

UCONN HEALTH

Financial Report
For the Year Ended June 30, 2014

Message from the Interim Executive Vice President for Administration and the Chief Financial Officer

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

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

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

The University of Connecticut Health Center is an academic medical center composed of the School of Medicine, School of Dental Medicine, John Dempsey Hospital, the UConn Medical Group, University Dentists, the University of Connecticut Finance Corporation and Correctional Managed Healthcare (CMHC). Established in 1961, UConn Health pursues its mission of providing outstanding health care education in an environment of exemplary patient care, research and public service. With approximately 5,000 employees, UConn Health is one of Connecticut’s largest employers and an important contributor to the local and regional economy. UConn Health’s campus in Farmington is situated on 209 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University’s main campus is in Storrs, about 30 miles east of Hartford.) UConn Health’s campus includes 23 buildings totaling close to 2.2 million square feet.

Educational Programs

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

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

Each year at UConn, approximately 360 students work toward the medical doctor’s degree and 175 toward the doctor of medical dentistry degree. Admission to each school is highly competitive; both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards. In the years since

UConn Health graduated its first students in 1972, 1,850 men and women have received the D.M.D. degree; 3,310 the M.D. degree.

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

Research Programs

Since UConn Health's inception, high-quality research programs have been part of the institution's fabric. This history has enabled UConn Health to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only 27 such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of eight. In recent years, UConn Health has also become a leader in stem cell research. Clinical research is facilitated by the Lowell Weicker General Clinical Research Center and the Clinical Trials Unit. Research awards were over \$94.1 million in fiscal 2014.

Health Care Services

Through John Dempsey Hospital (234 licensed, 184 staffed beds), UConn Health provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular, cancer and musculoskeletal services, as well as high risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region's health in other ways. UConn Medical Group, one of the largest medical practices in Greater Hartford, offers primary care and services in more than 50 specialties.

While the hospital and faculty practice continue to have strong volume, the challenges of the health care marketplace (recruitment, malpractice reserves and low reimbursement) continue to take their toll. John Dempsey Hospital's financial health is also directly affected by its small size, bed distribution, poorly reimbursed services provided as part of its public mission and cost factors resulting from its status as a state entity.

Connecticut Health

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

Respectfully Submitted,



John Biancamano
Interim Executive Vice President for Administration &
Chief Financial Officer
University of Connecticut



Jeffrey P. Geoghegan
Chief Financial Officer

University of Connecticut Health Center

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ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

Report on Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center (UConn Health), a component unit of the University of Connecticut system, which includes the University of Connecticut, UConn Health and the University of Connecticut Foundation, Inc., as of June 30, 2014 and 2013 and for the years then ended, and the related notes to the financial statements, which collectively comprise UConn Health's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the John Dempsey Hospital, which represented 10 and 17 percent of the assets of UConn Health as of June 30, 2014 and 2013, respectively and 35 and 36 percent of the revenues of UConn Health for the years then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the John Dempsey Hospital, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of UConn Health, as of June 30, 2014 and 2013, and the respective changes in financial 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.

Other Matters

Required Supplementary Information

The accompanying Management Discussion and Analysis on pages 4 through 10 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sincerely,



Robert M. Ward
Auditor of Public Accounts



John C. Geragosian
Auditor of Public Accounts

January 12, 2015
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Connecticut Health Center ("UConn Health") for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

The financial statements presented here represent the transactions and balances of UConn Health only. UConn Health offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. UConn Health's component parts are the School of Medicine, School of Dental Medicine, UConn Medical Group, the University of Connecticut Finance Corporation, Correctional Managed Healthcare (CMHC), University Dentists ("Primary Institution") and John Dempsey Hospital ("Hospital"). UConn Health's enrollment in fiscal year 2014 was 359 in the School of Medicine, 174 in the School of Dental Medicine, and 327 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal 2014 with 5,011 FTE's. John Dempsey Hospital (JDH) has 184 staffed acute care beds. In fiscal year 2014, adjusted patient days (a measure of total hospital volume) were 95,997, essentially equal to the prior year adjusted patient days. During 2014, UConn Medical Group (UMG) had over 588,666 unique patient visits.

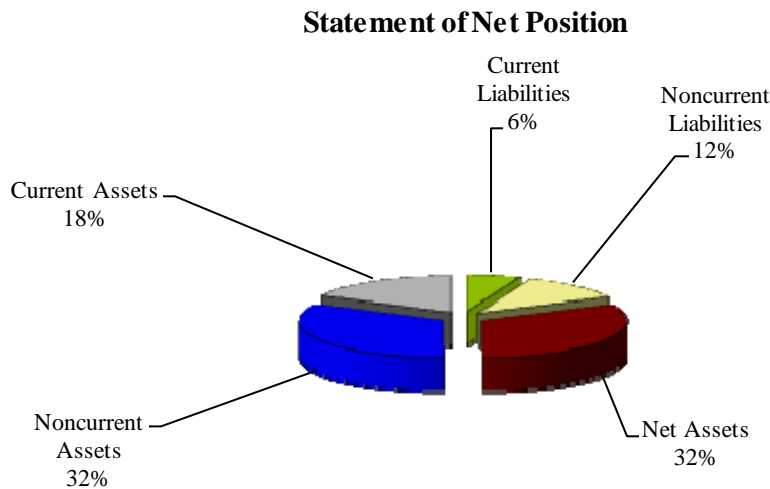
The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of UConn Health for the fiscal year ended June 30, 2014, based on currently known facts, decisions, or conditions. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of management’s discussion and analysis and the financial statements. The basic financial statements (statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows) present the financial position of UConn Health at June 30, 2014, and the results of operations and financial activities for the year then ended. These statements report information about UConn Health using accounting methods similar to those used by private-sector companies. In addition, a prior year column is presented for comparison purposes. The statements of net position include all of UConn Health’s assets and liabilities. The statements of revenues, expenses and changes in net position reflect the year’s activities on the accrual basis of accounting, i.e., when services are provided or obligations are incurred, not when cash is received or paid. These statements report UConn Health’s net assets and how they have changed. Net assets (the difference between assets and liabilities) are one way to measure financial health or position. The statements of cash flows provides relevant information about each year’s cash receipts and cash payments and classifies them as to operating, investing, noncapital financing and capital and related financing activities. The financial statements include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

