130,876,360
Fringe benefits	63,221,400	113,137,637
Medical contractual support	1,516,192	2,771,047
Internal contractual support	1,535,001	1,886,549
Outside agency per diems	1,253,309	1,311,871
Depreciation (note 9)	2,199,920	2,039,412
Amortization (note 9)	9,451,484	9,129,022
Pharmaceutical/medical supplies	9,799,148	8,745,742
Utilities	2,454,222	2,418,891
Outside and other purchased services	14,595,619	12,271,311
Insurance	554,018	523,463
Repairs and maintenance	3,531,272	3,577,296
Other expenses	1,539,875	1,696,770
Total Operating Expenses	247,368,922	290,385,371
Operating Loss	(109,157,786)	(149,614,571)
Nonoperating Revenues (Expenses)		
COVID-19 relief revenue	-	5,927,938
Interest expense	(4,691,605)	(4,509,918)
Interest income	3,938	1,409
Lease revenue	51,675	52,877
Loss on disposals (note 9)	(960)	(2,843)
Net Nonoperating Revenues (Expenses)	(4,636,952)	1,469,463
Loss before Transfers	(113,794,738)	(148,145,108)
Net Transfers from UConn Health - Unrestricted (note 12)	143,352,241	103,738,133
Increase(Decrease) in Net Position	29,557,503	(44,406,975)
Net Position - Beginning of year **(as restated)**	(436,308,226)	(391,904,414)
Cumulative effect of change in Accounting method GASB 87	-	3,163
Net Position - Beginning of year	(436,308,226)	(391,901,251)
Net Position - End of year	$ (406,750,723)	$ (436,308,226)

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, 2023 AND 2022

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	$ 129,097,878	$ 124,301,288
Cash received from contract and other revenues	8,202,543	16,297,533
Cash (returned to) received from related parties	3,126,137	(1,954,832)
Cash paid to employees for personal services and fringe benefits	(218,699,036)	(204,459,424)
Cash paid for other than personnel services	(36,922,083)	(35,591,030)
Net Cash Used in Operating Activities	**(115,194,561)**	**(101,406,465)**
Cash Flows from Investing Activities		
Additions to property and equipment	(5,460,705)	(7,344,964)
Net Cash Used in Investing Activities	**(5,460,705)**	**(7,344,964)**
Cash Flows from Noncapital Financing Activities		
Net transfers from UConn Health's unrestricted net assets to support operations	143,352,241	103,738,133
Net borrowings/(repayments) on cash overdraft	(9,677,060)	4,794,555
COVID-19 relief received	-	5,927,938
Net Cash Provided by Noncapital Financing Activities	**133,675,181**	**114,460,626**
Cash Flows from Capital and Related Financing Activities		
Lease revenue	51,675	52,877
Interest paid	(4,691,605)	(4,729,641)
Payments on right-to-use liabilities	(6,108,110)	(1,032,433)
Net Cash Used in Capital and Related Financing Activities	**(10,748,040)**	**(5,709,197)**
Net Change in Cash	2,271,875	-
Cash - Beginning	-	-
Cash - Ending	$ 2,271,875	$ -
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Non cash portion of interest for right-to-use assets	$ -	$ 8,665
Right-to-use assets acquired by entering into subscription	$ 243,864	$ -
Right-to-use assets acquired by entering into lease agreements	$ 534,075	$ 317,272

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, 2023 AND 2022

	2023	2022 (Restated)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (109,157,786)	$ (149,614,571)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,651,404	11,168,434
Changes in operating assets and liabilities:		
Patient accounts receivable	(459,372)	526,438
Inventory	(285,857)	(96,097)
Contract and other receivables	(451,343)	(698,417)
Prepaid expenses	(827)	(8,918)
Deferred outflows - pension	(8,475,150)	(10,219,439)
Deferred outflows - OPEB	17,489,773	17,198,993
Accounts payable and accrued expenses	120,209	(283,075)
Due to Central Administrative Services	25,558	(1,373,722)
Due to JDH	2,938,618	(1,747,486)
Due to Finance Corporation	72,027	785,166
Due to State of Connecticut	(5,740,763)	2,066,522
Due to/from other funds	690,315	631,077
Due from State of Connecticut	5,140,382	(2,316,389)
Accrued payroll	(6,872,862)	4,164,983
Accrued compensated absences	749,337	(1,069,616)
Due to Malpractice	23,048	-
Change in net pension liability	(5,827,771)	22,528,765
Change in deferred inflows - pension	(3,764,272)	(719,732)
Change in net OPEB liability	6,509,327	12,987,763
Change in deferred inflows - OPEB	(19,568,556)	(5,317,144)
Net Cash Used in Operating Activities	$ (115,194,561)	$ (101,406,465)

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 550 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 support its 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 12 for related party transactions.

UMG, as part of UConn Health, is a component 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. Since then, COVID-19 and its variants have continued to spread throughout the United States and the world. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses across the country. Since fiscal year 2021, UConn Health has diligently navigated a path back to providing full services in a changed world. The federal COVID-19 Public Health Emergency (PHE) declaration ended on May 11, 2023. UConn Health continues to monitor the pandemic and its many associated business challenges including variant waves, supply chain disruption, worker shortages, and aid application and reporting requirements. Management remains focused on providing exceptional, reliable, and safe patient care to our community.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, lease liabilities, subscription liabilities, and malpractice.

CASH AND CASH OVERDRAFT

Cash balances are included in a pooled cash account with the cash balances of the other entities included in fund 12018. 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 5 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.

For projects, including the development of computer software and the initial implementation stage of underlying assets related to subscription-based information technology arrangements, construction in progress is capitalized as costs are incurred during the construction phase. Depreciation will begin once the assets are placed in service.

LEASES

UMG routinely engages in lease agreements to meet operational needs. UMG's lease contracts generally relate to buildings and associated facilities, such as parking, various machinery, and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, UMG recognizes period revenue or expense based on the provisions of the lease contract. For all other contracts where UMG is the lessee, UMG recognizes a lease liability and an intangible right-to-use (RTU) lease asset based on the present value of future lease payments over the contracted term of the lease. RTU lease assets are amortized over the term of the lease, as UMG is not expected to lease assets beyond the underlying asset's useful life. On a more limited basis, UMG serves as a lessor providing leases of buildings. The financial statements recognize the lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

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

LEASES (CONTINUED)

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

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

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed, that do not meet the definition of subscription-based information technology agreements. 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 9 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

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 2023, UMG disposed of information technology and general equipment totaling approximately $272,000. These assets were reported in equipment in note 9. The total loss on disposal related to these assets was approximately $1,000. During 2022, UMG disposed approximately $1.5 million of equipment. The loss on disposal related to these assets was approximately $3,000.

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

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 has historically paid 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. Beginning in fiscal year 2024, the State transferred responsibility for fringe benefit expenses from UConn Health to the Office of the State Comptroller. Under this legislation, the State Comptroller will pay retirement related fringe costs for all constituent units including UConn and the Connecticut State Colleges and Universities. The change will impact how UConn Health records pension and OPEB liabilities in subsequent reporting periods. The impact of this change is still being evaluated.

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.

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

RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

(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 pays 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 11 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 pro-rata share of pension liability is calculated based on the percentage of contributions to the plan in the valuation year. 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 fiscal years ended June 30, 2023 and 2022.

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 fiscal years ended June 30, 2023 and 2022.

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

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

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.

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).

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

MEDICAL MALPRACTICE (CONTINUED)

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. Annual premiums were $289,000 and $150,000 for fiscal years ended June 30, 2023 and 2022, 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, 2023 and 2022, respectively.

NET POSITION

Net position is classified in two components. Net investment in capital assets consists of capital and right-to-use assets net of accumulated depreciation/amortization and reduced by the current balances of any leases payable and outstanding borrowings (less amounts held in trust, if any) 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 2023 Due from State of Connecticut reported on the statements of net position includes a receivable from the State for certain defined contribution retirement plans. Effective July 1, 2023, the State has transferred responsibility for payment of retirement fringe benefit costs from UConn Health and its related entities to the Comptroller. As such, year-end amounts accrued related to UMG's Alternate Retirement Program (ARP) have been offset with a corresponding receivable as the State is expected to provide the funding. The prior year Due from State of Connecticut reported on the statements of net position represented a receivable from the General Fund of the State (General Fund) for certain salaries that were able to be charged to the General Fund. UMG also recorded the related revenues on the statements of revenues, expenses, and changes in net position.

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

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

SUBSEQUENT EVENTS

In preparing these financial statements, UMG evaluated events and transactions for potential recognition or disclosure through November 21, 2023, the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure in the financial statements were identified.

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

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

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This standard requires the recognition of subscription assets and liabilities that were previously accounted for as inflows of resources and outflows of resources recognized based on the payment provisions of the related agreement. Under this standard, the end user is required to recognize a subscription liability and an intangible right-to-use asset.

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

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

The impact for select accounts of adopting GASB Statement No. 96 as well as the accounting change for right-to-use assets and liabilities on the statements of net position and statements of revenues, expenses and changes in net position as of June 30, 2022 is below:

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT (CONTINUED)

Combined Statement of Net Position	As Previously Reported	Adjustment	As Restated
Current Assets			
Lease receivable, current	$ 15,220	$ 40,455	$ 55,675
Accrued interest receivable - leases	42	(42)	-
Noncurrent Assets			
Right-to-use assets, net	96,324,293	3,593,710	99,918,003
Lease receivable, net of current portion	-	78,475	78,475
Current Liabilities			
Accrued interest payable - leases	211,188	(210,858)	330
Right-to-use liability, current portion	5,715,438	970,252	6,685,690
Noncurrent Liabilities			
Right-to-use liability, net of current portion	94,475,637	3,112,976	97,588,613
Deferred amount for right-to-use assets	14,426	115,724	130,150
Net Position	$ (436,032,730)	(275,496)	$ (436,308,226)

Combined Statement of Revenues, Expenses, and Changes in Net Position	As Previously Reported	Adjustment	As Restated
Expenses			
Amortization	$ 7,367,294	$ 1,761,728	$ 9,129,022
Outside and other purchased services	13,543,522	(1,272,211)	12,271,311
Nonoperating Revenues and Expenses			
Interest expense	(4,720,776)	210,858	(4,509,918)
Cumulative effect of change in accounting method GASB 87	-	3,163	3,163
Net Position	$ (436,032,730)	(275,496)	$ (436,308,226)

UPCOMING ACCOUNTING PRONOUNCEMENTS

UMG is still evaluating the impact on its financial statements of the following upcoming GASB accounting pronouncements: Paragraphs 4 through 10 of GASB Statement No. 99, Omnibus 2022 (GASB 99) effective for fiscal years beginning after June 15, 2023 and all reporting periods thereafter; and GASB Statement No. 101, Compensated Absences (GASB 101) effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

NOTE 3 – NET PATIENT SERVICE REVENUES

Patient service revenues reported net of allowances for the fiscal years ended June 30 were:

	2023	2022
Gross patient service revenues	$ 288,840,538	$ 270,535,594
Less contractual allowances and provisions for bad debt	(159,283,288)	(146,760,744)
Net patient service revenues	$ 129,557,250	$ 123,774,850

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	
	2023	2022	2023	2022
Net patient service revenues	32%	30%	15%	16%
Patient accounts receivable	23%	22%	8%	11%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. UMG believes that it complies 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)

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 2023 and 2022, UMG recorded $21.3 million and $20.9 million, respectively, in supplemental revenue from the Department of Social Services, which is included in net patient service revenues in the statements of revenues, expenses, and changes in net position.

COMMERCIAL FEE SCHEDULES

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

For substantially all payors, the Epic Contract Management System (ECM) nets gross billings down to the expected net realizable amount at the time of billing based on UMG's loaded contracts.

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.

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (CONTINUED)

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 – LEASE RECEIVABLE

Lease receivable for the fiscal years ended June 30, 2023 and 2022 is as follows:

	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amount due within 1 year
Lease receivable total	$ 134,150	$ -	$ (55,675)	$ 78,475	$ 49,563

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amount due within 1 year
Lease receivable total	$ 187,027	$ -	$ (52,877)	$ 134,150	$ 55,675

For the fiscal year ended June 30, 2023 and 2022, the statements of revenues, expenses, and changes in net position includes lease revenue of $51,675 and $52,877 in each fiscal year as well as interest income of $3,938 and $1,409, respectively.

Future lease receivables are summarized in the table below:

	Lease Receivable	
Year Ending June 30	Principal	Interest
2024	$ 49,563	$ 2,112
2025	28,912	370
Total	$ 78,475	$ 2,482

NOTE 5 – HYPOTHECATION

In accordance with State statute, UMG can borrow from the State up to 70% of its total net patient accounts receivable and contract and other receivables to fund operations. As of June 30, 2023 and 2022, UMG had the following draws and availability:

	2023	2022
Amount drawn under hypothecation	$ -	$ 9,677,060
Remaining amounts available under hypothecation	$ 10,982,533	$ 667,972

NOTE 6 – 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 population health payment and 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 7 – 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 2023 and 2022, UMG provided charity care services of $873,387 and $638,963, respectively. The increase in charity care for fiscal year 2023 reflects increased applications due to community need, partially attributed to the continued economic stresses including COVID, interest rate increases, and inflation.

The estimated cost of these services was $281,143 and $201,465, respectively, for the fiscal years ended June 30, 2023 and 2022. 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 8 – 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, 2022 and 2021 as a provider billing Medicare fee-for-service. UMG was eligible for and recognized approximately $5.2 million and $2.0 million in total COVID-19 relief revenue in fiscal year 2022 and 2021. 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. In fiscal year 2022, UMG received additional CARES Act funding through Phase 4, based on COVID-19 related changes in operating revenues and expenses from June 1, 2020, to March 31, 2021 for $5.0 million. Also in fiscal year 2022, UMG received approximately $200,000 from the ARPA and $711,000 from FEMA. ARPA distributed funds based on Medicare and Medicaid services for rural areas.

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, 2023 and 2022.

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 through 2022 are complete, as the regulations associated with that time frame were finalized in March 2023. Management’s estimates of the amount of revenues recognized in fiscal year 2023 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 9 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	2023	2022 (Restated)
Land	$ 89,132	$ 89,132
Construction in progress (estimated costs to complete of $5 million and $4.3 million at June 30, 2023 and 2022, respectively)	1,368,637	1,155,604
Buildings and leasehold improvements	15,822,183	12,689,479
Equipment	8,723,355	8,036,348
Computer software	13,930,521	13,706,431
Total capital and intangible assets	39,933,828	35,676,994
Less: accumulated amortization	25,177,661	23,249,259
Capital and intangible assets, net	$ 14,756,167	$ 12,427,735

	2023	2022 (Restated)
Right-to-use assets - buildings	$ 110,289,604	$ 110,624,819
Right-to-use assets - equipment	682,134	533,681
Right-to-use assets - subscriptions	5,476,132	4,942,057
Total right-to-use assets	116,447,870	116,100,557
Less: accumulated amortization	25,042,019	16,182,555
Right-to-use assets, net	$ 91,405,851	$ 99,918,002

NOTE 9 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Capital asset activity for the fiscal years ended June 30, 2023 and 2022 is as follows:

	2022 (Restated)	Additions	Deductions	2023
Land	$ 89,132	$ -	$ -	$ 89,132
Construction in progress	1,155,604	4,132,766	(3,919,733)	1,368,637
Buildings and leasehold improvements	12,689,479	3,132,704	-	15,822,183
Equipment	8,036,348	959,485	(272,478)	8,723,355
Computer software	13,706,431	224,090	-	13,930,521
Total capital assets	$ 35,676,994	$ 8,449,045	$ (4,192,211)	$ 39,933,828

	2021	Additions	Deductions	2022 (Restated)
Land	$ 89,132	$ -	$ -	$ 89,132
Construction in progress	270,916	1,093,145	(208,457)	1,155,604
Buildings and leasehold improvements	12,560,232	208,457	(79,210)	12,689,479
Equipment	9,154,613	384,595	(1,502,860)	8,036,348
Computer software	13,543,506	194,514	(31,589)	13,706,431
Total capital assets	$ 35,618,399	$ 1,880,711	$ (1,822,116)	$ 35,676,994

Related information on accumulated depreciation for the fiscal years ended June 30, 2023 and 2022 was as follows:

	2022 (Restated)	Additions	Deductions	2023
Buildings and leasehold improvements	$ 10,177,344	$ 385,657	$ -	$ 10,563,001
Equipment	6,970,989	402,633	(271,518)	7,102,104
Computer software	6,100,926	1,411,630	-	7,512,556
Total accumulated depreciation	$ 23,249,259	$ 2,199,920	$ (271,518)	$ 25,177,661

	2021	Additions	Deductions	2022 (Restated)
Buildings and leasehold improvements	$ 9,938,943	$ 317,611	$ (79,210)	$ 10,177,344
Equipment	8,078,077	392,929	(1,500,017)	6,970,989
Computer software	4,803,643	1,328,872	(31,589)	6,100,926
Total accumulated depreciation	$ 22,820,663	$ 2,039,412	$ (1,610,816)	$ 23,249,259

NOTE 9 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Activity for the Right-to-use assets for the fiscal years ended June 30, 2023 and 2022 was as follows:

	2022 (Restated)	Additions	Deductions	2023
Right-to-use assets - buildings	$ 110,624,819	$ -	$ (335,215)	$ 110,289,604
Right-to-use assets - equipment	533,681	243,864	(95,411)	682,134
Right-to-use assets - subscriptions	4,942,057	534,075	-	5,476,132
Total right-to-use assets	$ 116,100,557	$ 777,939	$ (430,626)	$ 116,447,870

	2021	Additions	Deductions	2022 (Restated)
Right-to-use assets - buildings	$ 110,123,012	$ 501,807	$ -	$ 110,624,819
Right-to-use assets - equipment	304,836	270,166	(41,321)	533,681
Right-to-use assets - subscriptions	-	4,942,057	-	4,942,057
Total right-to-use assets	$ 110,427,848	$ 5,714,030	$ (41,321)	$ 116,100,557

Related information on accumulated amortization for the fiscal years ended June 30, 2023 and 2022 was as follows:

	2022 (Restated)	Additions	Deductions	2023
Right-to-use assets - buildings	$ 14,240,952	$ 7,178,215	$ (223,476)	$ 21,195,691
Right-to-use assets - equipment	215,403	155,892	(73,389)	297,906
Right-to-use assets - subscriptions	1,726,200	2,117,377	(295,155)	3,548,422
Total accumulated amortization	$ 16,182,555	$ 9,451,484	$ (592,020)	$ 25,042,019

	2021	Additions	Deductions	2022 (Restated)
Right-to-use assets - buildings	$ 6,948,087	$ 7,292,865	$ -	$ 14,240,952
Right-to-use assets - equipment	105,446	109,957	-	215,403
Right-to-use assets - subscriptions	-	1,726,200	-	1,726,200
Total accumulated amortization	$ 7,053,533	$ 9,129,022	$ -	$ 16,182,555

NOTE 10 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Activity related to long-term liabilities and leases for the fiscal years ended June 30, 2023 and 2022 was as follows:

	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amounts due within 1 year
Right-to-use lease liabilities	$ 100,250,773	$ -	$ (5,921,303)	$ 94,329,470	$ 5,309,013
Right-to-use subscriptions	4,023,530	772,132	(958,939)	$ 3,836,723	1,099,414
Total leases and subscriptions	$ 104,274,303	$ 772,132	$ (6,880,242)	$ 98,166,193	$ 6,408,427
Other long-term liabilities					
Accrued compensated absences	$ 8,621,644	$ 6,285,738	$ (5,536,401)	$ 9,370,981	$ 4,156,967
Pension liabilities	218,638,387	32,841,851	(86,651,314)	164,828,924	-
OPEB liabilities	300,576,329	13,441,734	(73,194,362)	240,823,701	-
Total other liabilities	$ 527,836,360	$ 52,569,323	$ (165,382,077)	$ 415,023,606	$ 4,156,967
Total long-term liabilities	$ 632,110,663	$ 53,341,455	$ (172,262,319)	$ 513,189,799	$ 10,565,394

	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amounts due within 1 year
Right-to-use lease liabilities	$ 105,306,736	$ 376,969	$ (5,432,932)	$ 100,250,773	$ 5,726,751
Right-to-use subscriptions	-	4,023,530	-	4,023,530	958,939
Total leases and subscriptions	$ 105,306,736	$ 4,400,499	$ (5,432,932)	$ 104,274,303	$ 6,685,690
Other long-term liabilities					
Accrued compensated absences	$ 9,691,260	$ 2,891,202	$ (3,960,818)	$ 8,621,644	$ 3,523,666
Pension liabilities	218,230,824	48,751,905	(48,344,342)	218,638,387	-
OPEB liabilities	353,032,201	25,429,392	(77,885,264)	300,576,329	-
Total other liabilities	$ 580,954,285	$ 77,072,499	$ (130,190,424)	$ 527,836,360	$ 3,523,666
Total long-term liabilities	$ 686,261,021	$ 81,472,998	$ (135,623,356)	$ 632,110,663	$ 10,209,356

UConn Medical Group routinely leases various facilities and equipment instead of purchasing the assets. The contracts, at times, include variable payments, residual value guarantees or termination penalties that are not known or uncertain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2023. For the fiscal year ended June 30, 2023 and 2022, UMG recognized expense for lease variable payments as summarized in the following table:

NOTE 10 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

Expense Category	2023 Expenses Allocated	2022 Expenses Allocated
Common area expense	$ 295,480	$ 94,878
Property taxes	4,443	113,332
Fit out costs	-	235,200
Grand Total	$ 299,923	$ 443,410

The following is a schedule, by fiscal year, of future minimum payments due for leases, together with the present value of the net minimum lease payments as of June 30, 2023:

Fiscal Year Ending June 30	Lease Liabilities Principal	Lease Liabilities Interest
2024	$ 5,309,013	$ 4,238,809
2025	4,951,699	4,006,171
2026	4,952,511	3,789,954
2027	5,192,152	3,566,950
2028	5,208,810	3,334,820
2029-2033	26,408,879	13,106,398
2034-2038	30,617,047	6,568,088
2039-2042	11,689,359	514,346
Total lease and installment purchase liabilities	$ 94,329,470	$ 39,125,536

UMG has entered various subscription-based information technology arrangements (SBITAs) to support its services. SBITAs entered into, or in place, during the fiscal years ended June 30, 2022 and 2023 include:

- Various desktop and server software subscriptions;
- Electronic workflow software;
- Budgeting, accounting, and information system software;
- Performance measurement/benchmarking software;

NOTE 10 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

- Document management software;
- Payroll and human resources services software; and
- Information technology security software.