UConn Health’s financial position at June 30, 2014, consisted of assets of \$895 million and liabilities of \$318.2 million. Net assets, which represent the residual interest in UConn Health’s assets after liabilities are deducted, increased \$179.1 million during fiscal year 2014 to \$576.8 million.



The increase in net assets is attributable to Capital Appropriations which exceeded the net of operating losses and nonoperating revenues including State Appropriations. Expenses associated with Capital Appropriations will be borne in the future through increased depreciation expenses.

Changes in net assets represent the operating activity of UConn Health, which results from revenues, expenses, gains and losses, and are summarized for the years ended June 30, 2014, 2013, and 2012 as follows:

	(in millions)		
	2014	2013	2012
Total operating revenues	\$ 659.2	\$ 636.7	\$ 621.6
Total operating expenses	<u>945.3</u>	<u>864.2</u>	<u>831.4</u>
Operating (loss)	(286.1)	(227.5)	(209.8)
Net nonoperating revenues	<u>272.5</u>	<u>220.1</u>	<u>210.8</u>
(Loss)/Gain before Other Changes in Net Assets	(13.6)	(7.4)	1.0
Net other changes in net assets	<u>192.7</u>	<u>2.0</u>	<u>62.5</u>
Increase/(Decrease) in net position	<u>\$ 179.1</u>	<u>\$ (5.4)</u>	<u>\$ 63.5</u>

The financial statements contained herein show an operating loss of \$286.1 million for the year ending June 30, 2014 (fiscal year 2014). The measure more indicative of normal and recurring activities is net income before capital appropriations and losses on disposals, which includes revenue from state appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the state and issuance of UCONN 2000 bond funds (included in the Other Changes in Net Assets above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income, so a loss under this measurement is expected. UConn Health experienced a loss before capital appropriations and losses on disposals of \$13.6 million in fiscal year 2014.

Some sources of recurring operating and non-operating revenues increased in 2014, including tuition and fees revenue, and patient service revenue. These categories are expected to have slight increases in 2015. State support, not including state funded capital appropriations, increased 24.7% in fiscal 2014. The increase was the result of additional funds being allocated to support Bioscience Connecticut endeavors as well as the realization of higher In Kind fringe benefits on increasing fringe benefit costs. State support is expected to remain stable for the upcoming fiscal year.

STATEMENTS OF NET POSITION

The statements of net position present the financial position of UConn Health at the end of the fiscal years 2014, 2013 and 2012; include all assets and liabilities of UConn Health. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of UConn Health, while the change in net assets is an indicator of whether the overall financial condition has improved or deteriorated during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of UConn Health's assets, liabilities and net assets at June 30, 2014, 2013, and 2012 is as follows:

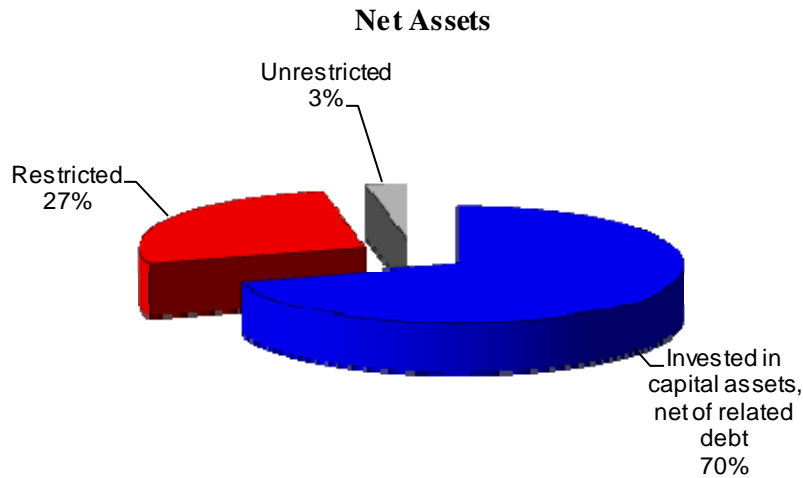
	(in millions)		
	2014	2013	2012
Current assets	\$ 313.6	\$ 193.2	\$ 237.1
Noncurrent assets:			
Capital assets, net	573.7	397.9	320.1
Other	<u>7.7</u>	<u>6.7</u>	<u>4.8</u>
Total assets	<u>895.0</u>	<u>597.8</u>	<u>562.0</u>
Current liabilities	106.4	94.0	99.1
Noncurrent liabilities	<u>211.8</u>	<u>106.1</u>	<u>59.8</u>
Total liabilities	<u>318.2</u>	<u>200.1</u>	<u>158.9</u>
Net position	<u>\$ 576.8</u>	<u>\$ 397.7</u>	<u>\$ 403.1</u>

The total assets of UConn Health increased by \$297.2 million, or 49.7%, over the prior year. The increase was primarily attributable to increases in Property, and Equipment which are the result of continued capital expansion at UConn Health and includes \$117.1 million of construction in progress for UConn Health’s new Outpatient Pavilion (formerly the Ambulatory Care Center).