The following is a schedule, by fiscal year, of future minimum subscription payments due:

Fiscal Year Ending June 30	Subscription Liabilities Principal	Subscription Liabilities Interest
2024	$ 1,099,414	$ 124,533
2025	882,910	87,752
2026	878,556	58,299
2027	549,432	31,493
2028	426,411	7,722
Total subscription liabilities	$ 3,836,723	$ 309,799

UMG had no other outflows of resources in relation to these subscriptions during the fiscal years ended June 30, 2022 and 2023 that were not included in the measurement of the subscription liability.

NOTE 11 – 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. 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 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.

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

The SERS plan 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. Employees are covered under one of five tiers; Tier I, Tier II, Tier IIA, Tier III, and Tier IV including the (Hybrid Plan). In accordance with GASB 68, UMG must report for its participation in SERS as if it were a cost-sharing employer plan.

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 Connecticut General Statutes.

Deferred Vesting – SERS

Tier I -	10 years of service
Tier II and IIA -	Effective July 1, 1997, 5 years of actual state service, 10 years of vesting service, or age 70 with 5 years of service
Tier III and IV -	10 years of benefit service

Contributions - The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2023 were:

Tier I Hazardous - 6% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level
Tier I Plan B - 4% of earnings up to Social Security Taxable Base plus 7% of earnings above that level
Tier I Plan C - 7% of earnings
Tier II Hazardous - 6% of earnings
Tier II (all others) - 2% of earnings
Tier IIA and III Hazardous - 7 % of earnings
Tier IIA and III (all others) - 4% of earnings
Tier IV Hazardous - 8% of earnings
Tier IV (all others) - 5% of earnings

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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 employee 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 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.

The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from 0.0% to 2.0%, plus 60% of the annual rate of increase in the CPI-W from 3.3% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA rate of 7.5%. A COLA moratorium exists for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If the rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18-month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18-month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18-month period.

The pension liability recorded as of June 30, 2023 and 2022 was based on the June 30, 2022 and 2021 actuarial valuations, respectively.

CHANGES IN ASSUMPTIONS (SERS)

Listed below are the changes to the actuarial assumptions since the June 30, 2021 measurement date.

- Wage inflation assumed rate changed from 3.5% to 3.0%;
- Assumed salary scale changed to reflect experience in above wage inflation rates of increase;

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

CHANGES IN ASSUMPTIONS (SERS) (CONTINUED)

- Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (amount-weighted) projected generationally with MP-2020 improvement scale; and
- Assumed rates of withdrawal, disability and retirement have been adjusted to reflect experience more closely.

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, roll-forwards, and other adjustments, was 67.40%, 65.90%, and 61.14% during fiscal years 2023, 2022, and 2021, respectively. SERS contributions made compared to covered payroll is as follows:

	Years Ended June 30		
	2023	2022	2021
Total UMG payroll covered by SERS	$ 51,189,301	$ 46,647,440	$ 43,496,018
Total UMG SERS contributions	$ 22,991,345	$ 21,077,794	$ 18,242,562
Contributions as a percentage of covered payroll	44.9%	45.2%	41.9%

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).

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.

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS) (CONTINUED)

At June 30, 2023 and 2022, UMG recorded a SERS related liability of $164.8 million and $218.6 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined based on actuarial valuations performed as of June 30, 2022 and June 30, 2021, 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 2022 and 2021 fiscal years, respectively. For the fiscal years ended June 30, 2022 and 2021, UMG's proportion of contributions was 0.74% and 1.02%, respectively.

For the fiscal years ended June 30, 2023 and 2022, UMG recognized SERS pension expense of $4.6 million and $32.6 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, 2023 and 2022, UMG reported deferred outflows of resources and deferred inflows of resources related to the SERS plan from the following sources:

	2023		2022	
	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	$ 32,476	$ -	$ 46,808	$ -
UMG contributions subsequent to measurement date	22,991	-	21,078	-
Net difference between projected and actual earnings on pension plan investments	7,306	-	-	15,307
Difference between expected and actual experience	17,383	-	15,019	-
Net difference between employer contribution and proportionate share	-	48,322	-	-
Changes in assumptions	-	223	-	400
	$ 80,156	$ 48,545	$ 82,905	$ 15,707

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (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 5.15 and 5.33, for the fiscal years ended June 30, 2023 and 2022, 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	Difference between employer contribution and proportionate share	Change in assumptions
			(in thousands)		
2024	$ 14,005	$ 2,111	$ 6,242	$ (11,644)	$ 235
2025	11,013	2,111	5,030	(11,644)	(86)
2026	6,011	1,200	3,605	(11,644)	(349)
2027	1,447	1,884	2,250	(11,644)	(36)
2028	-	-	256	(1,746)	13
	$ 32,476	$ 7,306	$ 17,383	$ (48,322)	$ (223)

The amortization of the aforementioned deferred inflows and deferred outflows decreased fringe benefits expense by $18,350,115 in fiscal year 2023 but increased fringe expense $11,520,151 during the fiscal year ended June 30, 2022.

ACTUARIAL METHODS AND ASSUMPTIONS (SERS)

The total SERS pension liability in the June 30, 2022 and 2021 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2015-June 30, 2020. The Mortality Table was used for the period after service retirement and for dependent beneficiaries. The key actuarial assumptions are summarized below:

Inflation:	2.50%
Salary increase:	3.00% - 11.50% including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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 for June 30, 2022 and 2021 through the year 2125 and 2144, respectively.

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.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class for June 2022 and 2021 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%	6.4%
Emerging Market Intl. Stock Fund	9%	8.6%
Real Estate Fund	19%	5.2%
Private Equity	10%	9.4%
Private Credit	5%	6.5%
Alternative Investments	3%	3.1%
Core Fixed Income Fund	13%	0.8%
High Yield Bond Fund	3%	3.4%
Emerging Market Debt Fund	5%	3.8%
Liquidity Fund	2%	(0.4)%
	100%	

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (SERS)

	2022 Pension Liability	2021 Pension Liability	2020 Pension Liability
		(in thousands)	
Beginning balance - pension liability	$ 391,458	$ 337,066	$ 296,473
Changes for the year:			
Service cost	3,214	4,048	3,544
Interest	18,965	25,259	22,032
Differences between expected and actual experience	12,554	7,945	1,898
Changes of assumptions	-	(492)	-
Benefit payments, including refunds of member contributions	(17,625)	(22,740)	(19,421)
Change in proportionate allocation of pension liability	(107,794)	40,372	32,540
Net change in pension liability	(90,686)	54,392	40,593
Ending balance - pension liability (a)	$ 300,772	$ 391,458	$ 337,066

	2022 Fiduciary Net Position	2021 Fiduciary Net Position	2020 Fiduciary Net Position
		(in thousands)	
Beginning balance - fiduciary net position	$ 174,376	$ 120,796	$ 109,064
Changes for the year:			
Contributions - employer	21,078	18,242	14,736
Contributions - employee	1,496	1,988	1,757
Net investment income	(11,195)	33,702	2,696
Benefit payments, including refunds of member contributions	(17,625)	(22,740)	(19,421)
Administrative expenses	-	(6)	(7)
Other	17,514	7,925	-
Change in proportionate allocation of fiduciary net position	(48,017)	14,469	11,971
Net change in fiduciary net position	(36,749)	53,580	11,732
Ending balance - fiduciary net position (b)	$ 137,627	$ 174,376	$ 120,796
UMG's net pension liability - ending (a) - (b)	$ 163,145	$ 217,082	$ 216,270

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SERS PLAN DESCRIPTION (CONTINUED)

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 as of June 30, 2023 and 2022, 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:

	2023		
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
		(in thousands)	
UMG's proportionate share of the net pension liability	$ 199,080	$ 163,145	$ 133,196

	2022		
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
		(in thousands)	
UMG's proportionate share of the net pension liability	$ 263,814	$ 217,802	$ 178,114

TEACHERS' RETIREMENT SYSTEM

UMG also has a limited number of participants in the TRS.

As of June 30, 2023 and 2022, UMG recorded the following amounts in the financial statements related to the TRS:

	2023	2022	2021
		(in thousands)	
Deferred outflows of resources	$ 967	$ 1,231	$ 1,522
Deferred inflows of resources	$ 138	$ 247	$ 63
Pension liability	$ 1,683	$ 1,556	$ 1,961

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN

UMG also participates in 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 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 2023 and 2022, via a charge recouped from UMG.

Participant and State contributions are both 100% vested immediately. For fiscal years 2023 and 2022, UMG contributions to the ARP were approximately $8.1 million and $7.7 million, respectively. The liabilities as of June 30, 2023 and 2022 were approximately $321,000 and $589,000, 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-sum 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 pension benefits, the State provides postemployment health care and life insurance benefits to UMG employees in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. 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.

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

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 UMG 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, 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 Office of the State Comptroller. 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 Comptroller'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, 2023 and 2022, the SEOPEBP was based on plan membership at June 30, 2021, covering the following:

Inactive employees or beneficiaries currently receiving benefit payments	79,870
Inactive employees entitled to but not yet receiving benefit payments	385
Active employees	49,927
Total covered employees	130,182

NET SEOPEBP LIABILITY

UMG's OPEB liability of $240.8 million as of June 30, 2023 for its proportionate share of the net OPEB liability was measured as of June 30, 2022 based on an actuarial valuation that was rolled forward to June 30, 2023. UMG's OPEB liability of $300.6 million as of June 30, 2022 for its proportionate share of the net OPEB liability was measured as of June 30, 2021 based on an actuarial valuation that was rolled forward to June 30, 2022. UMG's proportion of the net OPEB liability was based on UMG's percentage of total overall contributions to the plan. For the fiscal years ended June 30, 2022 and 2021, UMG's proportion of contributions was 1.55% and 1.54%, respectively.

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2023 and 2022 and actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial experaince study:	July 1, 2015 - June 30, 2020
Payroll growth rate:	3.00%
Inflation:	2.50%
Salary increase:	3.00% to 11.5% varying by years of service and retirement system, including inflation
Discount rate:	3.90% as of June 30, 2022 and 2.31% as of June 30, 2021
Healthcare cost trends rates	
Medical	6.0% graded to 4.5% over 6 years
Prescription Drug	6.0% graded to 4.5% over 6 years
Dental	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 (3.54% as of June 30, 2022 and 2.16% as of June 30, 2021). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

CONTRIBUTIONS MADE (SEOPEBP)

The SEOPEBP contributions made to covered payroll is as follows:

	2023	2022	2021
Total UMG payroll covered by SEOPEBP	$ 107,583,048	$ 99,070,136	$ 92,069,745
Total UMG SEOPEBP contributions	15,212,428	13,175,795	13,361,770
Contributions as a percentage of covered payroll	14.1%	13.3%	14.5%

CHANGES IN THE NET OPEB LIABILITY

	2022 Net OPEB Liability	2021 Net OPEB Liability	2020 Net OPEB Liability
		(in thousands)	
Beginning balance	$ 300,576	$ 353,032	$ 299,463
Changes for the year:			
Service cost	14,083	18,698	14,542
Interest	8,010	9,516	12,101
Differences between expected and actual experience	(4,814)	5,992	(2,693)
Changes in assumptions or other inputs	(69,345)	(75,979)	33,379
Benefit payments	(9,913)	(9,808)	(9,344)
Change in proportionate allocation of OPEB liability	2,227	(875)	5,584
Net changes	(59,752)	(52,456)	53,569
Ending balance	$ 240,824	$ 300,576	$ 353,032

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 as of June 30, 2023 and 2022, using the discount rate of 3.90% and 2.31%, respectively, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

SENSITIVITY OF UMG'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES (CONTINUED)

	2023		
	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
		(in thousands)	
Net OPEB Liability	$ 281,569	$ 240,824	$ 207,867

	2022		
	1% Decrease (1.31%)	Discount Rate (2.31%)	1% Increase (3.31%)
		(in thousands)	
Net OPEB Liability	$ 356,775	$ 300,576	$ 255,948

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	$ 203,291	$ 240,824	$ 288,468

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the fiscal years ended June 30, 2023 and 2022, UMG recognized OPEB expense of $4.4 million and $24.9 million, respectively. At June 30, 2023 and 2022, UMG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 11 – PENSION AND OPEB PLANS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)			
Changes in proportion	$ 24,565	$ -	$ 37,869	$ -
UMG contributions subsequent to measurement date	15,212	-	13,176	-
Net difference between expected and actual experience in total OPEB liability	3,704	7,412	4,831	5,931
Changes in assumptions or other inputs	27,121	103,750	43,506	64,784
Net difference between projected and actual earnings	2,244	-	-	2,800
	$ 72,846	$ 111,162	$ 99,382	$ 73,515

UMG contributions subsequent to the measurement date totaling $15.2 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2024. 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	Net difference between expected and actual experience in total OPEB liability	Changes in assumptions or other inputs	Net difference between projected and actual earnings on OPEB plan investments	Net difference between expected and actual experience in total OPEB liability	Changes in assumptions or other inputs
			(in thousands)			
2024	$ 14,826	$ 1,170	$ 16,382	$ 439	$ (3,319)	$ (29,303)
2025	6,193	1,170	8,987	443	(1,922)	(28,274)
2026	2,597	1,169	1,713	262	(1,087)	(28,170)
2027	853	194	39	1,100	(935)	(15,844)
2028	96	1	-	-	(149)	(2,159)
Thereafter	-	-	-	-	-	-
	$ 24,565	$ 3,704	$ 27,121	$ 2,244	$ (7,412)	$ (103,750)

NOTE 11 – 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%	5.4%
Developed Market Intl. Stock Fund	11%	6.4%
Emerging Market Intl. Stock Fund	9%	8.6%
Real Estate Fund	19%	5.2%
Private Equity	10%	9.4%
Private Credit	5%	6.5%
Alternative Investments	3%	3.1%
Core Fixed Income Fund	13%	0.8%
High Yield Bond Fund	3%	3.4%
Emerging Market Debt Fund	5%	3.8%
Liquidity Fund	2%	(0.4)%
	100%	

NOTE 12 – 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.

UConn Health performs a Home Office allocation, which allocates 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 fiscal years ended June 30, 2023 and 2022, 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 fiscal years ended June 30, 2023 and 2022, 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:

NOTE 12 – RELATED PARTY TRANSACTIONS (CONTINUED)

Expense Category	2023 Expenses Allocated	2022 Expenses Allocated
Salaries and wages	$ 9,311,926	$ 9,123,522
Fringe benefits	7,425,189	7,276,810
Internal contractual support	823,089	1,228,317
Temporary Per Diem Staff	85,562	-
Utilities	2,205,827	2,169,539
Outside and purchased services	7,194,517	6,677,258
Insurance	64,412	131,037
Repairs and maintenance	2,286,978	2,097,448
Other expenses	920,590	1,068,725
Debt Services	9,965	-
Grand Total	$ 30,328,055	$ 29,772,656

NOTE 12 – 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 $143,352,241 and $103,738,133 for the fiscal years ended June 30, 2023 and 2022, respectively. Fringe recoveries of $30,879,476 and $40,452,935 were transferred from UConn Health during the fiscal years ended June 30, 2023 and 2022, respectively. UConn Health also allocates working capital based on organizational need throughout the year on an as-needed basis. UConn Health transferred $112,472,764 and $63,285,197 to UMG during the fiscal years ended June 30, 2023 and 2022, respectively, in working capital support.

As described in note 1 and note 11, UMG participates in certain State retirement and fringe benefit plans. UMG's pension and OPEB liabilities (note 11) 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 fiscal years ended June 30, 2023 and 2022, UMG expensed $63,221,400 and $113,137,637, respectively, for employee fringe benefits, including contributions to the State employee retirement funds. Related salary costs for 2023 and 2022 were $135,717,462 and $130,876,360, respectively.

As more fully described in note 13, 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 $8,653,886 and $16,995,950 in 2023 and 2022, respectively, are professional service revenues arising under contracts with UConn Health, JDH, State agencies, and other outside entities.

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.

NOTE 12 – RELATED PARTY TRANSACTIONS (CONTINUED)

During fiscal years 2023 and 2022, UConn Health Pharmacy Services, Inc. (UHPSI), a wholly-owned subsidiary of the Finance Corporation, provided pharmaceuticals to UMG in the amount of approximately $6.7 million and $5.8 million, respectively. UMG records this charge in pharmaceutical/medical supplies expense in its statements of revenues, expenses, and changes in net position. During the fiscal years ended June 30, 2023 and 2022, UMG made payments to UHPSI in the amount of $6.6 million and $5.0 million, respectively. UMG had amounts due from/(to) Finance Corporation at June 30, 2023 and 2022 of approximately ($618,000) and ($546,000), respectively, which are recorded in the statements of net position.

At June 30, 2023 and 2022, UMG owed JDH $3.2 million and $306,000, respectively. The 2023 balance consisted primarily of patient deposits posted to a central clearing account in UMG that were owed back to JDH at year-end.

NOTE 13 – 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.

At June 30, 2023 and 2022, UConn Health's Malpractice Fund had reserves of approximately $49.7 million and $42.5 million, respectively, and assets of approximately $42.8 million and $41.2 million, respectively. It was estimated that $2.4 million would be used in fiscal year 2024 for settling cases. Current reserves include provision for the initial rulings in *Monroe Lynch, et al v. State of Connecticut*, which awarded the plaintiffs therein $34.6 million. UConn Health has accrued a liability based on the initial adjusted judgment. UConn Health appealed the ruling in September 2021 and the case remains before the Connecticut Supreme Court.

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
The University of Connecticut Health Center
Farmington, Connecticut

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 (UMG), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise UMG's basic financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UMG'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 UMG's internal control. Accordingly, we do not express an opinion on the effectiveness of UMG'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 a 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 a 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether UMG'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut

November 21, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
				(dollars in thousands)					
Total Pension Liability									
Service cost	$ 3,214	$ 4,048	$ 3,544	$ 3,220	$ 2,778	$ 2,975	$ 1,992	$ 1,800	$ 1,471
Interest	18,965	25,259	22,032	18,818	14,320	13,970	13,023	11,900	10,226
Differences between expected and actual experience	12,554	7,945	1,898	10,058	3,125	(8,945)	4,779	-	-
Changes of assumptions	-	(492)	-	-	-	-	30,671	-	-
Benefit payments, including refunds of member contributions	(17,625)	(22,740)	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Change in proportionate allocation of pension liability	(107,794)	40,372	32,540	59,680	9,162	326	10,521	18,039	-
Net Change in Total Pension Liability	(90,686)	54,392	40,593	75,073	16,678	(3,168)	50,249	22,130	3,680
Total Pension Liability - Beginning	391,458	337,066	296,473	221,400	204,722	207,890	157,641	135,511	131,831
Total Pension Liability - Ending (a)	$ 300,772	$ 391,458	$ 337,066	$ 296,473	$ 221,400	$ 204,722	$ 207,890	$ 157,641	$ 135,511

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.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
				(dollars in thousands)					
Fiduciary Net Position									
Contributions - employer	$ 21,078	$ 18,242	$ 14,736	$ 12,966	$ 9,338	$ 9,553	$ 9,287	$ 7,953	$ 6,492
Contributions - employee	1,496	1,988	1,757	4,018	1,255	821	835	1,086	741
Net investment income	(11,195)	33,702	2,696	5,840	5,668	9,352	(1)	1,706	7,385
Benefit payments, including refunds of member contributions	(17,625)	(22,740)	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)	(8,017)
Administrative expenses	-	(6)	(7)	(6)	(3)	(4)	(4)	-	-
Other	17,514	7,925	-	30	(20)	(2)	530	-	-
Change in proportionate allocation of fiduciary net position	(48,017)	14,469	11,971	21,853	3,322	102	4,127	7,132	-
Net Change in Fiduciary Net Position	(36,749)	53,580	11,732	27,998	6,853	8,328	4,037	8,268	6,601
Fiduciary Net Position - Beginning	174,376	120,796	109,064	81,066	74,213	65,885	61,848	53,580	46,979
Fiduciary Net Position - Ending (b)	$ 137,627	$ 174,376	$ 120,796	$ 109,064	$ 81,066	$ 74,213	$ 65,885	$ 61,848	$ 53,580
UMG's Net Pension Liability - Ending (a) - (b)	$ 163,145	$ 217,082	$ 216,270	$ 187,409	$ 140,334	$ 130,509	$ 142,005	$ 95,793	$ 81,931
UMG's Estimated Portion of SERS Net Pension Liability	0.74%	1.02%	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	45.76%	44.55%	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%
UMG's Covered Payroll	$ 51,189	$ 43,496	$ 40,504	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273
UMG's Estimated Net Pension Liability as a Percentage of Covered Payroll	318.71%	499.08%	533.95%	575.74%	518.03%	501.48%	549.13%	408.95%	425.11%

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.

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS TO THE STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

SCHEDULE OF UMG CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
					(dollars in thousands)					
Contractually required contributions	$ 22,991	$ 21,078	$ 18,243	$ 14,736	$ 12,966	$ 9,338	$ 9,553	$ 9,366	$ 7,953	$ 6,492
Contributions in relation to the contractually required contribution	22,991	21,078	18,243	14,736	12,966	9,338	9,553	9,287	7,953	6,492
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 79	$ -	$ -
UMG's covered payroll	$ 51,189	$ 46,647	$ 43,496	$ 40,504	$ 32,551	$ 27,090	$ 26,025	$ 25,860	$ 23,424	$ 19,273
Contributions as a percentage of covered payroll	44.91%	45.19%	41.94%	36.38%	39.83%	34.47%	36.71%	35.91%	33.95%	33.68%

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

Inflation: 2.5%

Salary increases: 3.00 - 11.50 percent, including inflation

Investment rate of return: 6.90 percent, net of pension plan investment expense, including inflation.

Change 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.

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN - STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

Annual money-weighted rates of return net of investment expense	2022	2021	2020	2019	2018	2017	2016	2015	2014
State Employees' Retirement Fund	-7.63%	24.36%	1.86%	5.88%	7.30%	14.32%	0.23%	2.83%	15.62%

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S OPEB CONTRIBUTION

	2022	2021	2020	2019	2018	2017
			(dollars in thousands)			
Net OPEB Liability						
Service cost	$ 14,083	$ 18,698	$ 14,542	$ 12,281	$ 10,565	$ 10,474
Interest	8,010	9,516	12,101	10,675	7,970	5,571
Differences between expected and actual experience	(4,814)	5,992	(2,693)	(9,348)	-	-
Changes of assumptions or other inputs	(69,345)	(75,979)	33,379	49,484	(8,485)	(5,567)
Benefit payments	(9,913)	(9,808)	(9,344)	(8,592)	(7,597)	(6,969)
Change in proportionate allocation of OPEB liability	2,227	(875)	5,584	42,670	10,610	(2,000)
Change in Net OPEB Liability	(59,752)	(52,456)	53,569	97,170	13,063	1,509
Net OPEB Liability - Beginning	300,576	353,032	299,463	202,293	189,230	187,721
Net OPEB Liability - Ending	$ 240,824	$ 300,576	$ 353,032	$ 299,463	$ 202,293	$ 189,230
Covered Payroll	$ 99,070	$ 92,070	$ 87,096	$ 80,717	$ 77,725	$ 76,699
Total OPEB Liability as a Percentage of Covered Payroll	243.08%	326.46%	405.34%	371.00%	260.27%	246.72%

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.

NOTES TO REQUIRED SCHEDULES

Change in Assumptions

In the June 30, 2022 actual valuation, the discount rate was updated in accordance with GASB Statement No. 75 to 3.90% as of June 30, 2022. The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changed in Medicare Advantage rates for calendar year 2022.

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.

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S OPEB CONTRIBUTION

	2022	2021	2020	2019	2018	2017	2016
	(dollars in thousands)						
UMG's proportion of the net OPEB liability	1.55%	1.54%	1.50%	1.15%	1.11%	1.09%	1.09%
UMG's proportionate share of the net OPEB liability	$ 240,824	$ 300,576	$ 353,032	$ 299,463	$ 202,293	$ 189,230	$ 187,721
UMG's covered payroll	$ 99,070	$ 92,070	$ 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 payroll	243.08%	326.46%	405.34%	371.00%	260.27%	246.72%	234.88%
Plan fiduciary net position (assets)	$ 2,240,138	$ 2,199,545	$ 1,537,194	$ 1,196,008	$ 849,889	$ 542,342	$ 340,618
Plan fiduciary total OPEB liability	$ 17,738,337	$ 21,726,989	$ 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	12.63%	10.12%	6.13%	5.47%	4.69%	3.03%	1.94%

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.

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S OPEB CONTRIBUTION

	2023	2022	2021	2020	2019	2018	2017	2016
	(dollars in thousands)							
Contractually required contribution	15,212	$ 13,176	$ 13,362	$ 13,005	$ 10,902	$ 9,396	$ 7,274	$ 6,626
Contributions in relation to the contractually required contribution	15,212	13,176	13,362	13,005	10,902	9,396	7,274	6,626
Contribution deficiency (excess)	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -
UMG's covered payroll	107,583	$ 99,070	$ 92,070	$ 87,096	$ 80,717	$ 77,725	$ 76,699	$ 79,921
Contributions as a percentage of covered payroll	14.14%	13.30%	14.51%	14.93%	13.51%	12.09%	9.48%	8.29%

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.

NOTES TO REQUIRED SCHEDULES

Key Actuarial Assumptions

Inflation: 2.50%

Salary Increase: 3.0% to 11.5%

Discount rate: 3.90% as of June 30, 2022

UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATES OF RETURN – OPEB PLAN

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Annual money-weighted rates of return net of investment expense	2022	2021	2020	2019	2018	2017	2016	2015	2014
OPEB Fund	-7.40%	24.61%	2.13%	6.62%	5.85%	11.83%	2.44%	3.44%	11.80%

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

ATTACHMENT 2.8

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

(With Management's Discussion and Analysis)

JUNE 30, 2023 AND 2022

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION

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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 fiscal years ended June 30, 2023, 2022, and 2021. 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 provides contracting, real estate facilities, and pharmaceutical sales to UConn Health. As authorized by State statute, the Finance Corporation is also UConn Health's vehicle for establishing joint ventures and subsidiary corporations, the records of which are incorporated in these statements.

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, consolidated statements of cash flows, and related notes to the financial statements) present the financial position of the Finance Corporation at June 30, 2023 and 2022, and the results of its operations and financial activities for the fiscal 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, liabilities, and deferred inflows. The consolidated statements of revenues, expenses, and changes in net position reflect the fiscal 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 and deferred inflows) is one way to measure financial health or position. The consolidated statements of cash flows provide relevant information about each fiscal 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, as well as provide additional detail and context for certain transactions.

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.

SUBSIDIARIES (CONTINUED)

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 the Hospital's 340B pharmacy and UMG. In fiscal year 2021, UHPSI began providing pharmaceuticals to outpatients primarily from the various clinics related to UConn Health.

On June 8, 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC to form UConn Health Imaging, LLC. UConn Health Imaging will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinical setting. The Finance Corporation will retain a 75% ownership interest in the joint venture. As of June 30, 2023, services have not begun. UConn Health Imaging, LLC is still in the initial setup phase with operations expected to start in the 4th quarter of fiscal year 2024.

FINANCIAL HIGHLIGHTS

The Finance Corporation's financial position at June 30, 2023, 2022, and 2021, included assets of $238.3 million, $228.5 million, and $227.5 million, respectively, and liabilities of $191.6 million, $191.5 million, and $190.9 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 fiscal year with operating income of $1.0 million compared to operating income of $2.7 million in the prior fiscal year. Current fiscal year income decreased with the decline being attributed to the impact of expanded operations at UHPSI. The Finance Corporation received working capital transfers in the amount of $10.4 million from UConn Health. Total Finance Corporation net position increased $11.4 million in fiscal 2023, compared to an increase of $2.3 million in fiscal 2022.

FINANCIAL HIGHLIGHTS (CONTINUED)

Summarized components of the Finance Corporation's Statements of Net Position as of June 30, 2023, 2022, and 2021, are presented below.

	2023	2022 (Restated)	2021
		(In thousands)	
Summary of assets and liabilities at June 30:			
Current assets	$ 29,713	$ 19,411	$ 17,111
Deposits with vendors	12,008	7,584	2,054
Lease receivable - net of current portion	1,096	2,853	4,936
Investment in subsidiaries	1,375	-	-
Net investment in direct financing lease, net of current portion	171,067	174,791	178,943
Property - right-to-use assets, net	532	653	441
Capital assets, net	22,478	23,236	23,967
Total assets	$ 238,269	$ 228,528	$ 227,452
Current liabilities	$ 24,133	$ 27,584	$ 19,461
Long-term liabilities	167,450	163,868	171,447
Total liabilities	$ 191,583	$ 191,452	$ 190,908
Deferred inflows - right-to-use assets	$ 2,871	$ 4,646	$ 6,422
Net investment in capital assets	34,238	31,039	28,163
Unrestricted net assets	9,577	1,391	1,959
Total net position	43,815	32,430	30,122
Total liabilities, deferred inflows, and net position	$ 238,269	$ 228,528	$ 227,452

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 fiscal years ended June 30, 2023, 2022, and 2021.

FINANCIAL HIGHLIGHTS (CONTINUED)

	2023	2022 Restated	2021
		(In thousands)	
Summary of revenues, expenses, and nonoperating expenses for the year ended June 30:			
Operating revenues	$ 124,556	$ 88,952	$ 51,160
Operating expenses	(123,534)	(86,281)	(48,122)
Operating Income	1,022	2,671	3,038
Nonoperating (expenses) revenue	(12)	(11)	989
Gain before transfers	1,010	2,660	4,027
Net Transfers	10,375	-	-
Cumulative effect of change in accounting method GASB 87	-	(353)	(16)
Increase in net position	$ 11,385	$ 2,307	$ 4,011

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 2023 amounts compared to fiscal year 2022.

SUMMARY OF ASSETS AND LIABILITIES

Changes in assets included the following:

- *Pharmaceutical accounts receivable* – decreased from June 30, 2022 to June 30, 2023 by approximately $311,000. Accounts receivable declined despite an increase in sales volume due to continued focus on receivables management and optimizing UHPSI's collection process.

- *Lease receivable* – decreased from June 30,2022 to June 30, 2023 by approximately $1.8 million due to continued payments from UConn Health to the Finance Corporation for leasing the MSI building and third-party lease payments for retail space in the OP. Presentation of lease receivables is done in accordance with GASB 87.

- *Inventory* – increased from June 30, 2022 to June 30, 2023 by approximately $1.1 million. Increased inventory levels due to rapid sales growth are the result of management's focus on maintaining minimal stock levels required to meet patient needs.

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

- *Deposits with vendors* – increased from June 30, 2022 to June 30, 2023 by approximately $4.4 million due to contractually required deposits with UHPSI's primary pharmaceutical vendor AmerisourceBergen, driven by increased purchases in fiscal year 2023. Deposits are required to access preferred pricing arrangements under the contract.

- *Investment in subsidiaries* – increased from June 30, 2022 to June 30, 2023 by approximately $1.4 million as a result of Finance Corporation's capital call contributions.

- *Net investment in direct financing lease* – decreased from June 30, 2022 to June 30, 2023 by approximately $3.8 million due to current year lease activity.

Changes in liabilities included the following:

- *Accounts payable* – increased from June 30, 2022 to June 30, 2023 by approximately $1.7 million due to increased amounts owed related to pharmaceutical purchases related to UHPSI's sales growth.

- *Due to/from related parties* – fluctuated from June 30, 2022 to June 30, 2023 by approximately $4.4 million as a result of 340B revenue and increased supplier deposits due to the Hospital at June 30, 2023. These amounts were offset by repayments received from UMG during the year ended June 30, 2023 for pharmaceuticals obtained from UHPSI.

- *Due to third party payors* – Beginning fiscal year 2023, UHPSI began accruing for future direct and indirect remuneration (DIR) fees based on a percentage of net income. The amount accrued at June 30, 2023 is approximately $2 million.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from fiscal year ended June 30, 2022 to fiscal year ended June 30, 2023 by approximately $35.6 million or 40.0%. Significant operating variances are presented below.

- *Pharmaceutical revenue* – increased by approximately $36.0 million or 47.7%, from the prior fiscal year due to UHPSI's third full year of expanded business operations, including filling patient prescriptions to outpatients primarily from UConn Health related clinics. In addition, there has been an expansion in contracts, prescription volume, and prescription offerings.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Operating expenses

Total operating expenses increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $37.3 million or 43.2%.

- *Internal contractual support* – increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $944,000 or 86.7% due to UHPSI's use of additional pharmacy personnel. The number of employees allocated from UConn Health for fiscal years 2023 and 2022 was approximately 18 and 9, respectively.

- *Outside agency per diems* – increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $2.4 million or 42.0% due to increased support service costs from Shields Pharmacy of Connecticut II, LLC (Shields) in support of expanded business operations during fiscal year 2023.

- *Pharmaceuticals/ medical supplies* - increased from the year ended June 30, 2022 to the year ended June 30, 2023 by approximately $34.3 million or 49.1% due to the increased pharmaceutical sales of UHPSI during fiscal year 2023.

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 1,4 and 6.

The OP construction was completed in 2019. The Finance Corporation continues to lease 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 fiscal years ended June 30, 2023 and 2022, the Finance Corporation made all regularly scheduled payments on the mortgage, thereby reducing the principal amount of the secured mortgage on the OP by $6,093,203 and $5,807,674, respectively. For additional information on debt-related activities, see Note 4.

The Finance Corporation continues to own and lease the UConn Musculoskeletal Institute property to UConn Health. For the fiscal years ended June 30, 2023 and 2022, 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 $1,779,887 and $1,670,824, respectively. For additional information on debt-related activities, see Note 4.

RELATED PARTIES

During fiscal years 2023 and 2022, UHPSI was charged the cost of pharmacy personnel and other operating expenses while earning revenues from UConn Health for pharmaceuticals sold. The net result of these transactions was an increase to amounts payable to UConn Health of approximately $2.3 million and $1.2 million, respectively. During fiscal years 2023 and 2022, UHPSI repaid UConn Health approximately $2.5 million and $4.1 million, respectively.

During fiscal years 2023 and 2022, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately $898,000 and $953,000, respectively. Beginning 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 $12.0 million at June 30, 2023 and $7.6 million at June 30, 2022. For the fiscal years ended June 30, 2023 and 2022, UHPSI repaid the Hospital approximately $25.0 million and $15.8 million, respectively.

During fiscal years 2023 and 2022, UHPSI had pharmaceutical sales to UMG of approximately $6.7 million and $5.8 million, respectively. UHPSI received approximately $6.6 million and $6.0 million from UMG, respectively, in fiscal years 2023 and 2022 for current and prior year sales. For additional information on related parties, see Note 5.

FISCAL YEAR 2024 OUTLOOK

The Finance Corporation was created by State 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 lease 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. As we look forward to fiscal year 2024, UConn Health is focused on maintaining flexibility and adaptability in a rapidly changing landscape. Emerging and re-emerging health threats reinforce the need for a public health infrastructure able to adapt to changing public health needs and minimize the impacts of health disparities in the general population. At the same time, changing healthcare delivery models require the flexibility that the Finance Corporation affords UConn Health. UConn Health is working diligently to stay abreast of changing clinical and business models as it navigates changing operational, disease, and regulatory landscapes.

UConn Health continues to adapt to new operational realities, including labor and supply shortages through continual re-prioritization, forward thinking, teamwork, and creativity. Continued and evolving public health challenges require new methodologies, partnerships, and treatment options. We are committed to responding to new needs, to serve the people of Connecticut.

The Finance Corporation is dependent upon both the Hospital and UMG for the lease 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. UHPSI's sales have risen as the business expanded its 340B pharmacy sales and offered services to patients in more clinical specialties. UConn Health's management expects slower clinical growth as UHPSI's business model reaches maturity.

A combination of institution-wide financial initiatives and strong State funding allowed UConn Health to balance its 2023 spending plan. UConn Health approaches fiscal year 2024 with cautious optimism. The new biennium brings its own challenges. As State and Federal government seek to put the pandemic behind them, funding is at the forefront of new concerns. Public sentiment towards healthcare and education has eroded as the focus shifts to affordability, government sustainability, and tax relief.

FISCAL YEAR 2024 OUTLOOK (CONTINUED)

Supply shortages and a resurgence of inflation provide additional operational challenges. The global supply chain continues to work towards stabilization. Extreme weather and global geopolitics further complicate product availability. As such, UConn Health is constantly re-evaluating its stocking methodologies to minimize operational disruption. The flexibility offered by the Finance Corporation will be important in allowing UConn Health to adapt to a changing marketplace.

The State is again in 2023 is expecting to complete the upcoming fiscal year with a surplus. 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. UConn Health does not anticipate any issues with making scheduled debt payments, lease payments, or meeting operational needs over the next year.

While we are grateful for State support, UConn Health leadership remains diligent in seeking out continued, appropriate external funding, appropriate cost reductions, and programmatic enhancements while protecting quality of care and our delivery of exceptional education and cutting-edge research.

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

CONTACTING FINANCE CORPORATION'S FINANCIAL MANAGEMENT

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.

INDEPENDENT AUDITORS' REPORT

Joint Audit and Compliance Committee
The University of Connecticut Health Center
Farmington, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the Finance Corporation's basic consolidated financial statements as listed in the table of contents.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Finance Corporation as of June 30, 2023 and 2022, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Finance Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the Finance Corporation's consolidated financial statements. The accompanying consolidating supplementary information on pages 46 through 48 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating supplementary information is fairly stated, in all material respects, in relation to the consolidated 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 November 21, 2023, on our consideration of The University of Connecticut Health Center Finance Corporation'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 Finance Corporation'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 Finance Corporation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut

November 21, 2023

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 15,915,421	$ 6,540,423
Malpractice Fund	778,942	568,424
Pharmaceutical accounts receivable, net (note 7)	3,609,689	3,920,747
Lease receivable - current portion (note 2)	1,775,505	1,809,386
Inventory	2,986,435	1,913,944
Due from UConn Medical Group (note 5)	617,544	545,517
Prepaid expenses	799	-
Net investment in direct financing lease, current portion (note 6)	4,028,844	4,112,746
Total Current Assets	29,713,179	19,411,187
Noncurrent Assets		
Deposits with vendors	12,007,648	7,583,784
Lease receivable - net of current portion (note 2)	1,095,480	2,853,492
Investment in subsidiaries	1,375,000	-
Net investment in direct financing lease, net of current portion (note 6)	171,067,095	174,791,204
Property - right-to-use assets, net (note 3)	532,043	652,954
Capital assets, net (note 3)	22,478,171	23,235,749
Total Noncurrent Assets	208,555,437	209,117,183
Total Assets	$ 238,268,616	$ 228,528,370

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, 2023 AND 2022

	2023	2022 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,991,773	$ 4,269,276
Due to UConn Health - Malpractice Fund (note 5)	778,942	568,424
Due to UConn Health (note 5)	2,321,675	2,539,919
Due to John Dempsey Hospital, current portion (note 5)	4,641,730	12,212,558
Due to third party payors	1,963,898	-
Advances for construction	6,619	6,619
Security deposits	2,229	2,229
Lease payable, current portion (note 4)	137,525	111,752
Loans payable, current portion (note 4)	8,288,841	7,873,092
Total Current Liabilities	24,133,232	27,583,869
Noncurrent Liabilities		
Due to John Dempsey Hospital, net of current portion	12,007,648	-
Lease payable, net of current portion (note 4)	522,910	660,435
Loans payable, net of current portion (note 4)	154,919,174	163,208,013
Total Noncurrent Liabilities	167,449,732	163,868,448
Total Liabilities	191,582,964	191,452,317
Deferred Inflows		
Deferred inflows - right-to-use assets	2,870,985	4,646,489
Net Position		
Net investment in capital assets	34,237,703	31,038,357
Unrestricted net assets	9,576,964	1,391,207
Total Net Position	43,814,667	32,429,564
Total Liabilities, Deferred Inflows and Net Position	$ 238,268,616	$ 228,528,370

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

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Operating Revenues		
Interest income from right-to-use assets	$ 255,081	$ 359,002
Lease revenue from right-to-use assets	1,774,805	1,803,609
Interest income from direct financing lease	10,171,221	10,382,334
Contract and other income	1,025,232	1,038,737
Pharmaceutical revenue, net (note 7)	111,329,599	75,368,565
Total Operating Revenues	124,555,938	88,952,247
Operating Expenses		
Professional services	42,813	25,274
Internal contractual support	2,033,041	1,088,904
Outside agency per diems	8,209,706	5,781,714
Pharmaceuticals/medical supplies	104,139,390	69,855,291
Equipment and software leases	88,455	71,574
Insurance	750	750
Repairs and maintenance	-	1,377
Interest expense	8,118,817	8,501,358
Depreciation	757,578	756,342
Amortization - right-to-use assets	120,911	147,578
Other	22,482	50,513
Total Operating Expenses	123,533,943	86,280,675
Operating Income	1,021,995	2,671,572
Nonoperating Expense		
Loan servicing fees	(11,892)	(11,042)
Total Nonoperating Expense	(11,892)	(11,042)
Gain before transfers	1,010,103	2,660,530
Net Transfers from UConn Health - Unrestricted (note 5)	10,375,000	-
Increase in Net Position	11,385,103	2,660,530
Net Position - Beginning of year **(as previously stated)**	32,429,564	30,121,870
Cumulative effect of change in accounting method GASB 87	-	(352,836)
Net Position - Beginning of year **(as restated)**	32,429,564	29,769,034
Net Position - Ending	$ 43,814,667	$ 32,429,564

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

JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Cash paid to suppliers, contractors and others	$ (100,620,082)	$ (68,990,613)
Lease payments received	2,046,274	2,046,274
Cash received for contract and other income	113,838,504	73,833,840
Cash returned to related parties	(20,807,433)	(13,849,613)
Cash paid for administrative expenses	(39,416)	(40,902)
Net Cash Used in Operating Activities	(5,582,153)	(7,001,014)
Cash Flows from Investing Activities		
Investment in subsidiaries	(1,375,000)	-
Payments for purchase of capital assets	-	(25,611)
Change in value of direct financing lease	2,682	39,123
Net Cash (Used by) Provided by Investing Activities	(1,372,318)	13,512
Cash Flows from Capital Financing Activities		
Direct financing lease payments received (including $10,171,221 and $10,382,334 of interest, respectively)	13,976,552	13,976,552
Transfers from UConn Health	10,375,000	-
Repayments of capital debt	(7,873,090)	(7,478,498)
Payment for lease liability	(137,851)	(63,600)
Loan servicing fees	(11,142)	(11,042)
Net Cash Provided by Capital Financing Activities	16,329,469	6,423,412
Net Increase/(Decrease) in Cash	9,374,998	(564,090)
Cash - Beginning	6,540,423	7,104,513
Cash - Ending	$ 15,915,421	$ 6,540,423

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, 2023 AND 2022

	2023	2022 (Restated)
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating income	$ 1,021,995	$ 2,671,572
Depreciation	757,578	756,342
Amortization	120,911	147,578
Interest on right-to-use assets	25,347	12,338
Direct financing lease interest payments received	(10,171,221)	(10,382,334)
Changes in operating assets and liabilities:		
Inventory	(1,072,491)	70,313
Patient & contract receivables	311,058	(1,642,305)
Lease receivable	1,791,893	1,682,126
Interest receivable	-	5,846
Deposits to vendors	(4,423,864)	(5,529,649)
Due from UConn Health	(218,244)	(1,780,110)
Due from UConn Medical Group	(72,027)	(785,166)
Prepaid	(799)	-
Accounts payable and accrued expenses, excluding payables for capital assets	1,722,497	1,939,316
Interest payable	-	(142)
Due to John Dempsey Hospital	4,436,820	7,637,569
Due to third party payors	1,963,898	-
Deferred inflows - right-to-use assets	(1,775,504)	(1,804,308)
Net Cash Used in Operating Activities	$ (5,582,153)	$ (7,001,014)

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

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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) 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 and enter into 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 the School of Dental Medicine's associated Dental Clinics.

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 respective designees. 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 not be 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.

On June 8, 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC to form UConn Health Imaging, LLC. UConn Health Imaging will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation will retain a 75% ownership interest in the joint venture. Balances advanced are accounted for as Investments in Subsidaries on the Statement of Net Position. UConn Health Imaging is expected to open in the spring of 2024.

For presentation purposes, activities for and with 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 of the State of Connecticut and is, therefore, generally exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

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

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

The Finance Corporation 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, liabilities, deferred inflows of resources, 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, direct and indirect remuneration (DIR) fees, certain estimates related to the valuation of the direct financing lease, right-to-use assets, lease liabilities, and malpractice.

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.