Total liabilities increased by \$118.1 million or 59% from 2013. The primary drivers of the increase was the addition of \$105.1 million in long term debt associated with the construction of the Outpatient Pavilion and \$8.5 million increase in accounts payable and accrued liabilities. This increase was offset by normal operational changes to the statements of net position including decreases of \$4.1 million in Advanced Revenues.

Net Assets

Net assets represent the residual interest in UConn Health’s assets after liabilities are deducted. UConn Health had net assets of \$576.8 million at June 30, 2014.



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statements of revenues, expenses and changes in net position present UConn Health's results of operating and nonoperating activities. A summary of UConn Health's revenues, expenses and changes in net assets for the years ended June 30, 2014, 2013, and 2012 is presented below:

	(in millions)		
	2014	2013	2012
Operating revenues			
Patient Services	\$ 450.3	\$ 432.0	\$ 429.5
Grants and Contracts	86.3	88.2	84.6
Other	122.6	116.5	107.5
Total operating revenues	<u>659.2</u>	<u>636.7</u>	<u>621.6</u>
Operating expenses			
Patient services	581.6	522.8	506.7
Instruction	152.6	141.2	129.2
Other	211.1	200.2	195.5
Total operating expenses	<u>945.3</u>	<u>864.2</u>	<u>831.4</u>
Operating (loss)	(286.1)	(227.5)	(209.8)
Net nonoperating revenues	272.5	220.1	210.8
Other Changes in Net Assets	192.7	2.0	62.5
Inc/(Dec) in net assets	<u>\$ 179.1</u>	<u>\$ (5.4)</u>	<u>\$ 63.5</u>

Revenue highlights for the year ending June 30, 2014, including operating and nonoperating revenues, presented on the Statements of Revenues Expenses, and Changes in Net Position are as follows:

- The largest source of revenue was patient service revenue. Net Patient service revenue increased \$18.3 million or 4.2% over prior year. Prior to eliminations the increase for John Dempsey Hospital was \$5.3 million. Increases in John Dempsey Hospital reflect strategic rate increases and ongoing shifts in patient and payor mix throughout the Hospital's lines of service. UConn Medical Group net revenue increased \$6.3 million. UMG's increases are attributed to recruiting new physicians in fiscal year 2014, and an increase in relative value units (RVU's). The Correctional Managed Health Care program revenue increased by \$4.3 million compared to prior year. This increase was attributed to higher operational costs of the program. More detailed information about UConn Health's patient revenue is presented in note 4 of the financial statements.
- The state appropriation (including In Kind fringe benefits), which is included in nonoperating revenues, totaled \$266.1 million. This represents a 24.7% increase over the prior year and includes both increases in appropriations in support of Bioscience Connecticut and increases in amounts of recognized In Kind fringe benefits.

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

- Patient service expense is the largest expense category for UConn Health; it accounts for 61.5% of total operating expenses. It increased to \$581.6 million or 11.2% over the prior year. The increase was driven by necessary expenses to support additional clinical income in JDH and UMG as well as increased expenses associated with the Correctional Managed Health Care program.
- Institutional Support expenses, which comprise about 7.0% of total expenses, grew to \$66.4 million from \$53.1 million in fiscal 2013. The increase was primarily due to increases in contractually mandated salary increases and associated fringe benefit expenses including those borne as part of the institution's commitment to research.

STATEMENTS OF CASH FLOWS

The statements of cash flows provide additional information about UConn Health's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2014, 2013, and 2012 is as follows:

	(in millions)		
	2014	2013	2012
Cash received from operations	\$ 631.9	\$ 591.1	\$ 583.9
Cash expended for operations	<u>(752.6)</u>	<u>(716.1)</u>	<u>(683.0)</u>
Net cash used in operating activities	(120.7)	(125.0)	(99.1)
Net cash provided by (used in) investing activities	0.1	(0.5)	0.8
Net cash provided by noncapital financing activities	146.1	130.0	117.1
Net cash used in capital and related financing activities	<u>(25.8)</u>	<u>(42.7)</u>	<u>(33.7)</u>
Net (decrease) in cash and cash equivalents	(0.3)	(38.2)	(14.9)
Cash and cash equivalents, beginning of the year	46.6	84.8	99.7
Cash and cash equivalents, end of the year	<u>\$ 46.3</u>	<u>\$ 46.6</u>	<u>\$ 84.8</u>

CAPITAL AND DEBT ACTIVITIES

During fiscal year 2014 UConn Health again participated in the UCONN 2000 program. This is the third phase of the program also known as 21st Century UConn, which provides \$1.8 billion for improvements to facilities at the University and UConn Health. UConn Health is scheduled to receive \$775.3 million over the life of this program. During fiscal year 2014, UConn Health received \$193.2 million from the UCONN 2000 bond issuance which was included in the capital appropriation line in the Statements of Revenues, Expenses, and Changes in Net Position. There was no bond issuance during fiscal year 2013 and therefore no associated revenue was recorded.

At June 30, 2014, UConn Health had property and equipment, net of accumulated depreciation, of \$573.7 million. UConn Health's fiscal 2015 capital budget allows for spending of approximately \$119.8 million, including spending projections of \$110.5 million from projects funded through UCONN 2000 Bond Funds, and \$9.3 million from other UConn Health sources.

During fiscal year 2013, UConn Health entered into a mortgage agreement with Teachers Insurance and Annuity Association (TIAA) to provide \$203 million for the construction of the Outpatient Pavilion (formerly the Ambulatory Care Center). The project, expected to be completed in April of 2015, will provide new clinical space. During Fiscal 2015, UConn Health will have an additional \$94.5 million available for the construction of the Outpatient Pavilion. This amount is not included in the figures above.