As described in Note 5, UHPSI provides pharmaceuticals to UMG, and records revenue on the accrual basis of accounting in the period the related services are rendered.

The Hospital pharmacy allocates 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. Additional information on this can be found in Note 5.

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

PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

UHPSI's business includes filling patient prescriptions to outpatients primarily from UConn Health related clinics.

A uniform pricing structure is used for billing to Pharmacy Benefit Managers (PBMs) subject to contractual allowances as negotiated by the Pharmacy Services Administrative Organization (PSAO). Contractual allowances will reduce the amount received and will vary based on rates, such as Medicare, Medicaid, and commercial contracts. Pharmaceutical revenues, net of contractual allowances and direct and indirect remuneration (DIR) fees, are recognized on the accrual basis of accounting when prescriptions are filled. Accounts receivable from patients, third-party payers, and others for pharmaceutical purchases represent the net amounts owed to UHPSI for which payment had not been received as of June 30, 2023 and 2022.

UHPSI PHARMACY MANAGEMENT

In November 2019, 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 five-year term of the agreement began on the date the first prescription was filled.

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.

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

340B PROGRAM (CONTINUED)

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

UHPSI is required to keep an amount on deposit with AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. The deposit is based on a 90-day purchasing history and a 45-day amount is required to be on deposit with AmerisourceBergen. These deposits are non-interest bearing and are considered subject to the credit risk of the supplier.

As of June 30, 2023 and 2022, amounts on deposit were approximately $12.0 million and $7.6 million, respectively. As disclosed in Note 5, the deposits with AmerisourceBergen were funded through the Hospital.

DESCRIPTION OF LEASING ARRANGEMENTS

The OP lease, effected through the Circle Road Corporation, is a direct financing lease for both the OP building and its 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 and Note 6 for additional information.

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

DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

Circle Road Corporation is a lessor for office space to a third party. Circle Road Corporation has recorded a lease receivable and a deferred inflows of resources based on the present value of the future lease payments expected to be received during the contracted lease term. The deferred inflow of resources is amortized evenly over the life of the lease.

Finance Corporation routinely engages in lease arrangements to meet operational needs of UConn Health and UHPSI. The lease agreements relate to office space. For agreements in which Finance Corp is the lessee, it records a lease liability and an intangible right-to-use lease asset based on the present value of future lease payments over the term of the lease. Lease right-to-use assets net of amortization and liabilities are reported as current and non-current in the statement of net position. The right-to-use assets are amortized over the term of the lease or the estimated useful life of the asset. Finance Corporation is a lessor providing space in the MSI building to the Hospital, UMG, and UConn Health.

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

The Finance Corporation elected to record the value of all leased assets in accordance with GASB 87 for lease reporting.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are defined as an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are reported in the statement of net position in a separate section, after total liabilities. The Finance corporation has lease deferrals that meet this criterion.

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

LEASE INCOME AND INTEREST INCOME

Lease income is recognized over the lease 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.

INVESTMENT IN SUBSIDIARIES

On June 8, 2022, the Finance Corporation entered into a joint venture with OIA of Connecticut, LLC to form UConn Health Imaging, LLC. UConn Health Imaging will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation will retain a 75% ownership interest in the joint venture and funded its initial capital call to the new corporation in September of 2022. As of June 30, 2023, operations have not begun however, the amount invested and shown on the consolidated statements of net position as a noncurrent asset is $1,375,000.

MALPRACTICE FUND

The Malpractice Fund includes investments held on behalf of UConn Health and is offset in 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 AND INTANGIBLE 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. Intangible assets are comprised of right-to-use assets under lease agreements for pharmacy space.

ADVANCES FOR CONSTRUCTION

Advances for construction in the amount of $6,619 as of June 30, 2023 and 2022, 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.

DUE TO THIRD PARTY PAYORS

Beginning in fiscal year 2023, UHPSI began accruing for future direct and indirect remuneration (DIR) fees. These fees are charged by various Pharmacy Benefit Managers (PBMs) based on differing metrics. They are generally retroactive and occur monthly. The amount accrued at June 30, 2023 is based on a percentage of net income over a period of 6 months and is approximately $2 million.

NET POSITION

Net position is classified in two components. Net investment in capital assets consists of capital and right-to-use assets net of accumulated depreciation/amortization, 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 during fiscal year 2023: Paragraphs 11 through 32 of GASB Statement No. 99, *Omnibus 2022 (GASB 99)*; GASB Statement No. 91, *Conduit Debt Obligations (GASB 91)*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*; GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 (GASB 100)*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*. These pronouncements did not have a material impact on the financial statements.

Additionally, while preparing for the implementation of GASB No. 96, a change in software vendors was made to accommodate current and future needs of tracking and accounting for both leases (GASB No. 87) and subscription-based information technology arrangements (GASB No. 96). During the implementation of the new software, differences in the methodology used for calculating right-to-use assets and liabilities were noted. There were also some revaluations that needed to be performed in relation to several leases. As a result, we have restated our prior year statements for GASB No. 87 comparative purposes.

The impact of the restatement of select accounts on the statements of net position and statement of revenues, expenses and changes in net position as of June 30, 2022 was as follows:

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Combined Statement of Net Position	As Previously Reported	Adjustment	As Restated
Current Assets			
Lease receivable - current portion	$ 1,791,825	$ 17,561	$ 1,809,386
Interest receivable - leases	17,291	(17,291)	-
Noncurrent Assets			
Intangible - right-to-use assets, net	357,275	295,679	652,954
Lease receivable - net of current portion	3,143,656	(290,164)	2,853,492
Current Liabilities			
Interest payable	1,044	(1,044)	-
Lease payable, current portion	82,816	28,936	111,752
Noncurrent Liabilities			
Lease payable, net of current portion	294,696	365,739	660,435
Deferred inflows - right-to-use assets	4,618,122	28,367	4,646,489
Net position	$ 32,845,777	$ (416,213)	$ 32,429,564

Combined Statement of Revenues, Expenses, and Changes in Net Position	As Previously Reported	Adjustment	As Restated
Operating expenses			
Amortization - right-to-use assets	$ 84,201	63,377	147,578
Cumulative effect of change in accounting method GASB 87	-	(352,836)	(352,836)
Net position	$ 32,845,777	$ (416,213)	$ 32,429,564

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

UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Finance Corporation is considering the impact on its financial statements of the following upcoming GASB accounting pronouncements: Paragraphs 4 through 10 of GASB Statement No. 99, *Omnibus 2022 (GASB 99)*, effective for fiscal years beginning after June 15, 2023 and all reporting periods thereafter; and GASB Statement No. 101, *Compensated Absences (GASB 101)*, effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

NOTE 2 – LEASE RECEIVABLE

As described in Note 1, receivables from leases to UConn Health (for the MSI building) and to a third party (for space in the OP) are based on the present value of the future payments and are as follows:

Lease receivables:	June 30, 2022 Balance (Restated)	Additions	Deductions	June 30, 2023 Balance	Amount due within 1 year
Buildings and building improvements total	$ 4,662,878	$ -	$ (1,791,893)	$ 2,870,985	$ 1,775,505

Lease receivables:	June 30, 2021 Balance	Additions	Deductions	June 30, 2022 Balance (Restated)	Amount due within 1 year
Buildings and building improvements total	$ 6,617,607	$ -	$ (1,954,729)	$ 4,662,878	$ 1,809,386

NOTE 2 – LEASE RECEIVABLE(CONTINUED)

Lease payments to be received are as follows:

Fiscal Year Ending June 30	Lease Receivables	
	Principal	Interest
2024	$ 1,775,505	$ 138,223
2025	749,998	32,584
2026	17,493	18,982
2027	17,493	18,510
2028	17,493	18,015
2029-33	87,464	81,192
2034-38	87,464	61,152
2039-43	87,464	32,518
2044-47	30,611	2,657
	$ 2,870,985	$ 403,833

NOTE 3 – CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of June 30, 2023 and 2022 consisted of the following:

	2023	2022 (Restated)
Buildings	$ 29,730,870	$ 29,730,870
Land	6,593,084	6,593,084
Equipment	37,983	50,905
	36,361,937	36,374,859
Less accumulated depreciation	13,883,766	13,139,110
Capital assets, net	$ 22,478,171	$ 23,235,749

As described in Note 1, the OP is leased to UConn Health under the terms of a direct financing lease.

NOTE 3 – CAPITAL ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Capital assets and depreciation activity for the fiscal years ended June 30, 2023 and 2022 were as follows:

	2022	Additions	Deductions	2023
Buildings	$ 29,730,870	$ -	$ -	$ 29,730,870
Land	6,593,084	-	-	6,593,084
Equipment	50,905	-	(12,922)	37,983
Less: accumulated depreciation - Buildings	(13,121,240)	(753,300)	-	(13,874,540)
Less: accumulated depreciation - Equipment	(17,870)	(4,278)	12,922	(9,226)
	$ 23,235,749	$ (757,578)	$ -	$ 22,478,171

	2021	Additions	Deductions	2022
Buildings	$ 29,730,870	$ -	$ -	$ 29,730,870
Land	6,593,084	-	-	6,593,084
Equipment	25,293	25,612	-	50,905
Less: accumulated depreciation - Buildings	(12,367,940)	(753,300)	-	(13,121,240)
Less: accumulated depreciation - Equipment	(14,828)	(3,042)	-	(17,870)
	$ 23,966,479	$ (730,730)	$ -	$ 23,235,749

NOTE 3 – CAPITAL ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets at June 30, 2023 and 2022 consisted of the following:

	2023	2022 (Restated)
Right-to-use assets	$ 885,723	$ 885,723
Less: accumulated amortization-assets	(353,680)	(232,769)
	$ 532,043	$ 652,954

Intangible assets and amortization activity for the fiscal years ended June 30, 2023 and 2022 were as follows:

	2022 (Restated)	Additions	Deductions	2023
Right-to-use buildings	$ 825,337	$ -	$ -	$ 825,337
Right-to-use equipment	60,386	-	-	60,386
Less: accumulated amortization-Buildings	(217,672)	(108,834)	-	(326,506)
Less: accumulated amortization-Equipment	(15,097)	(12,077)	-	(27,174)
	$ 652,954	$ (120,911)	$ -	$ 532,043

	2021	Additions	Deductions	2022 (Restated)
Right-to-use buildings	$ 466,110	$ 359,227	$ -	$ 825,337
Right-to-use equipment	60,557	-	(171)	60,386
Less: accumulated amortization-Buildings	(81,633)	(136,039)	-	(217,672)
Less: accumulated amortization-Equipment	(3,558)	(11,539)	-	(15,097)
	$ 441,476	$ 211,649	$ (171)	$ 652,954

NOTE 4 – NONCURRENT LIABILITIES

The Finance Corporation routinely leases various facilities and equipment instead of purchasing the assets. The contracts include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal years ended June 30, 2023 and 2022, the Finance Corporation recognized expense for lease variable payments related to common area maintenance and property taxes of $118 and $1,684, respectively. There were no termination penalties or residual guarantee payments expensed for the fiscal years ended June 30, 2023 or 2022.

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, 2023 and 2022, respectively were as follows:

	June 30, 2022 Balance	Additions	Repayments	June 30, 2023 Balance	Amounts due within 1 year
Business-type activities:					
Notes from Direct Borrowings -					
Capital Lease Funding (KeyBank)	$ 4,502,061	$ -	$ (1,779,887)	$ 2,722,174	$ 1,896,069
TIAA	166,579,044	-	(6,093,203)	160,485,841	6,392,772
	$ 171,081,105	$ -	$ (7,873,090)	$ 163,208,015	$ 8,288,841

	June 30, 2021 Balance	Additions	Repayments	June 30, 2022 Balance	Amounts due within 1 year
Business-type activities:					
Notes from Direct Borrowings -					
Capital Lease Funding (KeyBank)	$ 6,172,885	$ -	$ (1,670,824)	$ 4,502,061	$ 1,779,887
TIAA	172,386,718	-	(5,807,674)	166,579,044	6,093,205
	$ 178,559,603	$ -	$ (7,478,498)	$ 171,081,105	$ 7,873,092

NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

Long-term debt obligations as of June 30 consisted of the following:

	2023	2022
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 10, 2004 and continue until November 10, 2024, with interest at 6.34%	$ 2,722,174	$ 4,502,061
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040.	160,485,841	166,579,044
	$ 163,208,015	$ 171,081,105

The Finance Corporation's outstanding notes from direct borrowings related to business-type activities of $163,208,015 and $171,081,105 as of June 30, 2023 and 2022, 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. As of June 30, 2023, there were no instances of default under these agreements.

NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

Debt service requirements on long-term debt at June 30, 2023 are as follows:

	Business-Type Activities	
	Notes from Direct Borrowings	
Year Ending June 30,	Principal	Interest
2024	$ 8,288,841	7,696,199
2025	7,533,171	7,276,923
2026	7,036,815	6,934,037
2027	7,382,775	6,588,076
2028	7,745,744	6,225,108
2029-2033	44,829,453	25,024,807
2034-2038	56,987,664	12,866,595
2039-2040	23,403,552	1,045,440
	$ 163,208,015	$ 73,657,185

The Finance Corporation recorded interest expense of $8,093,470 and $8,489,020, respectively, during the years ended June 30, 2023 and 2022.

The following summary provides information reported at June 30, 2023 for lease liability additions and reductions during the fiscal year:

	Balance July 1, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Amounts due within 1 year
Right-to-use building	$ 725,928	$ -	$ (100,000)	$ 625,928	$ 125,357
Right-to-use equipment	46,259	-	(11,752)	34,507	12,168
	$ 772,187	$ -	$ (111,752)	$ 660,435	$ 137,525

NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

	July 1, 2021	Additions	Reductions	Balance June 30, 2022 (Restated)	due within 1
Right-to-use building	$ 371,168	$ 354,760	$ -	$ 725,928	$ 100,000
Right-to-use equipment	57,606	-	(11,347)	46,259	11,752
	$ 428,774	$ 354,760	$ (11,347)	$ 772,187	$ 111,752

The following is a schedule by fiscal year of future minimum payments due for leases together with the present value of the net minimum payments due as of June 30, 2023:

	Lease Liabilities	
Year Ending June 30,	Principal	Interest
2024	$ 137,525	$ 20,803
2025	145,103	15,913
2026	148,312	10,754
2027	143,472	5,712
2028	86,023	1,001
	$ 660,435	$ 54,183

NOTE 5 – 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 the MSI building to entities from UConn Health under operating agreement that renew annually.

Through UHPSI, the Finance Corporation also engages in transactions with UConn Health. UHPSI provides pharmaceuticals to patients from the Hospital and UMG while obtaining personnel and other services vital for operations from UConn Health.

NOTE 5 – 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 evaluated annually.

Lease 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
2024	$ 13,975,852	$ 2,020,230
2025	13,975,852	841,762
2026	13,975,852	-
2027	13,975,852	-
2028	13,975,852	-
Thereafter	164,112,906	-
	$ 233,992,166	$ 2,861,992

(a) OP amounts are due under a non-cancellable direct financing lease with UConn Health. Additional details can be found in Note 6.

Listed in the tables below are material transactions with related parties and the components of the Finance Corporation to show the changes in amounts due (to) from each entity as of June 30, 2023 and 2022. 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 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE (TO) UCONN HEALTH

	2023	2022
Due (to) UConn Health - Beginning Balance:	**$ (2,539,919)**	**$ (4,320,029)**
Circle Road Corporation:		
Cash repayments to UConn Health	-	(1,000,000)
UHPSI:		
Internal contractual support and other expenses, net of pharmaceuticals sold	(2,281,756)	(1,229,205)
Cash repayments to UConn Health	2,500,000	4,087,319
Cash received from UConn Health	-	(78,004)
Total Change in Due (to) UConn Health	$ 218,244	$ 1,780,110
Due (to) UConn Health - Ending Balance:	**$ (2,321,675)**	**$ (2,539,919)**

During the fiscal year ended June 30, 2021, Circle Road Corporation received $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 was paid to Circle Road Corporation during fiscal year 2022.

During fiscal years 2023 and 2022, UHPSI incurred costs for 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 of approximately $2.3 million and $1.2 million, respectively. During the years ended June 30, 2023 and 2022, UHPSI repaid UConn Health approximately $2.5 million and $4.1 million, respectively.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE (TO) JOHN DEMPSEY HOSPITAL

	2023	2022
Due (to) John Dempsey Hospital - Beginning Balance:	**$ (12,212,558)**	**$ (4,574,989)**
UHPSI:		
Deposits with vendors	(4,423,865)	(5,097,529)
Pharmaceuticals and other expenses	16,241	3,073
340B revenue	(25,927,521)	(19,308,687)
Cash repayments	25,000,000	15,812,094
Overhead revenue received	898,325	953,480
Total Change in Due (to) John Dempsey Hospital	$ (4,436,820)	$ (7,637,569)
Due (to) John Dempsey Hospital - Ending Balance:	**$ (16,649,378)**	**$ (12,212,558)**

During fiscal years 2023 and 2022, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately $898,000 and $953,000, respectively. UHPSI was allocated its share of a deposit to AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. See Note 1 for additional information. The amounts allocated were approximately $4.4 million and $5.1 million for fiscal years ended 2023 and 2022, respectively.

During fiscal years 2023 and 2022, UHPSI repaid the Hospital approximately $25.0 million and $15.8 million, respectively.

During fiscal years 2023 and 2022, UHPSI had transactions with the Hospital for 340B pharmaceutical sales. Payments received by UHPSI for 340B sales was approximately $31.9 million and $23.8 million, respectively. The amount due to the Hospital pharmacy, less dispensing fees of approximately $6.5 million was approximately $25.9 million at June 30, 2023. At June 30, 2022, the amount due to the Hospital for these sales was $19.3 million.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE FROM (TO) UMG

	2023	2022
Due from (to) UConn Medical Group - Beginning Balance:	**$ 545,517**	**$ (239,649)**
Circle Road Corporation:		
Payment to UConn Medical Group for lease credit	-	1,000,000
UHPSI:		
Pharmaceuticals & courier services charged back to UConn Medical Group	6,697,977	5,771,778
Cash received from UConn Medical Group	(6,625,950)	(5,986,612)
Total Change in Due from (to) UConn Medical Group	$ 72,027	$ 785,166
Due from UConn Medical Group - Ending Balance:	**$ 617,544**	**$ 545,517**

During fiscal years 2023 and 2022, UHPSI provided pharmaceuticals and related services to UMG in the amount of approximately $6.7 million and $5.8 million, respectively. Pharmaceutical expense to UMG is recorded as a chargeback from UHPSI. During the fiscal years ended June 30, 2023 and 2022, UMG repaid UHPSI $6.6 million and $6.0 million, respectively.

DUE (TO) UCONN HEALTH - MALPRACTICE FUND

	2023	2022
Due (to) UConn Health-Malpractice Fund - Beginning Balance	**$ (568,424)**	**$ (444,512)**
Cash transfers from UConn Health & interest earned on funds held for UConn Health	(7,042,591)	(1,801,934)
Payments on behalf of UConn Health	6,832,073	1,678,022
Total Change in Due (to) UConn Health-Malpractice Fund	$ (210,518)	$ (123,912)
Due (to) UConn Health-Malpractice Fund - Ending Balance	**$ (778,942)**	**$ (568,424)**

Balances at fiscal year end for the Malpractice Fund can fluctuate based on funding needs for payments.

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Finance Corporation received working capital transfers from UConn Health to assist with repayments to related parties and the investment in subsidiary. These transfers recognize the overall contribution of UHPSI to the clinical enterprise. The amounts received are accounted for as "Net Transfers From UConn Health - unrestricted" in the statements of revenues, expenses and changes in net position. The total amount transferred as of June 30, 2023 and 2022 were $10,375,000 and -0-.

NOTE 6 – 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. Instead, 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, 2023 and 2022.

	2023	2022
Net minimum lease payments receivable	$ 234,107,245	$ 248,083,797
Estimated residual value of leased property (unguaranteed)	65,861,269	65,861,269
Less unearned income	(124,872,575)	(135,041,116)
Net investment in direct financing lease	$ 175,095,939	$ 178,903,950

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, 2023 and 2022.

	2023	2022
Building	$ 182,613,585	$ 182,613,585
Equipment	13,768,588	13,789,114
Art	104,351	104,351
	$ 196,486,524	$ 196,507,050

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 7 – PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

UHPSI business operations 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 fiscal years ended June 30, 2023 and 2022 were:

	2023	2022
Gross phamaceutical revenue	$ 164,415,813	$ 108,654,478
Less contractual allowances, DIR fees, bad debt	(53,086,214)	(33,285,913)
Net pharmaceutical revenue	$ 111,329,599	$ 75,368,565

SIGNIFICANT CONCENTRATIONS

In fiscal years 2023 and 2022, revenue received by UHPSI for Medicare, Medicaid, and Commercial payers were approximately as follows:

Revenue:

Payer	2023	2022
Medicare	24.98%	24.74%
Medicaid	55.62%	57.12%
Commercial	19.40%	18.14%
	100.00%	100.00%

Pharmaceutical accounts receivable for fiscal years 2023 and 2022, due from Medicare, Medicaid, and Commercial insurance were approximately as follows:

Pharmacceutical Accounts Receivable:

Payer	2023	2022
Medicare	36.84%	34.45%
Medicaid	27.96%	42.76%
Commercial	35.20%	22.79%
	100.00%	100.00%

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 21, 2023, the date the financial statements were available to be issued. No subsequent events required 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
The University of Connecticut Health Center
Hartford, Connecticut

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 consolidated financial statements of The University of Connecticut Health Center Finance Corporation (Finance Corporation or the Company), as of and for the years ended June 30, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the Finance Corporation's consolidated financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Finance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Finance Corporation's consolidated 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 consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 21, 2023

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE I – CONSOLIDATING STATEMENT OF NET POSITION

JUNE 30, 2023

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Assets				
Current Assets				
Cash	$ -	$ -	$ 15,915,421	$ 15,915,421
Malpractice Fund	778,942	-	-	778,942
Pharmaceutical accounts receivable, net	-	-	3,609,689	3,609,689
Lease receivable -current portion	1,758,012	17,493	-	1,775,505
Inventory	-	-	2,986,435	2,986,435
Due from UConn Medical Group	-	-	617,544	617,544
Due (to) from subsidiaries	(720,791)	588,335	132,456	-
Prepaid Expenses	-	-	799	799
Net investment in direct financing lease, current portion	-	4,028,844	-	4,028,844
Total Current Assets	1,816,163	4,634,672	23,262,344	29,713,179
Noncurrent Assets				
Deposits with vendors	-	-	12,007,648	12,007,648
Lease receivable, net of current portion	732,505	362,975	-	1,095,480
Investment in subsidiaries	1,375,000	-	-	1,375,000
Net investment in direct financing lease, net of current portion	-	171,067,095	-	171,067,095
Property - right-to-use assets, net	-	-	532,043	532,043
Capital assets, net	22,449,414	-	28,757	22,478,171
Total Noncurrent Assets	24,556,919	171,430,070	12,568,448	208,555,437
Total Assets	$ 26,373,082	$ 176,064,742	$ 35,830,792	$ 238,268,616

See independent auditors' report.

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE I – CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	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	$ 53,018	$ 325,074	$ 5,613,681	$ 5,991,773
Due to UConn Health – Malpractice Fund	778,942	-	-	778,942
Due to UConn Health	-	68,970	2,252,705	2,321,675
Due to John Dempsey Hospital	-	-	4,641,730	4,641,730
Advances for construction	6,619	-	-	6,619
Due to third party payors	-	-	1,963,898	1,963,898
Security deposits	-	2,229	-	2,229
Lease liability, current portion	-	-	137,525	137,525
Loans payable, current portion	1,896,069	6,392,772	-	8,288,841
Total Current Liabilities	2,734,648	6,789,045	14,609,539	24,133,232
Noncurrent Liabilities				
Due to John Dempsey Hospital, net of current portion	-	-	12,007,648	12,007,648
Lease liability, net of current portion	-	-	522,910	522,910
Loans payable, net of current portion	826,105	154,093,069	-	154,919,174
Total Noncurrent Liabilities	826,105	154,093,069	12,530,558	167,449,732
Total Liabilities	3,560,753	160,882,114	27,140,097	191,582,964
Deferred Inflows of Resources				
Deferred inflows - right-to-use assets	2,490,517	380,468	-	2,870,985
Net Position				
Net investment in capital assets	19,727,240	14,610,098	(99,635)	34,237,703
Unrestricted	594,572	192,062	8,790,330	9,576,964
Total Net Position	20,321,812	14,802,160	8,690,695	43,814,667
Total Liabilities, Deferred Inflows and Net Position	$ 26,373,082	$ 176,064,742	$ 35,830,792	$ 238,268,616

See independent auditors' report.

THE UNIVERSITY OF CONNECTICUT HEALTH CENTER FINANCE CORPORATION

SCHEDULE II – CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSTION

FOR THE YEAR ENDED JUNE 30, 2023

	The University of Connecticut Health Center Finance Corporation	UCHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	Total
Operating Revenues				
Interest income - right-to-use assets	$ 235,003	$ 20,078	$ -	$ 255,081
Lease Revenue - right-to-use assets	1,758,012	16,793	-	1,774,805
Interest income from direct financing lease	-	10,171,221	-	10,171,221
Contract and other income	-	-	1,025,232	1,025,232
Pharmaceutical revenues, net	-	-	111,329,599	111,329,599
Total Operating Revenues	1,993,015	10,208,092	112,354,831	124,555,938
Operating Expenses				
Professional services	39,317	3,496	-	42,813
Internal contractual support	-	-	2,033,041	2,033,041
Outside agency per diems	-	-	8,209,706	8,209,706
Pharmaceuticals/medical supplies	-	-	104,139,390	104,139,390
Equipment and software leases	-	-	88,455	88,455
Insurance	-	-	750	750
Interest expense	228,031	7,865,439	25,347	8,118,817
Depreciation	753,300	-	4,278	757,578
Amortization - right-to-use assets	-	-	120,911	120,911
Other	-	2,682	19,800	22,482
Total Operating Expenses	1,020,648	7,871,617	114,641,678	123,533,943
Operating Income	972,367	2,336,475	(2,286,847)	1,021,995
Nonoperating Revenue (Expense)				
Loan servicing fee	(6,142)	(5,750)	-	(11,892)
Net Nonoperating (Expense)	(6,142)	(5,750)	-	(11,892)
Gain (Loss) before Transfers	966,225	2,330,725	(2,286,847)	1,010,103
Net Transfers from UConn Health - Unrestricted (note 5)	1,375,000	-	9,000,000	10,375,000
Increase in Net Position	2,341,225	2,330,725	6,713,153	11,385,103
Net Position - Beginning of year **(as restated)**	17,980,587	12,471,435	1,977,542	32,429,564
Net Position - End of year	$ 20,321,812	$ 14,802,160	$ 8,690,695	$ 43,814,667

See independent auditors' report.

ATTACHMENT 2.9

University of Connecticut and University of Connecticut Health Center

Financial Statements as of and for the year ended June 30, 2023

Communication to the Joint Audit and Compliance Committee

December 21, 2023

This document provides an outline of our audits of the University of Connecticut (UConn) and the University of Connecticut Health Center (UConn Health). It is intended for the use of the Joint Audit and Compliance Committee, UConn's Board of Trustees, UConn Health's Board of Directors, management, and others affiliated with UConn and/or UConn Health. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this document is a matter of public record and its distribution is not limited. We would be happy to elaborate on any of the matters discussed herein, or any other matters of interest.

Index

I. Audit Opinions
II. Reliance on Other Auditors
III. Internal Control
IV. Integration with Other Audits
V. Required Communications

Audit Opinions

The University of Connecticut system includes

- UConn
- UConn Health
- The University of Connecticut Foundation

We audited, and expressed opinions on the financial statements of, only

- UConn
- UConn Health
  - Includes the John Dempsey Hospital
  - Includes the Finance Corporation
  - Includes the UConn Medical Group

We do not audit

- The University of Connecticut Foundation. Legal restrictions essentially prevent us from accessing University of Connecticut Foundation records except in special circumstances.

Audit opinions

- In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the University of Connecticut as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.
- In our opinion, the financial statements present fairly, in all material respects, the financial position of the business-type activities of UConn Health, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reliance on Other Auditors

We placed reliance on audits performed by other auditors of

- The John Dempsey Hospital
- The Finance Corporation
- The UConn Medical Group

We did not review the working papers of the other auditors

- We relied on their professional reputation.
- We performed various supplementary audit procedures that addressed component units of UConn Health.
- We requested representations from the other auditors stating that they were:
  - Independent
  - Aware that we intended to place reliance on their audits
  - Familiar with applicable accounting and auditing standards

Internal Control

Internal control

- An audit involves consideration of internal control over financial reporting as a basis for designing 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 regarding UConn or UConn Health's internal control.
- However, we did evaluate internal control and did place reliance on internal control in our audits of UConn and UConn Health.
- We are required to report significant control deficiencies (conditions less severe than a material weakness, yet important enough to merit attention by those charged with governance) and material weaknesses (control deficiencies that create 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) to management and those charged with governance.

Integration with Other Audits

Integration with other audits

- Audit procedures carried out to support our opinions on the financial statements are integrated with procedures carried out in connection with other audits we perform at UConn and UConn Health.
  - Statutorily required (Section 2-90 of the General Statutes) departmental audits addressing compliance with laws and regulations and internal control.
  - Our audit of the basic financial statements of the State of Connecticut.
  - Our audit of federal financial assistance under the requirements of the Federal Single Audit Act.

- Our departmental audits are performed in accordance with generally accepted government auditing standards (GAGAS) for performance audits. Our other audits, including our audits of UConn's and UConn Health's financial statements, are carried out in accordance with GAGAS for financial audits. For financial audits, GAGAS incorporate by reference generally accepted auditing standards (GAAS) promulgated by the American Institute of Certified Public Accountants. Therefore, all financial audits carried out in accordance with GAGAS are also carried out in accordance with GAAS.
- Though we perform our audits of UConn and UConn Health's financial statements in accordance with GAGAS for financial audits, our reports on those audits are issued under GAAS, as permitted by paragraph 6.37 of the 2018 revision of *Government Auditing Standards* (also known as the Yellow Book).
- As the procedures undertaken for purposes of our audits of the financial statements are integrated with those undertaken for other purposes, they are sometimes of greater extent than would be necessary if our sole objective was to express an opinion on the financial statements.

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 and UConn Health are described in the notes to the financial statements. We noted no transactions entered into by UConn or 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 statements 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 audits.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during our audits, 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 audits.

Required Communications

Significant Audit Matters (Continued):

Management Representation

We have requested certain representations from management that are included in the management representation letters for UConn and UConn Health, dated December 8, 2023.

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 or 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 contact 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 inquires, 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.

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.

ATTACHMENT 2.10

University of Connecticut & UConn Health

Joint Audit & Compliance Committee Meeting

December 21, 2023

Auditors of Public Accounts

This section is intended for

Auditors of Public Accounts

Annual Comprehensive Financial Report for UConn

Fiscal Year Ending June 30, 2023

Report will be provided separately

ATTACHMENT 2.11

University of Connecticut & UConn Health

Joint Audit & Compliance Committee Meeting

December 21, 2023

Auditors of Public Accounts

This section is intended for

Auditors of Public Accounts

Annual Comprehensive Financial Report for

UConn Health

Fiscal Year Ending June 30, 2023

Report will be provided separately

ATTACHMENT 2.12

University of Connecticut Health Center

Departmental Audit Report

For the Fiscal Years Ended June 30, 2021 and 2022

Communication to the Joint Audit and Compliance Committee

December 21, 2023

Audit Scope and Objectives

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. 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, 2021 and 2022.

The objectives of our audit were to:

1. Evaluate UConn Health's internal controls over significant management and financial functions;

2. Evaluate UConn Health'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.

ATTACHMENT 3.1

University of Connecticut & UConn Health
Joint Audit & Compliance Committee
December 21, 2023

Office of Audit and Management Advisory Services
Status of Audit Assignments
As of November 30, 2023

Audit Project	Campus	Current Status	Anticipated JACC Meeting			
			Dec 2023	Mar 2024	Jun 2024	Sep 2024
Emergency Department Revenue Cycle	UH	Report	▬			
Patch Management for Decentralized IT - School of Business	UC	Report	▬			
PeopleSoft Student Administration System – User Account Security	UC	Report	▬			
Approval Authority Review	UC	Fieldwork		▬		
Faculty Consulting FY23	UC/UH	Fieldwork		▬		
Inpatient Psychiatry Services	UH	Fieldwork		▬		
Patient Billing	UH	Fieldwork		▬		
University of Connecticut Foundation FY23	UC/UH	Fieldwork		▬		
Cardiology	UH	Planning			▬	
Microsoft 365 Security and Configuration	UC	Planning			▬	
Oracle Database Management Security and Configuration	UC	Planning			▬	

Special Projects/Consulting	Campus	Current Status	
		In Progress	Project Final
NEAG Grant and Travel Review	UC	▬	
Women's, Gender, and Sexuality Studies Travel Review	UC	▬	

ATTACHMENT 3.2

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
December 21, 2023

Status of Audit Findings
Aging of Overdue Management Actions by Functional Area Based on Original Due Date
As of November 30, 2023

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:																						
UC Athletics																1						1
UC Budget	2	1																				3
UC College of Liberal Arts and Sciences											4	2		2								8
UC Controller														1	1							2
UC Facilities Operations																				7		7
UC Human Resources														2						1		3
UC Information Technology Services								2														2
UC Office of Global Affairs											1											1
UC Office of the Provost							4															4
UC President's Office					1			1														2
UC Procurement																				1		1
UC Research Compliance Services													2			1						3
UC School of Law																			1			1
UC Student Activities																4						4
UC Student Affairs Administration																				1		1
UConn Total	2	1			1		4	3			5	2	2	5	1	6			1	10		43
UConn Health:																						
UC Office of Institutional Equity																			2	1		3
UCH CEO and EVP for Health Affairs																	2					2
UCH CFO		2						2		1	4			1								10
UCH Controller							1							1						1		3
UCH Human Resources																			2			2
UCH Information Technology Services		3	3						1		4	1					2	3	2	7	5	31
UCH JDH Administration	1	2								4	2						3		1	3		16
UCH JDH and UMG Revenue Cycle Management		2															1			1		4
UCH JDH Quality and Patient Services										2							1					3
UCH School of Dental Medicine							1			3	1					1			1	4		11
UCH School of Medicine																			2		1	3
UConn Medical Group										1	2											3
UConn Health Total	1	9	3				2	2	1	11	13	1		2		1	9	3	10	17	6	91
UConn & UConn Health Total	3	10	3		1		6	5	1	11	18	3	2	7	1	7	9	3	11	27	6	134

Note: The net number of management open actions increased by 1 from 133 to 134 from the prior reported quarter.

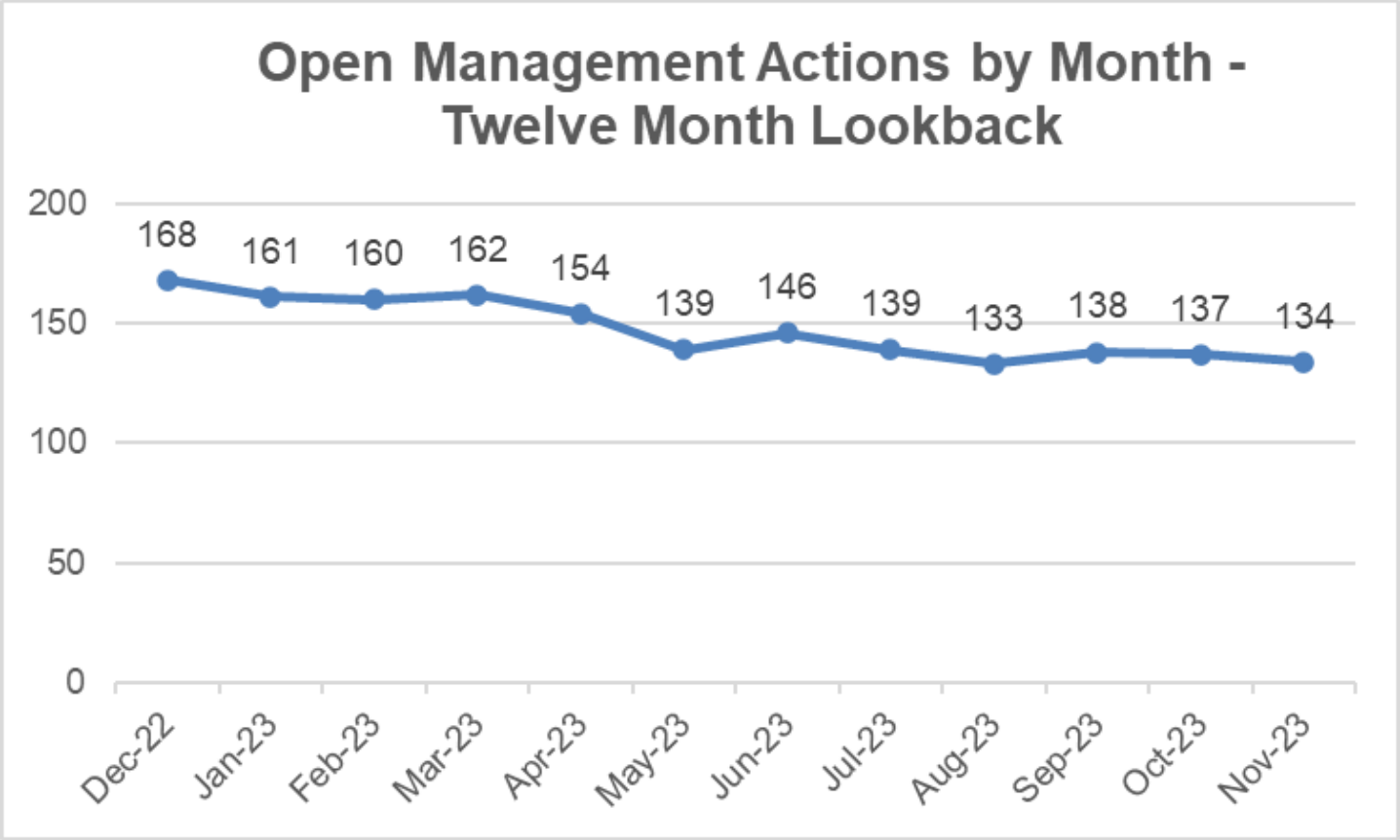
University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
December 21, 2023

Status of Audit Findings
Aging of Overdue Management Actions by Finding Category Based on Original Due Date
As of November 30, 2023

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	2	1					1							1		4				2		11
Documentation								1			1					1						3
Governance											1											1
Physical Security of Assets														1								1
Policy											1		1	1						2		5
Regulatory Compliance					1								1		1	1						4
Security								1			1	2		2						6		12
Segregation of Duties							1															1
Technology											1											1
Training							2	1														3
Use of Resources																			1			1
UConn Total	2	1			1		4	3			5	2	2	5	1	6			1	10		43
UConn Health:																						
Business Process Improvement	1	3								6	3			1					2	1		17
Documentation		1								2	2								3	1		9
Management Oversight							2	1			1						1					5
Monitoring			1								1						2			2		6
Physical Security of Assets											1											1
Policy		1						1		2	1					1	2		3	3		14
Regulatory Compliance		3								1	1						1		1	1		8
Security		1	2						1		1	1					1	3		4	1	15
Technology											1						2			2	5	10
Training											1											1
Use of Resources														1					1	3		5
UConn Health Total	1	9	3				2	2	1	11	13	1		2		1	9	3	10	17	6	91
UConn & UConn Health Total	3	10	3		1		6	5	1	11	18	3	2	7	1	7	9	3	11	27	6	134

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
December 21, 2023

Status of Audit Findings
Trend Analysis of Monthly Balances of Open Management Actions
As of November 30, 2023



Analysis:

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
December 21, 2023

Status of Audit Findings
Management Actions Closed By Functional Areas And Risk Level
For the Period September 1, 2023 to November 30, 2023

Functional Area	Implemented			Recommendation Moved to / Included in Another Audit			Total
	L	M	H	L	M	H	
UConn:							
UC Human Resources		1					1
UConn Total		1					1
UConn Health:							
UCH Human Resources				1			1
UCH Information Technology Services		2	1				3
UCH School of Dental Medicine	1						1
UConn Health Total	1	2	1	1			5
UConn & UConn Health Total	1	3	1	1			6

University of Connecticut & UConn Health
Joint Audit & Compliance Committee Meeting
December 21, 2023

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 4.1

UCONN
UNIVERSITY OF CONNECTICUT

Kimberly Fearney
Chief Compliance Officer
University of Connecticut

December 21, 2023

TO: Members of the Joint Audit and Compliance Committee

FROM: Kimberly Fearney
Chief Compliance Officer

RE: Suspension of the Mandatory Workforce COVID-19 Vaccination Policy

RECOMMENDATION:

That the Joint Audit and Compliance Committee (JACC) recommend the suspension of the Mandatory Workforce COVID-19 Vaccination Policy for the Storrs and Regional Campuses to the Board of Trustees.

BACKGROUND

With the release and availability of COVID-19 vaccines, the University adopted the Mandatory Workforce COVID-19 Vaccination Policy in August 2021 to maintain the health and safety of the UConn workforce and community on the Storrs and regional campuses. UConn Health adopted a separate policy for its workforce.

In June 2022, University leadership suspended the enforcement of the Policy, citing the transition of COVID-19 to an endemic disease, no longer requiring employee vaccination or weekly testing. For similar reasons, the Board of Trustees decommissioned the Policy on COVID-19 Immunization Record Requirement for Students on the Storrs and regional campuses in April 2023.

At this time, the Administration recommends the suspension of the Policy, rather than its decommissioning, allowing the University to retain the negotiated agreement with our unclassified unions should COVID-19 return as a public health emergency. If a COVID-19 public health emergency emerges, the University shall return to the JACC and Board of Trustees to lift the suspension.

28 PROFESSIONAL PARK ROAD, UNIT 5084
STORRS, CT 06268-5084
PHONE 860.486.2530
www.uconn.edu

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COMPLIANCE

Mandatory Workforce COVID-19 Vaccination Policy

Policy Owner:	Human Resources
Applies to:	All employees, including volunteers and contractors
Campus Applicability:	All campuses, excluding UConn Health
Effective Date:	August 18, 2021
For More Information, Contact	Human Resources
Contact Information:	HR@uconn.edu
Official Website:	https://hr.uconn.edu/

PURPOSE

UConn is committed to protecting our students, employees, and our communities from COVID-19. Toward that goal, and in consideration of guidance released by the state of Connecticut, the U.S. Centers for Disease Control and Prevention (CDC), and a variety of public health authorities and professional organizations, UConn is implementing a mandatory vaccination policy for its workforce.

APPLIES TO

The Mandatory Workforce COVID-19 Vaccination Policy applies to all Workforce members (see definition below)[1]. This policy applies to Workforce members regardless of whether they work on-site or remotely, unless the individual qualifies for an exemption as provided herein. Exemptions may be granted to Workforce members (1) who have certain medical conditions; or (2) on the basis of a strong religious or sincerely held belief. Workforce members who are denied an exemption shall have ten

(10) days from the date of the notice of the denial to receive the vaccine (either a single dose vaccine or first dose of the 2-dose vaccine). Deferral of the receipt of the vaccine may be granted to Workforce Members (1) who have certain medical conditions; (2) who are on approved block FMLA or supplemental leave; (3) due to a positive COVID test or treatment; or (4) due to current pregnancy or breastfeeding.

DEFINITIONS

Workforce Members: All UConn employees, volunteers, and any contracted individuals.

COVID-19: COVID-19 is a respiratory disease caused by SARS-CoV-2, a new coronavirus discovered in 2019. The virus is thought to spread mainly from person to person through respiratory droplets produced when an infected person coughs, sneezes, or talks.

Fully Vaccinated: Individuals are considered fully vaccinated 1) two weeks after their second dose in a 2-dose series (such as the Pfizer or Moderna vaccines); or 2) two weeks after a single-dose vaccine (such as Johnson & Johnson's Janssen vaccine).

International employees shall be considered in compliance with the COVID-19 vaccine requirement if they have been vaccinated with a COVID-19 vaccine that has either been authorized for emergency use in the United States by the Food and Drug Administration (FDA) or been authorized for emergency use outside of the United States by the World Health Organization (WHO).

POLICY STATEMENT

All Workforce members are required to have or obtain a COVID-19 vaccination as a term and condition of employment at UConn, unless an exemption or deferral has been approved. All Workforce members shall be required to report their vaccine status and to provide approved documentation as proof of vaccination. All current employees shall be required to report their status not later than September 10, 2021. All new Workforce members shall be required to provide proof of their vaccination status prior to the start of their employment. All records of vaccinations and approved exemptions will be maintained by Human Resources. Such records will not be included in Workforce members' personnel files.