UConn Health continued to make payments on existing debt during the year. The Finance Corporation continued payment on the Medical Arts and Research Building. More detailed information about UConn Health's capital assets and debt activities are presented in notes 5 and 7 of the financial statements.

FISCAL YEAR 2015 OUTLOOK

As we look forward to fiscal year 2015, UConn Health's main concerns are maintaining outstanding research, education and clinical care while adapting to changes resulting from the state's Bioscience Connecticut initiative, national healthcare reform, and changes resulting from the weakening financial positions of both Federal and State governments.

In 2011, the State of Connecticut made strategic investments in the University of Connecticut and the University of Connecticut Health Center firmly planting the seeds for Connecticut to be at the forefront of the growing bioscience industry. The investments were made with the promise that they would leverage other bioscience initiatives.

The General Assembly approved the Bioscience Connecticut Initiative (Public Act 11-75), a bold \$864 million plan to reinvigorate all three areas of UConn Health's mission – research, education and clinical care. These investments would use UConn Health as a cornerstone for reinventing Connecticut's economy by generating long term sustainable economic growth based on bioscience research, innovation, entrepreneurship and commercialization. Of note, the project also calls for short-term economic activity through a surge of construction-related jobs attributable to the expansion and renovation of UConn Health's clinical and research infrastructure.

Bioscience Connecticut is a multifaceted plan that will strengthen our state's position as a national and global center for bioscience innovation and improve access to quality health care for Connecticut citizens, while simultaneously securing UConn Health's future as a top tier academic medical center.

Construction components of Bioscience Connecticut on UConn Health campus include:

- Renovating and modernizing, for the first time in its history, UConn Health's original research facilities on the Farmington campus. This will include expanding space for start-up bioscience businesses.
- Constructing a new patient care tower.
- Renovating portions of the John Dempsey Hospital and the Clinic Building, constructing, with private financing, a new outpatient pavilion on the lower campus.
- Construction of an addition to the academic building to support the planned 30 percent increase in Medical and Dental School class sizes.

Programmatic components of Bioscience Connecticut include:

- Recruiting new faculty, including clinician-scientists, basic scientists and clinicians to increase healthcare access and double federal and industry research awards.
- Doubling existing business incubator space.
- Expanding the School of Medicine and School of Dental Medicine class sizes by 30 percent.
- Implementing a loan forgiveness program for UConn medical and dental school graduates who pursue careers in primary care in Connecticut.
- Partnering with local hospitals and health care organizations to address pressing health care needs.

The construction work related to the Bioscience Connecticut initiative continues at a rapid pace. The first phase of the research lab renovations in the Main Building is completed. Scientists have moved in and research is being conducted in the newly renovated space. These new research labs are the first programmatic space completed under the Bioscience CT program. In addition, two of three planned parking garages opened in 2013. The UConn Health Outpatient Pavilion (formerly named the Ambulatory Care Center) Project, and the Hospital Tower area are all very active construction sites. The first groups of the Jackson Laboratory Center for Genomic Medicine researchers are on site working in the newly opened Jackson Lab building.

CONTACTING UCONN HEALTH'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

UCONN HEALTH
STATEMENTS OF NET POSITION
As of June 30, 2014 and 2013

(\$ in thousands)	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 45,897	\$ 46,236
Patient receivables, net	43,781	41,472
Contract and other receivables	46,952	44,089
Construction escrow account	56,323	21,859
Due from Affiliates	91,429	3,938
Due from State of Connecticut	8,967	5,262
Due from Department of Correction	3,975	12,636
Inventories	9,964	10,478
Prepaid expenses	6,303	7,192
Total current assets	<u>313,591</u>	<u>193,162</u>
Noncurrent Assets		
Restricted cash and cash equivalents	417	400
Other assets	2,328	1,297
Due from State of Connecticut	4,955	5,032
Capital assets, net	<u>573,696</u>	<u>397,903</u>
Total noncurrent assets	<u>581,396</u>	<u>404,632</u>
Total assets	<u>\$ 894,987</u>	<u>\$ 597,794</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 47,895	\$ 39,417
Due to State of Connecticut	5,079	4,280
Accrued salaries	21,497	19,285
Compensated absences	21,016	20,161
Due to third party payors	4,492	2,714
Advanced revenues	564	4,705
Malpractice reserve	3,736	2,451
Long-term debt - current portion	2,130	1,007
Total current liabilities	<u>106,409</u>	<u>94,020</u>
Noncurrent Liabilities		
Malpractice reserve	18,139	17,438
Compensated absences	27,750	26,725
Long-term debt	<u>165,895</u>	<u>61,881</u>
Total noncurrent liabilities	<u>211,784</u>	<u>106,044</u>
Total liabilities	<u>\$ 318,193</u>	<u>\$ 200,064</u>
NET POSITION		
Net investment in capital assets	\$ 405,672	\$ 335,015
Restricted for		
Nonexpendable		
Scholarships	61	61
Expendable		
Research	547	1,982
Loans	104	794
Capital projects	152,707	30,829
Unrestricted	<u>17,703</u>	<u>29,049</u>
Total net assets	<u>\$ 576,794</u>	<u>\$ 397,730</u>