ENFORCEMENT

Violations of this policy or associated procedures may result in appropriate disciplinary measures, up to an including dismissal, in accordance with University By-Laws, General Rules of Conduct for All University Employees, applicable collective bargaining agreements, other applicable University Policies, or as outlined in any procedures document related to this policy.

PROCEDURES/FORMS

Procedures and forms associated with this policy are available on the Human Resources website.

REFERNCES

- https://www.cdc.gov/coronavirus/2019-ncov/index.html
- https://portal.ct.gov/Coronavirus
- https://cthosp.org/covid-19-update-center/
- https://www.osha.gov/coronavirus/ets
- https://www.who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public

[1] Workforce members represented by bargaining units under the jurisdiction of the State's Office of Labor Relations (OLR-OPM) are not currently subject to mandatory vaccination requirements of this policy until negotiations have concluded. They are subject to the mandatory reporting, testing and health and safety requirements if unvaccinated.

ATTACHMENT 4.2

UCONN | UNIVERSITY OF CONNECTICUT
UNIVERSITY COMPLIANCE

Joint Audit and Compliance Committee JACC
Significant Compliance Activities
September – November 30, 2023

7 Elements of an Effective Compliance Program

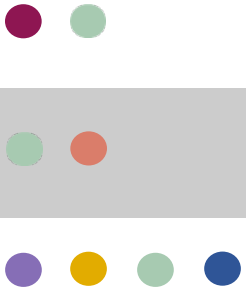
1 – Standards of Conduct, Policies, Procedures | 2 – Leadership and Authority | 3 – Education and Development | 4 – Monitoring and Auditing | 5 – Reporting and Investigations | 6 – Response and Prevention | 7 – Accountability and Incentives

Significant Compliance Activities – Office of University Compliance (OUC)	Program Element
To date, OUC has received 137 reported concerns in 2023, of which 76% have been reviewed and closed. More detailed data and analysis related to reports and investigations is included in the JACC packet.	
Annual University Compliance and Ethics Training for Graduate Assistants launched on September 19, 2023, for the 2023-2024 academic year. Training included information on the University's Code of Conduct, the Guide to the State Code of Ethics, as well as information on the FERPA policy, Clery reporting, Export Controls, and Accessible Course Design. To date, 2,294 GA's have completed training with a 97% on-time completion rate.	
Educational compliance materials were developed and disseminated to the UConn and UConn Health communities on topics such as the University's Non-Retaliation Policy, Travel Policy, Addressing Employee Concerns (Manager Series), Hiring and Contracting Relatives (Ethics Edition). See packet for a sampling of materials.	
OUC developed and began new communication campaigns to include a monthly Ethics Spotlight. Additionally, a new monthly Manager Compliance Chatter campaign was developed, aimed at supporting managers and supervisors in developing a culture of compliance within their departments and units.	
OUC developed customized Policy Manager training, which launched at UConn Health on October 1, 2023. There was an 86% on-time completion rate. Training is also required as a part of onboarding for new employees.	
OUC collaborated with the Office of the Vice President for Research to develop new educational videos on compliance with the Bayh-Dole Act, and on UConn's Intellectual Property and Commercialization Policy, which were distributed to the UConn and UConn Health communities this fall.	
OUC met regularly with clinical senior leadership to identify clinical policies and other standards documents for decommissioning, reducing the number of outdated, conflicting and/or duplicative standards at UConn Health. To date, a total of 450 standards documents across UConn Health have been decommissioned. These efforts are ongoing.	

OUC facilitated the development of a Data Sharing Agreement between UConn and Georgetown University for purposes of a study which involves a novel massive-scale computational assessment of creativity in college applicants to predict college success and reduce disparity.

OUC has instituted a requirement of all workforce members to complete FERPA training in advance of accessing the FERPA Designee Pin Page, which has resulted in a significant increase in the number of students and staff who have completed training.

University Compliance continues to engage in monitoring the implementation of various initiatives and programs that were impacted by the 2023 legislative session to ensure the institution is responsive and in compliance with new and/or revised Connecticut laws.



ATTACHMENT 4.3

UCONN | UNIVERSITY OF CONNECTICUT
UNIVERSITY COMPLIANCE

Reportline & Investigation Data

2023 ANNUAL JACC REPORT

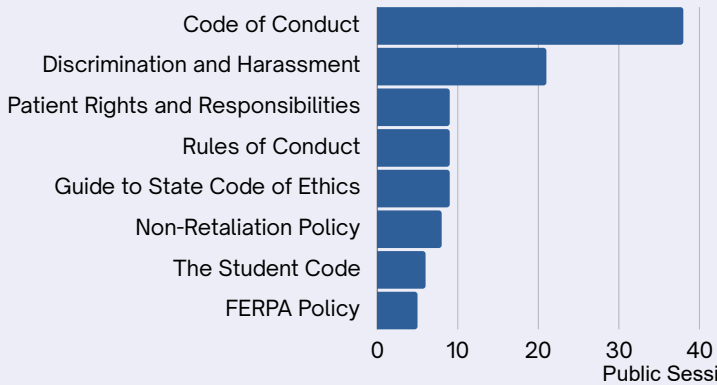
Overview

The Office of University Compliance (OUC) has administered the University's Reportline for UConn since 2006. In June of 2018, that responsibility extended to UConn Health. In response to reported concerns, OUC works collaboratively with management and compliance units to investigate and address concerns.

In 2023, OUC saw its highest number of reports since the inception of the compliance program. This increase is in part due to the extension to UConn Health in 2018, but also due in large part to the increase in education and training on how to report compliance concerns.

2023 Reports by Month

2023 Most Implicated Policies

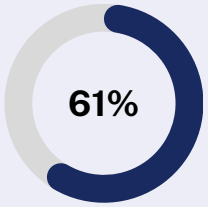


2023 Reportline Activity

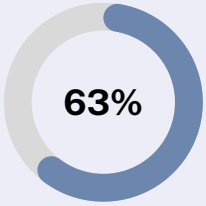
137
Total Reports

81
UConn

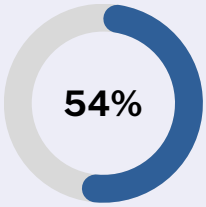
56
UCH



Anonymously submitted a report



Reporters identified as being an employee or student



Utilized the Reportline Webform to submit their concern

276
Follow-Up Communications

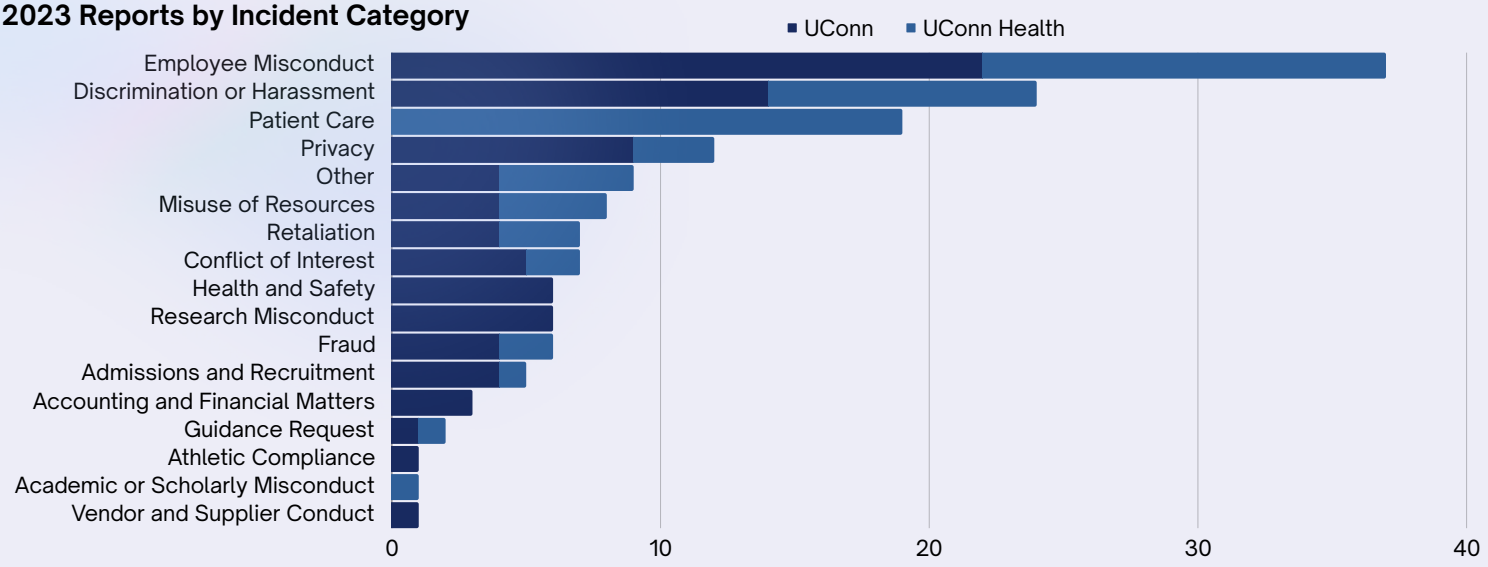
218
(OUC)

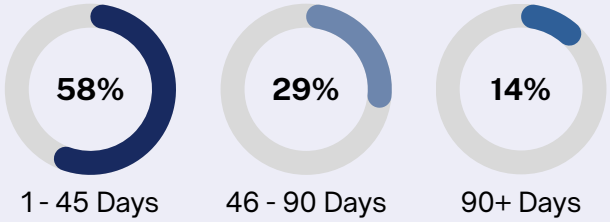
58
(Reporter)

In addition to the 137 initial reports, there were 276 follow-up communications, of which 21.1% were from reporters and 78.9% were from OUC. This does not include phone calls or emails outside of the EthicsPoint system.

Data as of 12/1/23

2023 Reports by Incident Category

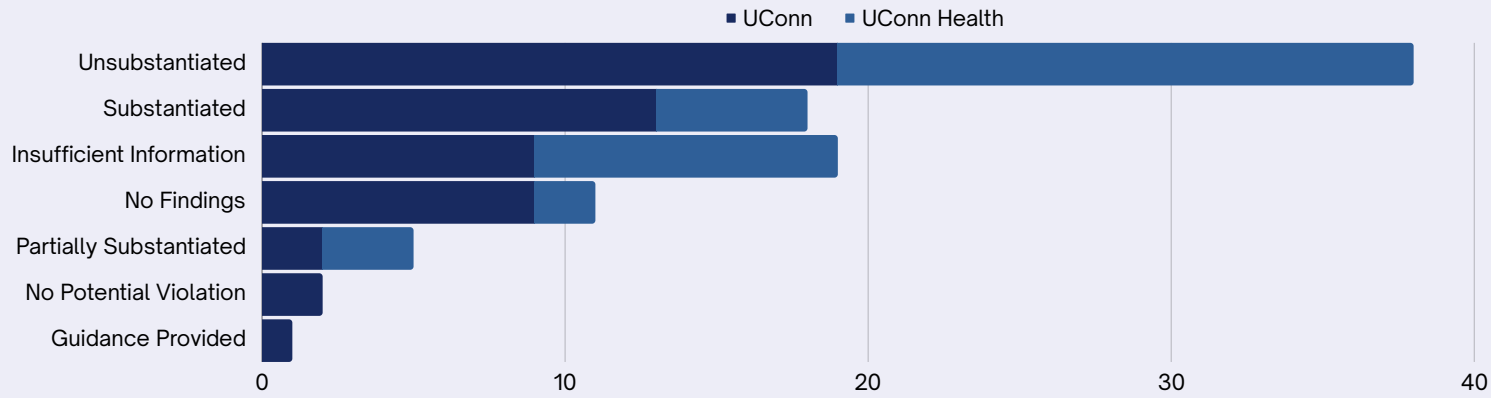




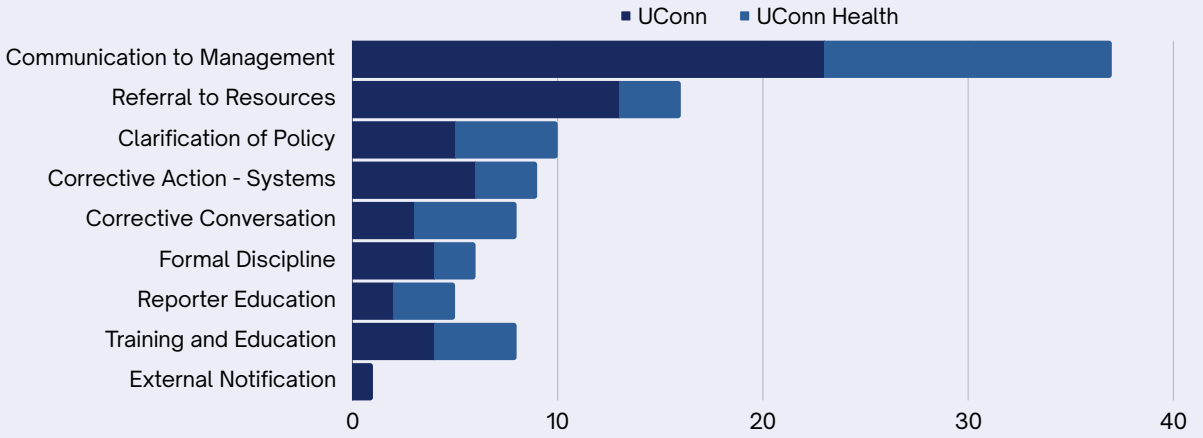
2023 Case Closure Rate

Case closure rate measures the amount of time from when a report is received to when it is closed.

2023 Investigation Findings



2023 Actions or Recommendations

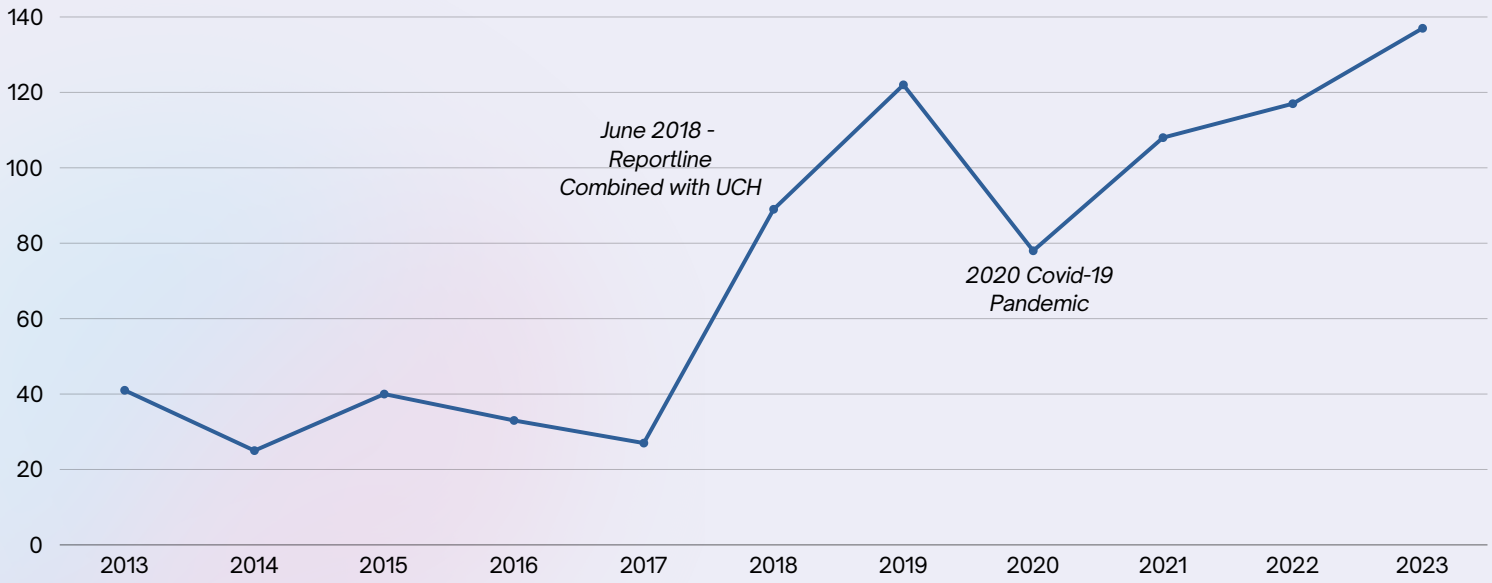


104
Closed Cases

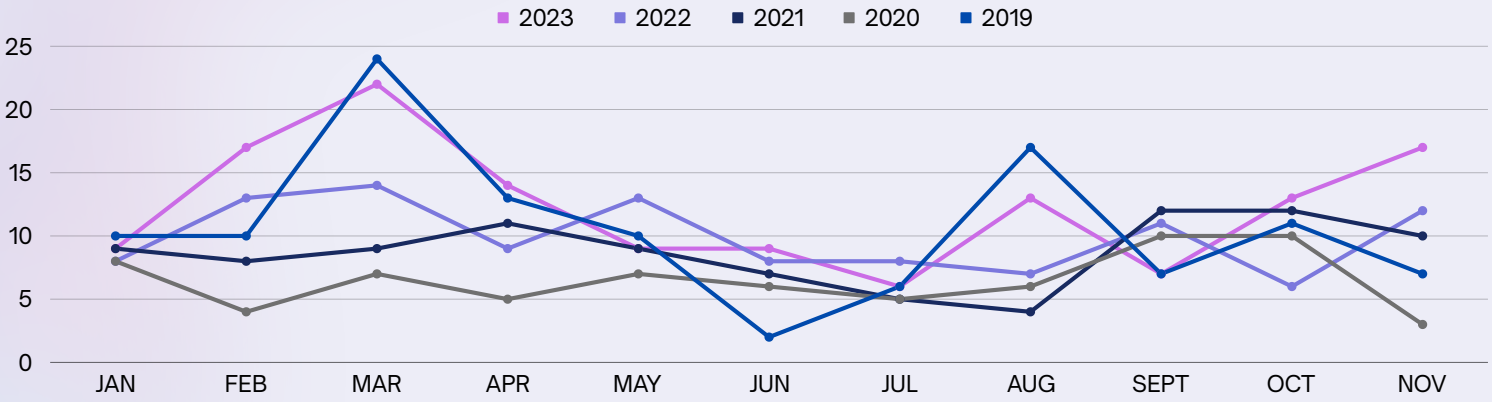
101
Outcomes

It should be noted that there does not need to be a substantiated violation in order to implement outcomes or provide recommendations. Additionally, one matter may result in multiple recommendations depending on the concerns and the findings.

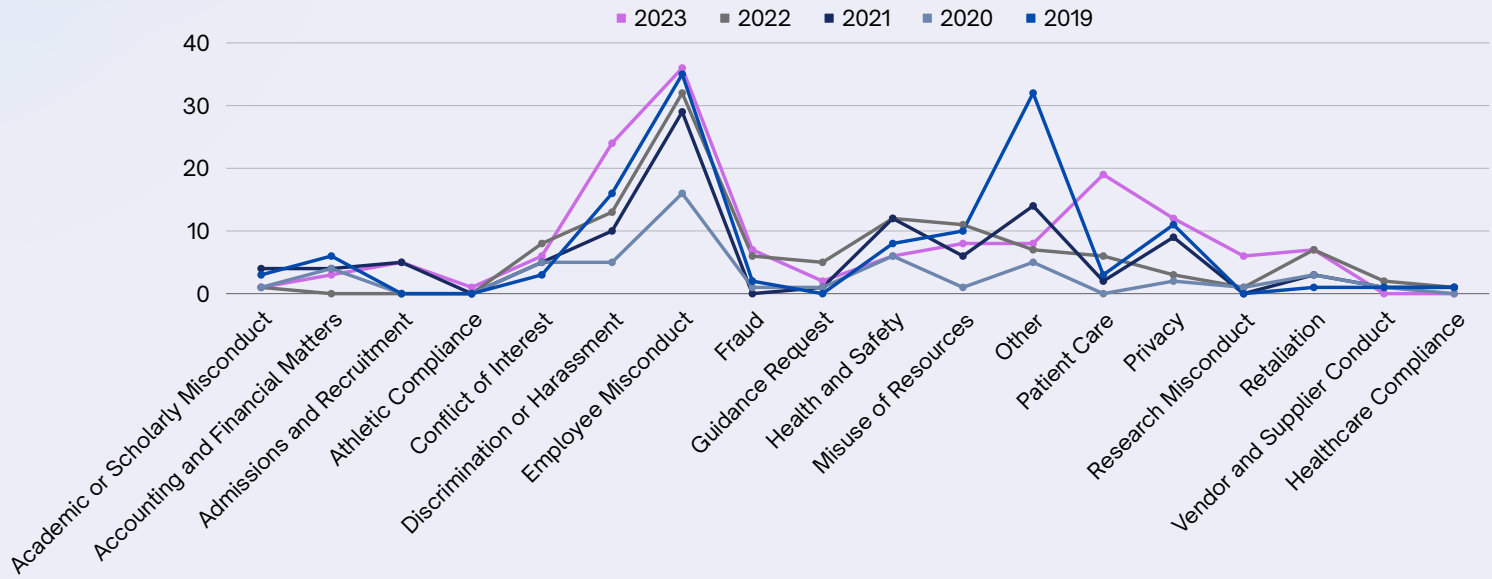
Reportline Activity - Ten Year Comparison (2013-2023)



Year-Over-Year Comparison by Month (2019-2023)



Year-Over-Year Comparison Incident Category (2019*-2023)



*Notice: Incident Categories Updated in 2020. All 2019 reports have since been recategorized.

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UNIVERSITY COMPLIANCE

Education and Development Data

2023 ANNUAL JACC REPORT

Mandatory Training Completion

Annual Compliance and Ethics Training
Launch: February 6
Deadline: May 26

98%
COMPLIANCE AND ETHICS TRAINING COMPLETION RATE

Policy Manager Software Introductory Training
Launch: October 1
Deadline: October 31

92%
POLICY MANAGER TRAINING COMPLETION RATE

Annual Graduate Assistant Compliance Training
Launch: September 19
Deadline: October 27

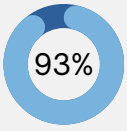
99%
GRADUATE ASSISTANT COMPLIANCE TRAINING COMPLETION RATE

Mandatory Training Feedback Highlights

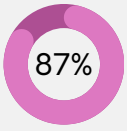
Annual Compliance and Ethics Training Evaluation

1,774 Responses

Response Rate: 36.5%



"Agreed" or "Strongly Agreed" that the content covered in the training was easy to understand.

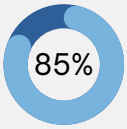


"Agreed" or "Strongly Agreed" that the knowledge check questions prompted them to reflect on how to apply the concepts covered.

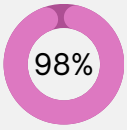
Policy Manager Software Introductory Training

2,412 Responses

Response Rate: 42.5%



Rated the overall effectiveness of the training as "Effective" or "Highly Effective."

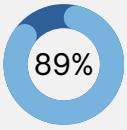


"Agreed" or "Strongly Agreed" they now understand how to search for a policy or standards document.

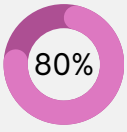
Annual Graduate Assistant Compliance Training

505 Responses

Response Rate: 17%



Rated the overall effectiveness of the training as "Effective" or "Highly Effective."



Felt that their knowledge or skills related to the concepts covered improved by taking the training.

FERPA and HIPAA Training

428 Completed FERPA Training

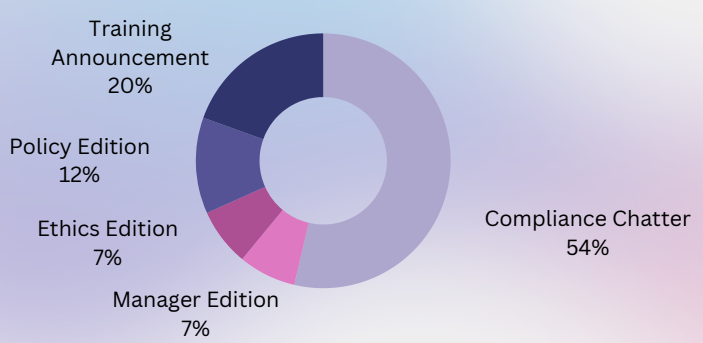
761 Completed UConn HIPAA Training

Education and Awareness

In an effort to provide intentional support to our workforce, OUC launched new communications focused on managers and supervisors, the State Code of Ethics, and the policy migration project at UConn Health.

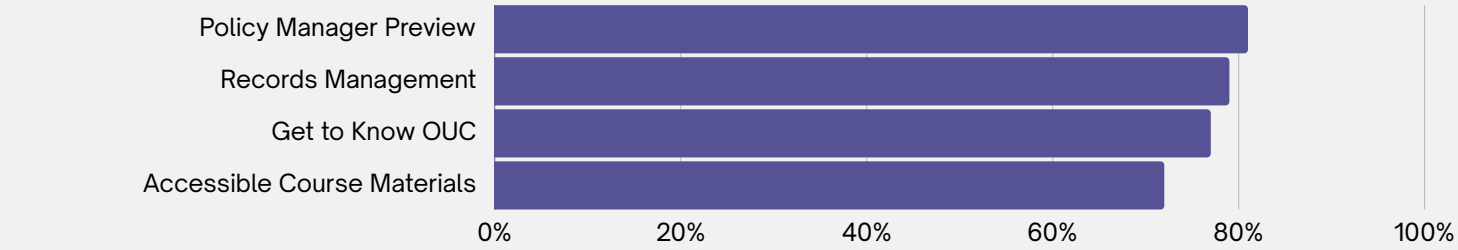
36%
Overall Average Email Open Rate

Emails Sent by Series



In addition to utilizing the Lifeline and Daily Digest to communicate with the workforce, OUC has also historically communicated via an *opt-in* listserv, which was sent to ~2,200 employees on average per communication. In June of 2023, OUC began sending all education and awareness communications to all employees (~9,900), increasing the audience by approximately 350%.

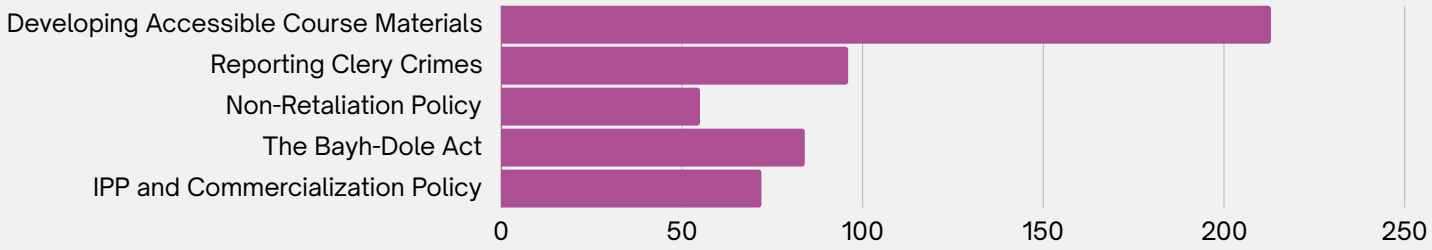
Chatters with Highest Open Rates



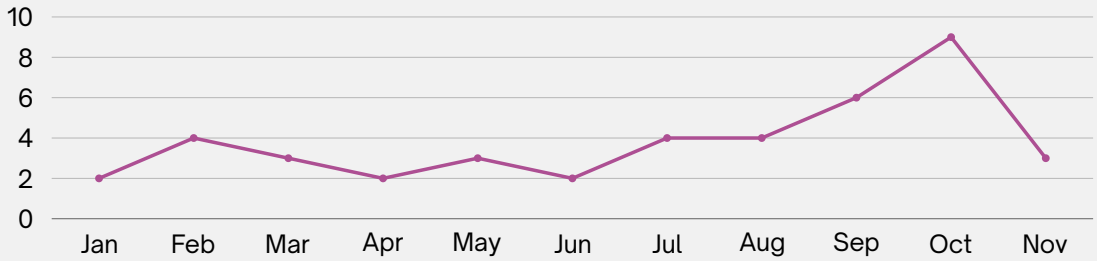
Open Rate Average by Audience

UConn Health	UConn and UConn Health	UConn
47.6	30.8	30.6

New Compliance Clips - Views



OUC Email Communications by Month



4.1
Average Number of Communications by Month

**Data as of 12/1/2023*

UCONN | UNIVERSITY OF CONNECTICUT
UNIVERSITY COMPLIANCE

Policy Process Data

2023 ANNUAL JACC REPORT

Overview

The Office of University Compliance supports the policy management process at UConn and UConn Health. This occurs in collaboration with senior leadership, policy owners, and the policy migration team at UConn Health. In 2020 following a review of the policy management processes at UConn and UConn Health (UCH), four key recommendations were made, all of which have been completed or are in-progress.

Policy Review Recommendations

1. Implement searchable and centralized policy inventory at UCH

- Policy Manager was implemented at UCH, providing a central repository. Work to identify and migrate policy documents is ongoing.

2. Streamline the policy approval process.

- Automated approval workflows are being applied in Policy Manager.

3. Identify and publicize "OneUConn" policies.

- "OneUConn" policies will be captured in Policy Manager under their own specific domain.

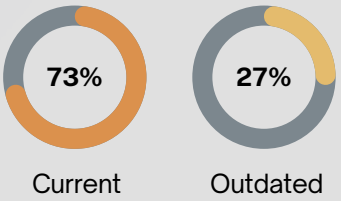
4. Hire employees to manage and centralize responsibility.

- Three FTEs have been hired since 2020 to coordinate and support policy processes for both UConn and UCH.

UConn Health Policy Migration

2605
Total Documents

These are documents that have been migrated into Policy Manager. Document identification and migration is ongoing.



450
Documents Decommissioned

1387
Documents with Workflow Process Applied

92%
Training Completion

OUC developed and launched a custom Policy Manager Training for the UCH workforce.

UConn Storrs and Regionals

10 Revised

2 New

1 Archived

UConn has a total of 248 university policies relative to Storrs and Regional campuses. UConn's Senior Policy Council (SPC) met four times in 2023 to review proposals for new or revised policies as well as proposals to decommission and archive policies. The SPC is scheduled to meet in December and is expected to review 7 policies. A full list of policy updates for 2023 can be found on the Recent Policy Updates website.

New Policy Initiatives

Regular communication regarding all policy changes is now being sent to UConn's workforce via the Policy listserv.

Development of a UConn Policy Dashboard is underway to inform policy progress and monitor review-cycle compliance. A UConn Health Dashboard is being sent out regularly.

OUC has begun monitoring policies implicated through UConn's Reportline to identify needs related to policy education and/or clarification.

Ongoing education and training is being developed on user functionality of Policy Manager and policy process best practices.

**Information as of 12/1/2023*

ATTACHMENT 4.4

Healthcare Compliance, Privacy & Integrity Program – Summary Dashboard

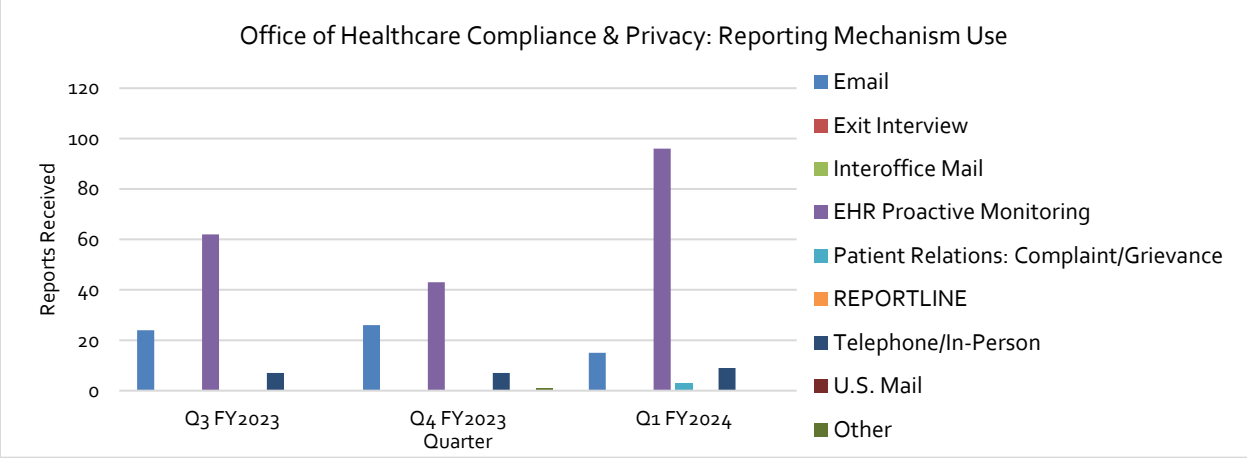
JACC, Thursday, December 21, 2023

1. Policies, Procedures, and Standards of Conduct	
Program Policies	Of twenty-seven (27) current OHCP policies: • Fifteen (15) reviewed and approved by UConn Health's Administrative Policy Committee this calendar year • Six (6) overdue for triennial approval and currently under review for revision or retirement • Six (6) not yet due for triennial review and approval

2. Oversight	
Healthcare Compliance & Privacy Committee	• Committee met August 31, 2023, with all but two members in attendance, and again November 15, 2023, with all but one member present. • Charter reviewed and accepted by Committee. • Committee currently focused on developing/evolving meaningful dashboard metrics and establishing proactive, transparent, and collaborative approaches to identifying and mitigating healthcare compliance and privacy related risks.
Office of Healthcare Compliance & Privacy	**Assistant Privacy Officer (former vacancy):** Joelle McCarthy started Sept. 8, 2023. **Compliance Specialist (vacancy):** Melissa Walsh resigned effective Oct. 8, 2023, transitioning internally to a role in Revenue Integrity.

3. Education & Training	
Board Education	From the October issue of the Health Care Compliance Association's monthly publication **Compliance Today**, the article "How to develop an effective risk management program" has been provided as part of the JACC December 21, 2023, meeting book.

4. Reporting & Communication



5. Auditing & Monitoring	
Office of Healthcare Compliance & Privacy (OHCP) Work Plan	Of the 12 projects on the Interim Compliance Auditing and Monitoring Plan, eight (8) remain open with expected completion by Dec. 31, 2023. Of the four completed projects, no significant systemic issues were identified.

Government Post-Payment Audits Jan. 1, 2023 – Sept. 30, 2023	**Records Requested**	**$ at Risk**	**Records Pending**	**Records Denied**	**$ Recouped to Date**
RAC – JDH * No recoupment; cap on billed units	97	$874,052	26	1*	$0
RAC - UMG	127	$188,769	7	4	$1,777
MAC – Inpatient Psychiatry - Noridian Special Review	2	$204,796	0	0	$0
TPE – No open reviews	N/A	N/A	N/A	N/A	N/A
QIO – High Weighted DRG	4	$114,306	0	0	$0
CERT	4	$150,753	3	0	$0

EXPLANATION: The government contracts various post-payment audit programs to detect and correct improper payments due to billing, coding, documentation, and other types of errors. For each reviewed encounter/payment ("Record"), the total number of records requested comprises the "Records Requested;" Records identified as having an error comprise the "Records Denied." For each reviewed Record, the originally paid dollars comprise the "$ at Risk" amounts; dollars taken back from that pool due to an identified error comprise the "$ Recouped to Date" amounts.

Recovery Audit Contractor (RAC) *– Represents ongoing audits performed by a regionally assigned Medicare program contractor tasked with identifying over- and underpayments made by Medicare Part A and Part B.*

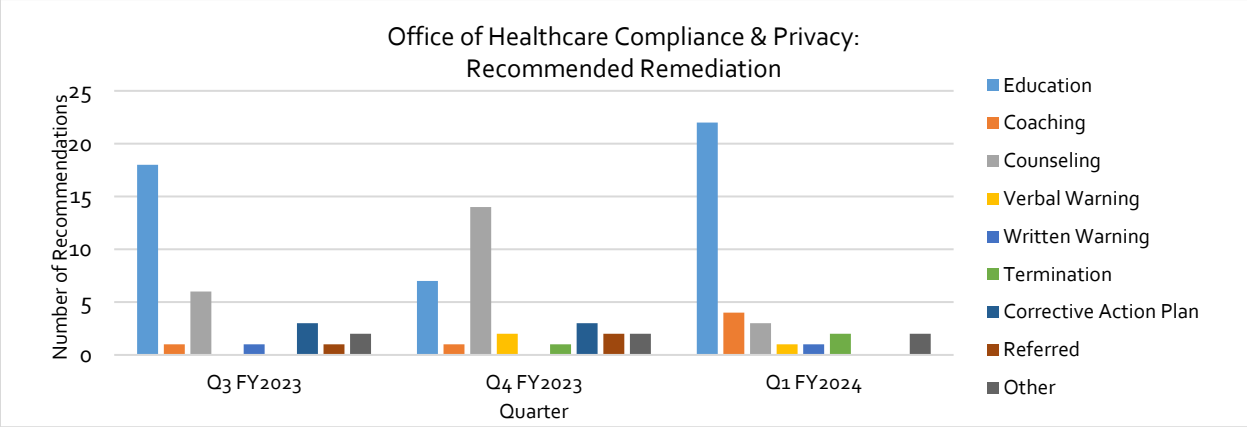
Medicare Administrative Contractor (MAC) *– Represents ongoing audits performed by a private healthcare insurer awarded a geographic jurisdiction to process Medicare Part A and Part B (A/B) medical claims or Durable Medical Equipment (DME) claims for Medicare Fee-For-Service (FFS) beneficiaries.*

Targeted Probe and Educate (TPE) *– Represents a defined audit performed by a Medicare Administrative Contractor for a specific topic based on patterns of claims denials and appeals.*

Quality Improvement Organization (QIO) *– Represents a defined audit performed by a CMS-designated group of health quality experts, clinicians and consumers tasked with improving the effectiveness, efficiency, economy, and quality of services delivered to Medicare beneficiaries.*

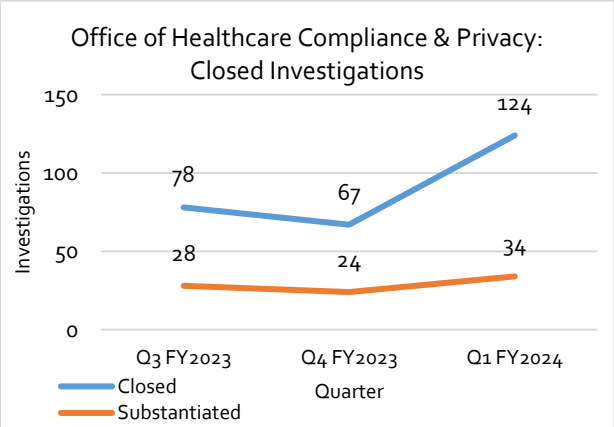
Comprehensive Error Rate Testing (CERT) *– Represents ongoing audits performed by a CMS contractor to measure the error rate of improper Fee-for-Service payments for failure to meet Medicare requirements for coverage, coding, and billing rules (or failing to provide medical records for an initiated audit).*

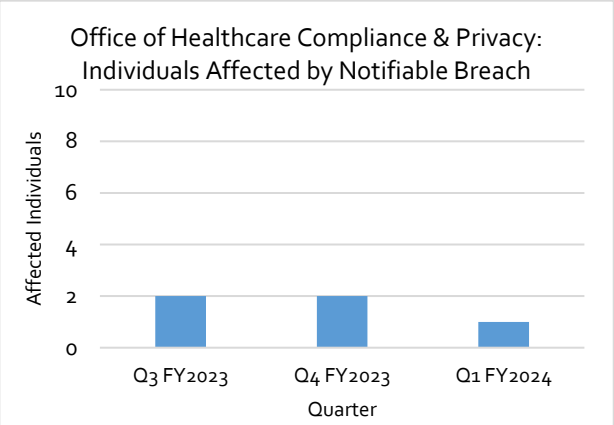
6. Enforcement & Discipline



7. Response & Prevention

Compliance & Privacy Risk Assessment and OHCP Work Plan Development	Risk Assessment FY2024 planning sessions in progress for expected presentation to JACC in Q3FY2024.





ATTACHMENT 4.5

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COMPLIANCE CHATTER

Fall Series

Providing compliance reminders and resources all autumn long!

This week's topic: UConn's Non-Retaliation Policy

UConn Encourages Good-Faith Reporting

The University of Connecticut, including UConn and UConn Health, encourages individuals to report information about potential violations of state or federal law, university policy, rules, and/or regulations to the Office of University Compliance. The University strictly prohibits retaliation against any individuals or groups who have, in good faith, reported such concerns.

View the Non-Retaliation Policy

What is Retaliation?

Retaliation occurs when an individual threatens or engages in any adverse action against an individual/group who has reported an allegation of a potential violation in good faith, or because they have participated in a compliance investigation.

A good faith report refers to a report made with a reasonable belief that an actual policy violation may have occurred. Raising concerns or reporting a potential policy violation is often referred to as a "protected activity."

What Constitutes an Adverse Action?

An adverse action is any unfavorable or possibly harmful action that prevents an individual or group from being successful or in an attempt to dissuade an individual from reporting concerns.

Some examples of retaliation *may* include but are not limited to:

- Professional or social isolation
- Unsubstantiated adverse performance evaluations or disciplinary action
- Reduction of a student's grade
- Physical threats and/or destruction of personal or state property

Any action taken or threatened that would dissuade a reasonable person from engaging in activities protected by this policy may also be considered retaliatory.

Please refer to the **policy** for additional examples.

An important element of retaliation is that the adverse action was taken because of the reported concern (protected activity). This is referred to as the "causal connection."

Scenario of an Adverse Action

Jen works in an office where she reports to Mike. Jen occasionally uses a state vehicle to complete work tasks. Jen recently reported concerns to Mike that her colleagues were not following a University policy. Mike told Jen that she had nothing to worry about and to continue doing her job. Shortly thereafter, whenever Jen requested to use the state vehicle, Mike would deny the request with no explanation, which impacted Jen's ability to complete her assigned work tasks. Other office employees continued requesting and receiving approval to use the vehicle on a regular basis.

Jen believes this could be retaliation for having reported her concerns to Mike. Could this be potential retaliation?

Ask yourself these questions:

- Did Jen engage in a protected activity?
- If so, what was the protected activity?
- What would be considered the adverse action?

Jen did engage in a protected activity when she reported her concerns to Mike regarding potential policy violations. Additionally, Mike's denial of the use of the state vehicle without any explanation, while subsequently allowing other employees to use the vehicle, has the potential to be retaliatory.

Please keep in mind that these situations are not clear cut and require a thorough review and investigation. **Visit this webpage** for more information about reporting concern to the Office of University Compliance.

How Can I Share Concerns and Ask Questions?

There are multiple resources at the University for community members to discuss their concerns and ask questions as well as seek additional support.

If you have questions or concerns regarding this policy or if an individual or a group believes that they have been retaliated against, you are encouraged to contact The Office of University Compliance.

Contact University Compliance Directly
Report a Concern Through the Reportline
Additional Resources
Test Your Knowledge
Test what you learned this week.
Explore More Topics
Review additional Compliance Clips and Chatters.
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COMPLIANCE CHATTER

Ethics Edition

Highlighting Ethics News and Resources

This week's topic: Hiring and Contracting Relatives

When Relatives Work at UConn

The employment or contracting for service of relatives in the same department or area of an organization may cause conflicts and serve as the basis for complaints concerning disparate treatment and favoritism as well as violations of the State Code of Ethics.

The UConn Policy on Employment and Contracting for Service of Relatives is in place to mitigate these types of conflicts and complaints, and to ensure ethical practices related to hiring and working with relatives.

Who is Considered a Relative Under the Policy?

- Spouse
- Child or Step-Child
- Child's Spouse
- Parent
- Sibling
- Sibling-in-Law
- Dependent Relative
- Relative Living in Your Household

Key Takeaways From the Policy

No employee may be the direct supervisor of or take any action which would affect the financial interests of one's relative.

No employee may use their position to influence an employment action of a non-relative if such action would benefit one's relative.

Conflict of Interest Disclosure Form

Employees are required to complete a Conflict of Interest (COI) Disclosure Form prior to taking any action that may present a conflict. The COI form is designed to assist employees with disclosing potential or actual conflict of interest as well as document any mitigation action put in place to resolve the conflict.

Conflict of Interest Disclosure Form

Check out this Compliance Clip to Learn More

Resource Hub

University Guide to the State Code of Ethics

University Compliance Ethics Resources

Connecticut Office of State Ethics

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COMPLIANCE CHATTER

Manager Series

Providing monthly compliance reminders and resources for managers and supervisors.

This is a companion series to our Compliance Chatter, providing managers and supervisors guidance and resources to support our workforce.

This month's topic: Building a Culture of Compliance

What Influences a Culture of Compliance?

While the Office of University Compliance provides support and structure to the compliance program, creating a *culture of compliance* across the institution is a result of the actions and choices employees make daily. How we work and engage with institutional policies and procedures influences the effectiveness of UConn's compliance program.