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

UCONN HEALTH
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

(\$ in thousands)	2014	2013
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$4,517 and \$5,039, respectively)	\$ 15,794	\$ 13,812
Patient services (net of charity care of \$630 and \$801, respectively)	450,315	432,032
Federal grants and contracts	62,527	60,651
Nonfederal grants and contracts	23,803	27,593
Contract and other operating revenues	106,771	102,574
Total operating revenues	659,210	636,662
OPERATING EXPENSES		
Educational and General		
Instruction	152,618	141,182
Research	59,518	60,918
Patient services	581,558	522,825
Academic support	20,824	20,011
Institutional support	66,416	53,114
Operations and maintenance of plant	31,548	33,606
Depreciation	32,780	32,365
Student aid	50	136
Total operating expenses	945,312	864,157
Operating loss	(286,102)	(227,495)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	266,139	213,371
Gifts	7,300	7,658
Investment income (net of investment expense of \$70 and \$98, respectively)	93	124
Interest on capital asset - related debt	(1,007)	(1,072)
Net nonoperating revenues	272,525	220,081
Loss before other revenues, expenses, gains or losses	(13,577)	(7,414)
OTHER CHANGES IN NET ASSETS		
Capital appropriations	193,214	5,000
Loss on Disposal	(573)	(2,978)
Net Other Changes in Net Assets	192,641	2,022
Increase/(Decrease) in net assets	179,064	(5,392)
NET ASSETS		
Net assets-beginning of year	397,730	403,122
Net assets-end of year	\$ 576,794	\$ 397,730

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

UCONN HEALTH
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
(\$ in thousands)		
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 458,446	\$ 418,557
Cash received from tuition and fees	15,792	13,770
Cash received from grants, contracts and other revenue	157,653	158,799
Cash paid to employees for personal services and fringe benefits	(515,252)	(493,615)
Cash paid for other than personal services	<u>(237,392)</u>	<u>(222,502)</u>
Net cash used in operating activities	<u>(120,753)</u>	<u>(124,991)</u>
Cash flows from investing activities:		
Net change in malpractice, advances and bond trust funds	(4)	(578)
Interest received	<u>91</u>	<u>118</u>
Net cash provided/(used) by investing activities	<u>87</u>	<u>(460)</u>
Cash flows from noncapital financing activities:		
State appropriations	138,808	122,309
Gifts	<u>7,300</u>	<u>7,658</u>
Net cash provided by noncapital financing activities	<u>146,108</u>	<u>129,967</u>
Cash flows from capital and related financing activities:		
Additions to property and equipment	(201,228)	(108,946)
Capital appropriations	105,800	44,488
Interest paid	(1,007)	(1,072)
Net repayment, proceeds from long-term debt	<u>70,671</u>	<u>22,862</u>
Net cash (used) in capital and related financing activities	<u>(25,764)</u>	<u>(42,668)</u>
Net (decrease) in cash and cash equivalents	(322)	(38,152)
Cash and cash equivalents at beginning of year	<u>46,636</u>	<u>84,788</u>
Cash and cash equivalents at end of year	<u>\$ 46,314</u>	<u>\$ 46,636</u>

UCONN HEALTH
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2014 and 2013

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

(\$ in thousands)	<u>2014</u>	<u>2013</u>
Operating loss	\$ (286,102)	\$ (227,495)
Adjustments to reconcile operating income to net cash		
Used in operating activities:		
Depreciation	32,780	32,365
Personal services and fringe benefits In Kind from State	123,631	90,994
Changes in assets and liabilities:		
Patients receivables, net	(2,309)	(6,403)
Contract and other receivables	(2,863)	(4,305)
Due from DOC	8,662	(3,045)
Inventories	515	(438)
Third party payors	1,778	(4,027)
Prepaid expenses	889	(2,438)
Other assets	(1,030)	(683)
Accounts payable and accrued liabilities	561	2,625
Due to State of Connecticut	799	(168)
Accrued salaries	2,212	1,340
Compensated absences	1,879	937
Deferred revenue	(4,141)	(4,182)
Malpractice reserve	1,986	(68)
Net cash used in operating activities	<u>\$ (120,753)</u>	<u>\$ (124,991)</u>

Schedule of Non-Cash Financing Transactions

Mortgage Proceeds held by Trustee in construction escrow account	\$ 34,464	\$ 21,859
Accruals of Expenses related to Construction in Progress	\$ 12,080	\$ 4,162

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NOTES TO FINANCIAL STATEMENTS

UCONN HEALTH
Notes to Financial Statements
For the Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut Health Center (“UConn Health”) is a part of a comprehensive institution of higher education, the University of Connecticut (the “University”). Although governed by a single Board of Trustees, UConn Health and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. These financial statements represent transactions and balances of UConn Health for the years ended June 30, 2014 and 2013, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), University of Connecticut Health Center Finance Corporation, Correctional Managed Healthcare (CMHC), University Dentists (the “Primary Institution”) and John Dempsey Hospital (the “Hospital”). UConn Health offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. There is also an affiliated entity that supports the mission of UConn Health: The University of Connecticut Foundation Inc. (the “Foundation”). The Foundation raises funds to promote, encourage, and assist education and research at the University, including UConn Health.

Basis of Presentation

UConn Health’s financial statements are prepared using the economic resources measurement focus and in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,” states that proprietary activities may elect to apply the provisions of Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. UConn Health has not elected this option.

Effective July 1, 2001, UConn Health adopted GASB Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. GASB Statement No. 35 establishes standards for financial reporting for public colleges and universities. These reporting standards focus on the University as a whole rather than on accountability by individual fund groups and provide accounting and financial reporting guidelines, enhancing the usefulness and comprehension of financial reports by external users. To that end, GASB requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, and reduced by outstanding principal balances of borrowings attributable to the acquisition, construction, or improvement of those assets.
- **Restricted nonexpendable:** Represents endowment and similar type assets in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may be expended or reinvested in principal.
- **Restricted expendable:** Net assets that are expendable but where UConn Health is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.
- **Unrestricted:** Consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” These assets are not subject to externally imposed stipulations. These assets, while not restricted, are generally designated to support instruction, research, auxiliary enterprises, and capital projects.

Expenses are charged to either restricted or unrestricted net assets based on the variety of factors, including consideration of prior or future revenue sources, the type of expense incurred, UConn Health’s budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

For reporting periods beginning after June 15, 2005, GASB Statement No. 47, *Accounting for Termination Benefits*, was required for universities. This statement requires employers to recognize a liability and expense for voluntary termination benefits when the termination offer is accepted and the amount of the benefits can be estimated. Any pension liability related to early retirement is the State's responsibility and therefore none is recorded by UConn Health (see Note 10).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting

UConn Health utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. All revenues and expenses are subject to accrual.

Basis of Presentation

All significant intra-agency transactions have been eliminated in the presentation of the Consolidated Financial Statements. Additional information about eliminations may be found in the supplemental schedules.

Operating and Non-operating revenues:

UConn Health breaks out revenues between operating and non-operating based on the nature of the transaction as being either an exchange or non-exchange transaction. Exchange transactions principally include services provided by UConn Health to the community. Non-exchange transactions include State Appropriations, Gifts, Loss on disposal of property, and equipment, and Investment Returns.

Cash and Cash Equivalents:

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

Construction Escrow Account:

Funds related to the financing of the Outpatient Pavilion are placed into the Construction Escrow account upon advancement from the lender. UConn Health does not have immediate access to these funds and must submit receipts and other prescribed documentation in order to apply for reimbursement of construction expenses from the fund.

Accounts Receivable and Net Patient Service Revenues

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

Investments and Investment Income

The State of Connecticut has established various funds to account for the operations of UConn Health. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the UConn Health Malpractice Trust Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Trust Fund accounts for assets set aside in conjunction with actuarial funding recommendations. The Operating Fund acts as a "General Fund" for UConn Health, accounting for all operations not accounted for elsewhere.

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

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

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

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

Investment Income also includes amounts received from endowments.

Inventories

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

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 have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

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 have been charged against UConn Health's malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital and UMG. For the years ended June 30, 2014, and 2013, these costs are included in the statements of revenues, expenses and changes in net position.

Regulatory Matters

The Hospital is required to file semi-annual and annual operating information with the State of Connecticut Office of Health Care Access ("OHCA"), and is required to file annual cost reports with Medicare and Medicaid.

Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

2. CASH DEPOSITS AND INVESTMENTS

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

UConn Health's cash and cash equivalents, current and noncurrent, balance was \$46,314,171 and \$46,635,663, as of June 30, 2014 and 2013, respectively and included the following:

	2014	2013
Cash maintained by State of Connecticut Treasurer	\$ (13,246,799)	\$ (4,596,197)
Invested in State of Connecticut Short-Term Investment Fund	53,226,258	45,994,572
Deposits with Financial Institutions and Other	6,333,212	5,235,788
Currency (Change Funds)	1,500	1,500
Total cash and cash equivalents	<u>46,314,171</u>	<u>46,635,663</u>
Less: current balance	45,897,156	46,235,645
Total noncurrent balance	<u>\$ 417,015</u>	<u>\$ 400,018</u>

Collateralized deposits are protected by Connecticut statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio – a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State of Connecticut were insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, UConn Health benefits from this protection, though the extent to which the deposits of an individual State agency such as UConn Health are protected cannot be readily determined.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. For financial reporting purposes, STIF is considered to be "cash equivalents" in the statements of net position.

UConn Health's cash management investment policy authorizes UConn Health to invest in the State Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements and savings accounts. The \$53,226,258 invested in the State of Connecticut Investment Pool is invested by the State Treasurer in its Short-term Investment Fund and had a Standard and Poor's rating of AAAM during fiscal year 2014.

Certain funds are held by outside fiscal agents and are not under the direct control of UConn Health. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds was \$2,546,348 and \$2,547,020 as of June 30, 2014 and 2013, respectively. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income received from those sources was \$3,959 and \$0 for the years ended June 30, 2014 and 2013, respectively.

3. 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 2014 and 2013, the Hospital provided charity care services of \$629,512 and \$801,071, respectively. The cost basis of these services was \$320,939 and \$415,547, respectively. All related expenses are included in operating expenses.

4. NET PATIENT SERVICE REVENUE

UConn Health provides health care services primarily to residents of the region. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. UConn Health believes that it is in compliance

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

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. These third party payers include Medicare, Medicaid and certain commercial insurance carriers and Health Maintenance Organizations. Additionally, under the Correctional Managed Health Care Program, UConn Health provides medical, dental and psychiatric care to the inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Correction.

Patient service revenue for UConn Health is as follows:

	<u>2014</u>	<u>2013</u>
John Dempsey Hospital		
Gross patient services revenue	\$ 649,596,982	\$ 581,954,466
Less allowances	357,461,826	297,190,471
Less bad debts	<u>5,377,566</u>	<u>3,351,113</u>
Net patient service revenue	286,757,590	281,412,882
UConn Medical Group		
Gross patient services revenue	209,088,015	197,450,559
Less allowances	130,503,071	125,016,081
Less bad debts	<u>1,274,244</u>	<u>1,392,507</u>
Net patient service revenue	77,310,700	71,041,971
Correctional Managed Health Care	85,578,829	81,255,195
All other	<u>7,475,073</u>	<u>3,809,858</u>
Total net patient service revenue per business unit	457,122,192	437,519,906
Eliminations		
Total net patient service revenue	\$ <u><u>(6,806,979)</u></u>	\$ <u><u>(5,488,085)</u></u>
Total net patient service revenue	\$ <u><u>450,315,213</u></u>	\$ <u><u>432,031,821</u></u>

(Amounts above include internal transactions eliminated on the face of the statements. Additional information is provided in the Supplemental Information at the end of these statements)