As a manager or supervisor of others, you are in a position to uphold UConn's values and policies, and lead your team to operate with the highest standards of integrity in all aspects of their work.

How Can Managers Support a Culture of Compliance?

Review Policies and Keep Employees Updated

It is important to review relevant policies and procedures with employees regularly. Set aside time during a staff meeting or send an email with an overview of a policy and/or procedure to help maintain familiarity. Doing so may offer opportunities for your staff to engage in discussions and ask clarifying questions.

Encourage Employees to Engage with You

Communicating to your staff that you encourage them to ask questions is key. It signals that you are approachable and that they can seek clarity or express a concern regarding a policy or procedure when they arise. When employees feel comfortable discussing these topics with you, it often allows you to address potential compliance concerns proactively and effectively.

Ensure Employees Complete Required Trainings

Employees are required to complete trainings to ensure they receive updated information on institutional policies. Following up with your team to ensure they complete the training and understand the concepts demonstrates its importance. Completing these trainings yourself and discussing the topics learned with your team shows your commitment to learning and sets an example for the entire department or unit.

Post and Share Resources for Employees

When you promote services that are available to employees, it conveys that you support your staff utilizing these resources. You can share methods for reporting compliance concerns and resources that provide confidential assistance by posting them in your office, in a conference room or shared space, or emailing them to your team. You can also encourage your staff to sign up for the Compliance Chatter listserv to ensure they receive timely updates on all things compliance.

Refer to the Compliance Chatter on **Employee Reporting Options**.

Lead By Example

Verbalizing the importance of compliance during daily operations, as well as during incidents of noncompliance, may influence how your staff emulate the University's values and follow policies. As a reminder, the University's core values include knowledge, honesty, respect, integrity, and professionalism. Integrating these values into your role can inspire your staff to do the same, and thereby successfully contribute to the culture of compliance at UConn and UConn Health.

Mark Your Calendar!

State of Compliance: Unwrapping the Gift Rules

Live WebEx Event
Thursday, December 7, 2023
12:30pm - 1:00pm

Register Here!

Join UConn and UConn Health's Ethics Liaison and Chief Compliance Officer, Kimberly Fearney, to learn about the gift rules for UConn and UConn Health employees.

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COSMOS
Navigate the Compliance Universe

Compliance Today - October 2023

Jessenia Cornejo
(jessenia@labinsightsllc.com, linkedin.com/in/jessenia-cornejo/)
is Senior Quality & Compliance Consultant for Lab Insights LLC, Carlsbad, CA.

Brittani Summers
(brittani@sprinterhealth.com, linkedin.com/in/brittani-summers/)
is Senior Compliance Manager at Sprinter Health, Menlo Park, CA.

How to develop an effective risk management program

by Jessenia Cornejo and Brittani Summers

As compliance professionals, we hear (and talk) a lot about risk and the importance of risk assessments in an effective compliance program, but it hasn't always been exactly clear where one should start. We will review the value of risk assessments and go through steps on how to establish a risk management platform that allows for continuous monitoring and re-evaluating of a process for addressing and mitigating risk.

What is risk?

If we're going to be assessing and managing risk, we need to first understand what risk is. Compliance risk generally involves the risk of violations of laws and regulations, but it may also address contract terms, professional standards, organizational policy, and ethics matters. Compliance risks can vary by industry and from organization to organization.

Some of you may be familiar with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) Framework, which is used to help organizations identify and manage risks at an enterprise level. The Health Care Compliance Association (HCCA) & Society of Corporate Compliance (SCCE) partnered with COSO and published a guide on applying COSO's ERM framework to compliance risk management, and is based on current practices and expectations for effective compliance and ethics programs and aligns these practices with the COSO framework.[1]

Why is risk assessment important?

Regularly conducting a comprehensive risk assessment is recognized as one of the key elements of an effective compliance program. In fact, it's often said to be the eighth element of an effective compliance program as it forms the basis for determining how risks will be managed. By understanding the nature and impact of an organization's risks, the organization is expected to better design programs, develop controls to help mitigate those risks, and continually look for ways to improve compliance programs.

Government bodies and enforcement agencies also recognize and emphasize the importance of risk assessments. Risk assessments are intended to be preventive as they identify existing risks or program gaps, therefore showing regulators a proactive approach to compliance. You may also notice that most of the seven elements of an effective compliance program[2] are driven by your risk assessment.

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The U.S. Department of Justice's (DOJ) *Evaluation of Corporate Compliance Programs* outlines key issues prosecutors consider when assessing the adequacy of corporate compliance programs during charging and settlement decisions. DOJ emphasizes that it's not enough to have a compliance program in place; it must be effectively implemented. There is language around risk assessment and management, specifically where prosecutors look at what companies are doing to assess and address their identified risks and design appropriate controls to manage these risks. A constant theme from DOJ is that compliance programs should be company-specific, and tailored to the company's risk profile and specific business needs.[3]

Measuring compliance program effectiveness is recommended by several authorities, including the U.S. Department of Health and Humans Services Office of Inspector General (OIG), DOJ, and the United States Sentencing Commission.

The OIG–HCCA's *Measuring Compliance Program Effectiveness — A Resource Guide* incorporates the elements of effective compliance programs and provides several ideas for measuring the various elements of a compliance program, including risk assessments.[4] Each element includes examples of what and how to measure. Organizations of any size, industry, and operational complexity can use this guide and tailor it to their specific needs.

The United States Sentencing Commission Guidelines § 8B2.1 requires organizations to establish standards and procedures to prevent and detect criminal conduct, more precisely defining the oversight responsibilities of the organization's governing authority and providing an outline of organizational expectations regarding a compliance and ethics program.[5] One of those expectations is that organizations perform risk assessments periodically, consider the nature, seriousness, and likelihood of occurrence, prioritize the actions taken, and modify as appropriate.

As you can see, the government is a big supporter of risk assessments, and their guidance indicates the significance of having performed and documented assessments.

Risk assessment versus risk management

So, we know that a risk assessment includes identifying, analyzing, and evaluating the severity of risks.

Understanding that a risk assessment is not the final stop is important. Once you identify the risks, then what? Some action must be taken, right? Once we know what they are, how are we going to *manage* them?

That brings us to risk management—managing the risks that have been identified. Risk management includes ongoing review and management of risk. For example, what are you doing about known risk areas? Are your risks changing over time? Performing these steps helps determine the best way to address those risks: to monitor, minimize, or mitigate their impact.

Identifying your risks

To identify risk areas, start by considering your business operations. What are your industry's/organization's requirements? You want to be able to speak to whether something is a risk, so be familiar with the goods/services the company offers. Offering a new product or service may also present new risks.

Consider any of the requirements and regulatory standards that apply to your organization. What industry guidance is available? What are the enforcement trends in this industry? You can always refer to the OIG Work Plans, Advisory Opinions, and Special Fraud Alerts.

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You may also get insight into your company's risks by interviewing your leadership team to see what they consider are risk areas.

You can also lean on risk assessment tools/resources that are available. HCCA & SCCE has risk assessment forms and tools available in COSMOS, their online publications platform. As mentioned previously, there is the COSO framework, HCCA & SCCE's publication on applying the framework to compliance risk management, and HCCA–OIG's *Measuring Compliance Program Effectiveness Guide.* Any of these resources can be tailored and applied to your organization.

As you identify the risk areas, some things to consider are internal resources (like your team, other departments) and bandwidth. Bandwidth will play a role in determining the scope and frequency of your assessments and action plans.

Here are some examples of some common risk areas in healthcare:

1. **HIPAA violations** of privacy or data security laws can lead to a breach or theft of personal information.
2. **Billing issues** may arise where services are billed but not provided or are not reasonable/necessary, and improper billing may result in fraud/refunds and other penalties.
3. **Conflicts of interest** may compromise a person's judgment in making business decisions, their ability to carry out job responsibilities, or the delivery of patient care.

Assessing and prioritizing your risks

We've identified our risk areas. The next step is to assess the risk and prioritize. When assessing identified risks, you want to consider the likelihood and the impact from various perspectives.

How likely is it that each risk will occur? For example, consider whether existing policies are in place to currently address a risk area. If not, it may mean that it's more likely to occur. If policies and training are in place, it may be less likely to occur. Policies, procedures, and training are examples of safeguards that are intended to mitigate the risk from occurring. What is the impact on the organization? Will it impact the organization from a legal/compliance, health/safety, financial, strategic, operational, and/or reputational perspective? By considering likelihood and impact, one can determine a risk score that will help prioritize the risks.

There is a possibility that your risk assessment identified a high number of risks. While you may not be able to address all identified risks at once, by prioritizing them, you can start by addressing those with the highest likelihood and impact on the organization. Use a scoring system to assign a risk score that can be used throughout your risk assessment.

HCCA & SCCE's *Compliance Risk Management: Applying the COSO ERM Framework* provides examples on assigning the likelihood of occurrence, as well as determining a level of impact.[6] Once you determine a likelihood and impact score, you could chart it on a matrix for a visual representation of the severity of your risks, or you might multiply the numbers together to assign a risk score.

When it comes to a scoring system, there is no right or wrong way to do it as long as you apply scoring consistently and uniformly and are able to speak to the scoring method that you use. There are tools to help quantify and document the risk level.

Returning to our examples of common risk areas, let's focus on HIPAA violations to determine a risk score to prioritize our risk and action plans.

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If you were to assess and prioritize the risk associated with HIPAA violations at "ABC" organization, then consider this information. What if ABC organization had over 20 HIPAA breaches and no training program? How would you score the likelihood? This is a good example of a high-priority risk area due to the circumstances surrounding this risk and the high likelihood of a HIPAA issue or incident occurring in the future.

Mitigating your risks

Once your risk assessment is complete and your risk areas are identified and prioritized, your organization can move forward to mitigate those risks.

Consider what safeguards you can implement at your organization, such as checks or measures within processes. Some examples are policies and procedures, client or physician agreements, and employee and/or board of directors (BOD) training. Policies and procedures can be a safeguard as it's a resource employees can go to at any time to ensure they abide by and understand the steps of a process or how to adhere to a policy.

Another safeguard can be creating a risk dashboard (in a system appropriate for your organization) where all or some risks are displayed and measured. This can allow you to identify issues in real-time.

How can you determine which safeguards are appropriate for your organization? Learning resources are available which can give you ideas on mitigation steps. For example, corporate integrity agreements (CIAs) are publicly available through the OIG website, and HCCA & SCCE have an extensive list of available webinars or publications.

In addition to resources, you can collaborate and partner with other leaders within your organization or network. You can pick their brains on what they may be doing already within their departments to mitigate their departments' risks; then, you can use that idea and incorporate it into your compliance program.

In our previous example, you can mitigate the risks associated with "ABC" organization's HIPAA issues by creating and implementing employee training, a HIPAA Privacy manual, and business associate agreements execution with the appropriate vendors.

Monitoring your risks

You have your safeguards in place, now you want to continuously monitor your risks.

You can start by prioritizing your focus using your risk assessment findings and available resources. Based on your findings, what risk areas require active monitoring? Where are your resources coming from? Other departments? Solely compliance? It's essential to understand the big picture for you to prioritize appropriately.

Once the prioritization is complete, you can start thinking about what you can audit and how often—based on your resources and the risk assessment findings.

For those that use annual compliance or audit work plans, you can place certain risks into your work plans so they can be tracked and monitored. This can be extremely helpful when months have passed, but the risk areas remain front of mind. It's also a way to maintain transparency with your BOD or leadership team by reporting changes, progress, or lack of progress. Something to be mindful of: if you cannot (or decide not to) add a risk area to the 2023 work plan, you can always add it to the 2024 work plan.

Great information can be retrieved from employee surveys—such as culture or exit interviews—by asking specific questions related to your risk areas. For example, if your risk area is HIPAA, survey your employees to see if they know how to report a HIPAA issue or are concerned about HIPAA or protected health information

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exposure.

Compliance champions are also a great tool that you can use for monitoring purposes. These are employees who believe in compliance and want to look out for the organization. You can champion others to recognize the risks, and they can come to you if there is an issue with certain risks or if the safeguards are not working.

It's imperative to make leadership and the BOD aware of the risks and if new risks arise. You can do this through education and/or board reports. Or you can have time with them through board or compliance committee meetings. Not only does the BOD have a fiduciary responsibility to be aware of compliance matters, but agencies like OIG and DOJ want to make sure that the board and the compliance committee are aware of the risk areas and how your organization is combating those risks. Such as the recently added CIA language, "The Compliance Committee shall be responsible for implementation and oversight of the risk assessment and internal review process."[7] Additionally, OIG has stated, "Boards should also evaluate and discuss how management works together to address risk, including the role of each in: 1. identifying risks, 2. investigating compliance risks and avoiding duplication of effort, 3. identifying and implementing appropriate corrective actions and decision-making, and 4. communicating between the various functions throughout the process."[8]

You can also perform an annual or regular assessment of issues or concerns raised through your incident management system. An assessment can lead to reprioritizing your risk areas or revising your annual work or audit plan.

As mentioned earlier in the article, effectiveness reviews are essential to assessing your compliance program. Part of your review can probe into what has been done related to your risk areas with a series of questions related to your risk assessment. This is a great pulse check of whether what was implemented is working or not working.

As stated previously, a dashboard is a tool that can be used in real-time to assess your risk areas. For example, we have used a "client-risk" dashboard that would allow us to assess the risk associated with a client to determine if a client request can be fulfilled. If the risk is too high, then we may deny the request.

Regarding our example of "ABC" organization, it may make sense to include a category of "HIPAA" to your hotline or in your web reporting tool so employees can report potential HIPAA violations. Another option is to perform a HIPAA Privacy audit monthly due to the high likelihood or risk.

Presenting your results

Another aspect of your risk assessment is to share the results with your organization. One thing to consider is that each type of presentation will depend on your audience. For example, your compliance committee and senior leadership may want a summary of score/findings, the BOD may only want a high-level report on high-priority risk areas, whereas other departments may want to take a deeper dive into the findings that may impact their department(s). What information do they need to receive? What do they want to know about?

What is essential?

Be accurate and precise as possible and state your findings with each mitigation step. This allows all within the organization to be on the same page regarding the priority risk areas and the organization's focus for the next quarter or year. This also provides an opportunity for individuals to state their objections.

Why is this important?

We know transparency and collaboration are key elements of a compliance program. This allows others within your organization to be aware of compliance matters and share their buy-in on these matters.

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How does this meet the strategic business need?

A risk assessment contributes to the financial aspect of an organization by mitigating risk and promoting rule adherence. As a compliance professional, you want to ensure that leadership is aware of any risk areas (financial or otherwise) that may affect the compliance program or the organization overall.

Takeaways

- Identifying your risks includes evaluating requirements, interviewing your leadership team, using resources, and considering the scope and frequency of the assessment. It's important to continue to perform these assessments periodically
- Assessing and prioritizing your risks includes considering the likelihood and impact from various perspectives, including financial, legal/compliance, etc.
- Mitigating the risk areas includes implementation of safeguards.
- Monitoring the risk areas includes prioritizing your focus based on the assessment findings and your resources.
- Present the findings to the leadership team, compliance committee, and board of directors and keep them apprised of the risk areas over time.

1 Society of Corporate Compliance and Ethics & Health Care Compliance Association, *Compliance Risk Management: Applying the COSO ERM Framework, Committee of Sponsoring Organizations of the Treadway Commission*, November 2020, https://www.corporatecompliance.org/coso.
2 U.S. Department of Health & Human Services, Office of Inspector General, "The Seven Fundamental Elements of an Effective Compliance Program," accessed August 14, 2023, https://oig.hhs.gov/documents/provider-compliance-training/945/Compliance101tips508.pdf.
3 U.S. Department of Justice, Criminal Division, *Evaluation of Corporate Compliance Programs*, updated March 2023, https://www.justice.gov/criminal-fraud/page/file/937501/download.
4 HCCA–OIG Effectiveness Roundtable, *Measuring Compliance Program Effectiveness: A Resource Guide*, March 27, 2017, https://oig.hhs.gov/documents/toolkits/928/HCCA-OIG-Resource-Guide.pdf.
5 U.S. Sent'g Guidelines Manual § 8B2.1 (U.S. Sent'g Comm'n 2021), https://www.ussc.gov/guidelines/2021-guidelines-manual/annotated-2021-chapter-8#8b21.
6 HCCA & SCCE, *Compliance Risk Management - Applying the COSO ERM Framework.*
7 U.S. Department of Health & Human Services, Office of Inspector General, "Corporate Integrity Agreement Between the Office of Inspector General of the Department of Health and Human Services and Providence Health & Services–Washington," March 17, 2022, https://oig.hhs.gov/fraud/cia/agreements/Providence_Health_and_Services_Washington_03172022.pdf.
8 U.S. Department of Health & Human Services, Office of Inspector General, Association of Healthcare Internal Auditors, American Health Lawyers Association, and Health Care Compliance Association, *Practical Guidance for Health Care Governing Boards on Compliance Oversight*, April 20,2015, https://oig.hhs.gov/documents/root/162/Practical-Guidance-for-Health-Care-Boards-on-Compliance-Oversight.pdf.

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ATTACHMENT 5.1

University of Connecticut

Joint Audit & Compliance Committee Meeting

Public Session

December 21, 2023

UConn – Information Technology Services

Financials FY2024 Operating

State Appropriation and Tuition Budget and Forecasted Expenditures:

Budget	$42.7M
Forecasted Personal Services and Fringe Benefits	$30.1M
Forecasted Operating Expenses	$12.6M
Forecasted Carryforward	$ 0.0M

In FY2024, an additional operating budget of $0.7M was approved for ITS. Due to contractual increases not centrally funded for this fiscal year, ITS internally funded all base salary, cost of living adjustment, and merit increases at 4.5%, which totaled ~$0.7M, effectively resulting in a $0.0M increase to the operating budget.

Deferred maintenance funding remains at $1.7M and wired access layer refresh cabling was funded at $2.0M. The wired and wireless equipment for the access layer is now on an annual refresh schedule and was funded at $1.0M.

Capital funding of $1.0M was approved this year for Network (Core and Distribution) and Security investments.

Information Technology Staffing (as of 11/21/23)

- ITS has eight new open positions.
- There have been sixteen new hires since June 15, 2023.
- There have been seven new Special Payroll hires since June 15, 2023.
- Since June 15, 2023, there have been seven separations and one new retirement.

Major Outages (as of 11/21/23)

Outage Taxonomy	# of Issues	Systems Affected
Network Issue - Hardware	0	
Network Issue - Software	0	
Network Issue – Request Flood	0	
System Issue - Hardware	0	
System Issue - Software	1	High utilization on VM cluster affected storage across multiple systems
Third Party	0	

Total # of Major Outages: 1

UConn – IT Projects Status (as of 11/21/23)

Project Name	Brief Project Description	Planned Budget	Actual Spend	Status	Rational for Yellow and Red Status	Expected Completion Date
WALR FY 2023 Phase 4	Upgrade all network equipment and wired access infrastructure for the University	$2.000M	$1.608M	YELLOW	Hardware deployment for School of Business, Hartford, delayed.	03/29/2024
WALR FY 2024 Facilities Operations /Cabling Phase 5	Upgrade cabling and related infrastructure for continued network access upgrades	$2.000M	$0.122M	GREEN	On schedule, on budget.	9/30/2024
Kuali – Upgrade to Cloud	Migrate university Kuali Financials system from on-premise to Kuali-Co cloud solution.	$1.400M	$0.822M	GREEN	On schedule, on budget.	3/31/2024

ATTACHMENT 5.2

Joint Audit & Compliance Committee: December 21, 2023
UConn Health Information Technology Services
Public Session Key Takeaways

- **Financials FY2024 Q1: $351,026 negative variance to budget.**
- **Staffing:**
  - **8 open positions**
  - **2 new positions**
- **Completed 27 projects between September – November 2023 or roughly 9 per month which is slightly below our monthly average of 11/month.**
- **Of the 8 active projects listed in the IT Infrastructure – Security Program that remain:**
  - **1 Project has been complete since last JACC Update (Active Directory Upgrade).**
  - **2 Projects are in a Green status and on track**
  - **5 Projects are Yellow in a Watch status. Of these, 3 are related to our Network Refresh efforts and under a Watch status due to supply chain delays. All equipment has been received and we are now entering the 18 month deployment activities and monitoring closely.**
- **Two meetings of IT Governance have occurred to approve and prioritize major projects.**
- **Epic focus has been:**
  - **Epic Honor Roll scholarship program for submission in June, Projects in areas of Wound Care/Bone Marrow Transplant/Behavioral Health, Payer Platform, Patient Estimates, Cheers (Ambulatory Customer Relationship Management tools implementation and provider optimization of 4 clinical areas), and other project priorities as determined by our IT Governance Committee.**
  - **Special Award Recognition:**
    - **Special Recognition by CHIME for Most Wired Level 7 in Ambulatory and Acute Care.**
    - **Achieving 8 Gold Stars in Epic's continuous improvement program (demonstrating we are on the cutting edge and a leading organization in EMR use)**

University of Connecticut

Joint Audit & Compliance Committee Meeting

Public Session

December 21, 2023

UConn Health – Information Technology Services

Financials FY2024 Q1 Operating

State Appropriation and Tuition Budget and Forecasted Expenditures:

Budget	$13,248,360
Personal Services and Fringe Benefits	$7,779,449
Purchased Services	$5,819,937
FY24 Q1 Actual/Projected	$13,559,386/13,248,360
Q1 Variance	($351,026)
FY24 Variance	($351,026)

Information Technology Staffing (as of 8/31/2023)

Open Positions, New Positions, Positions on Hold, Terminations, and the areas they represent.

1. Open Positions:
    a. 8 Open Technology Positions
2. New Positions:
    a. 2 new positions
3. Hold: none
4. Terminations: none

Outages (9/01/23 – 11/30/23)

Outage	# of Issues	Duration	Systems Affected	Remediation
None to report				

ATTACHMENT 6.1

UCONN
UNIVERSITY OF CONNECTICUT

BOARD OF TRUSTEES

Joint Audit and Compliance Committee

2024 MEETING SCHEDULE

MEETING DATE	LOCATION	TIME
Thursday March 07, 2024	Telephone (See Agenda for Call In Information.)	10:00 a.m.
Thursday June 13, 2024	Telephone (See Agenda for Call In Information.)	10:00 a.m.
Thursday September 26, 2024	Telephone (See Agenda for Call In Information.)	10:00 a.m.
Thursday December 19, 2024	Telephone (See Agenda for Call In Information.)	10:00 a.m.