5. CAPITAL ASSETS

Capital assets at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 13,537,051	\$ 13,537,051
Construction in Progress	317,554,407	165,414,650
Buildings	441,009,227	408,394,523
Equipment	244,212,445	261,165,976
Capital leases	<u>13,776,275</u>	<u>13,776,275</u>
	1,030,089,405	862,288,475
Less accumulated depreciation	<u>456,393,500</u>	<u>464,385,265</u>
Capital assets, net	\$ <u><u>573,695,905</u></u>	\$ <u><u>397,903,210</u></u>

UConn Health's fine art collection is capitalized on the statements of net position. This collection is included in equipment in the Primary Institution and totaled \$833,567 and \$812,272 at June 30, 2014 and 2013, respectively. Plant and equipment activity and related information on accumulated depreciation for UConn Health for the years ended June 30, 2014 and 2013 was as follows:

	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
<u>Property and equipment:</u>				
Land	\$ 13,537,051	\$ -	\$ -	\$ 13,537,051
Construction in Progress	165,414,650	210,419,090	(58,279,333)	317,554,407
Buildings and Building Improvements	408,394,523	32,614,704	-	441,009,227
Equipment	261,165,976	24,390,669	(41,344,200)	244,212,445
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	<u>862,288,475</u>	<u>267,424,463</u>	<u>(99,623,533)</u>	<u>1,030,089,405</u>
<u>Less accumulated depreciation:</u>				
Buildings and Building Improvements	248,365,128	12,315,411	-	260,680,539
Equipment	202,785,134	20,036,207	(40,771,688)	182,049,653
Capital Leases	13,235,003	428,305	-	13,663,308
Total accumulated depreciation	<u>464,385,265</u>	<u>32,779,923</u>	<u>(40,771,688)</u>	<u>456,393,500</u>
<u>Net property and equipment:</u>				
Land	13,537,051	-	-	13,537,051
Construction in Progress	165,414,650	210,419,090	(58,279,333)	317,554,407
Buildings and Building Improvements	160,029,395	20,299,293	-	180,328,688
Equipment	58,380,842	4,354,462	(572,512)	62,162,792
Capital leases	541,272	(428,305)	-	112,967
Total capital assets, net	<u>\$ 397,903,210</u>	<u>\$ 234,644,540</u>	<u>\$ (58,851,845)</u>	<u>\$ 573,695,905</u>
	<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
<u>Property and equipment:</u>				
Land	\$ 12,270,408	\$ 1,266,643	\$ -	\$ 13,537,051
Construction in Progress	81,064,372	102,538,310	(18,188,032)	165,414,650
Buildings and Building Improvements	404,291,062	12,515,173	(8,411,712)	408,394,523
Equipment	260,724,122	14,976,631	(14,534,777)	261,165,976
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	<u>772,126,239</u>	<u>131,296,757</u>	<u>(41,134,521)</u>	<u>862,288,475</u>
<u>Less accumulated depreciation:</u>				
Buildings and Building Improvements	243,196,246	11,619,324	(6,450,442)	248,365,128
Equipment	195,986,114	20,317,406	(13,518,386)	202,785,134
Capital leases	12,806,698	428,305	-	13,235,003
Total accumulated depreciation	<u>451,989,058</u>	<u>32,365,035</u>	<u>(19,968,828)</u>	<u>464,385,265</u>
<u>Net property and equipment:</u>				
Land	12,270,408	1,266,643	-	13,537,051
Construction in Progress	81,064,372	102,538,310	(18,188,032)	165,414,650
Buildings and Building Improvements	161,094,816	895,849	(1,961,270)	160,029,395
Equipment	64,738,008	(5,340,775)	(1,016,391)	58,380,842
Capital leases	969,577	(428,305)	-	541,272
Total capital assets, net	<u>\$ 320,137,181</u>	<u>\$ 98,931,722</u>	<u>\$ (21,165,693)</u>	<u>\$ 397,903,210</u>

Construction in progress at June 30, 2014 and 2013, represents accumulated costs for various UConn Health construction projects. UConn Health has entered into various contractual arrangements related to these projects. Upon completion, the cost of the project is transferred to the appropriate investment in property and equipment category and depreciation will commence.

6. ENDOWMENTS

UConn Health designated the Foundation as manager of UConn Health's endowment funds. The Foundation makes spending allocation distributions to UConn Health for each participating endowment. The distribution is spent by UConn Health in accordance with the respective purposes of the endowments and with the policies and procedures of UConn Health. Additional information is presented in footnote 12.

7. LONG-TERM LIABILITIES

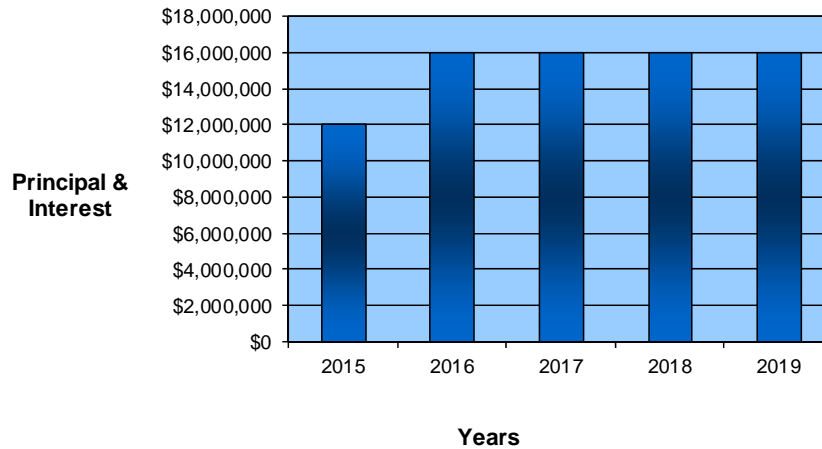
Long-term liability activity for the years ended June 30, 2014 and 2013 was as follows:

	June 30, 2013			June 30, 2014	
	Balance	Additions	Reductions	Balance	Amounts due within 1 year
Long-Term debt:					
Mortgage Agreements Primary Institution	62,888,744	106,142,990	1,007,480	168,024,254	2,129,611
Total Long-Term Debt	62,888,744	106,142,990	1,007,480	168,024,254	2,129,611
Malpractice reserve	19,889,000	2,434,701	448,701	21,875,000	3,736,000
Compensated absences	46,886,167	35,399,046	33,519,575	48,765,638	21,015,981
Total Long - Term Liabilities	\$ 129,663,911	143,976,737	34,975,756	238,664,892	\$ 26,881,592

	June 30, 2012			June 30, 2013	
	Balance	Additions	Reductions	Balance	Amounts due within 1 year
Long-Term debt:					
Loans payable John Dempsey Hospital	\$ 415,197	-	415,197	-	\$ -
Lease Agreements John Dempsey Hospital	471,883	-	471,883	-	-
Mortgage Agreements Primary Institution	17,280,908	46,553,582	945,746	62,888,744	1,007,480
Total Long-Term Debt	18,167,988	46,553,582	1,832,826	62,888,744	1,007,480
Malpractice reserve	19,957,000	4,130,192	4,198,192	19,889,000	2,451,000
Compensated absences	45,948,872	33,080,289	32,142,994	46,886,167	20,161,052
Total Long - Term Liabilities	\$ 84,073,860	83,764,063	38,174,012	129,663,911	\$ 23,619,532

Estimated cash basis interest and principal requirements for the long-term debt (including the full amounts payable for the Outpatient Pavilion) for the next five years and thereafter are as follows:

Long-Term Debt Requirement



Year	Long-Term Debt
2015 \$	12,044,165
2016	15,985,039
2017	15,985,039
2018	15,985,039
2019	15,985,039
Thereafter	300,805,358
Totals	\$ 376,789,679

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

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

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by UConn Health, UConn Health may petition the State to make up any difference. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health’s malpractice program. At June 30, 2014, UConn Health Malpractice Trust Fund had actuarial reserves of approximately \$21.9 million and assets of approximately \$11.7 million.

8. RESIDENCY TRAINING PROGRAM

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

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

9. BOND FINANCED ALLOTMENTS

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

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act), also known as Phase III. This Act amended Public Act No. 95-230 and extended the UCONN 2000 financing program that was scheduled to end in 2005, for an additional 10 years to June 30, 2015. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a \$25 million reallocation from existing UCONN 2000 UConn Health allocations, and a \$207 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018. In fiscal year 2011, the General Assembly enacted and the Governor signed Public Act No. 11-75, An Act Concerning the University of Connecticut Health Center, which increased the authorized project costs for UConn Health under Phase III. The Act, as amended, authorized additional projects for UConn Health at an estimated cost of \$775.3 million. The Act also requires UConn Health to contribute not less than \$69 million through operations, eligible gifts, or other sources towards new UConn Health construction.

In fiscal 2014, the University recorded total revenue of \$281.7 million as State debt service commitment for principal for the 2013 and 2014 Series A bonds which included \$193,249,500 to finance projects for UConn Health. In fiscal year 2013, the University did not issue bonds and therefore recorded no associated revenues. UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, Phase III includes a commitment to fund projects totaling \$775.3 million for UConn Health. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for UConn Health. A corresponding receivable is recorded for the unspent portion of the bonds (\$91,428,873 at June 30, 2014) in the Statements of Net Position.

10. RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS

Eligible employees may participate in the following State retirement plans: the State Retirement System Tier I, Tier II, Tier IIa, ARP Hybrid and the Teachers' Retirement System defined benefit plans; and the Alternate Retirement Plan 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. UConn Health makes contributions on behalf of the employees through a fringe benefit charge assessed by the State.

The State is statutorily responsible for the pension benefits of UConn Health's employees who participate in this plan; therefore, no liability for pension benefits is recorded in the Hospital's financial statements. The State is required to

contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. The plan does not issue stand-alone financial reports. Summary information on the plan is publicly available in the State of Connecticut's Comprehensive Annual Financial Report. Information is not available from the State specifically allocating pension benefits, plan assets, obligations, and expenses applicable to employees of UConn Health. Additional information on salary and fringe costs is presented in the Statement of Revenues, Expenses, and Changes in Net Position.

In 2008, the State implemented Government Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The State provides post-retirement health care and life insurance benefits to eligible UConn Health employees in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. Upon retirement, liability for retirement and other benefits rests with the State. Therefore, the liability is reported by the State and not recognized in the financial statements of UConn Health. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria. The State finances the cost of post-retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

The State also 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 in a formula based on the number of years of State service that the retiree had at time of retirement. The State finances the cost of post-retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

11. COMMITMENTS

On June 30, 2014, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$62,402,634. A portion of this amount was included in the June 30, 2014 accounts payable. Commitments above do not include any commitments arising from the administration of UCONN 2000 funds by the University on UConn Health's behalf. Such obligations would be paid directly from proceeds of current and future bond issuances.

UConn Health agreed to pay \$52,233,252 during the 2014-2015 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for interns and residents participating in the School of Medicine and Dental Medicine Residency Training Programs. These costs are to be funded by participating hospitals, which will remit payments to UConn Health, in accordance with an established rate schedule, for services provided. Dental Residency costs will be funded by the School of Dental Medicine.

UConn Health leases various building space under operating lease commitments, which expire at various dates through fiscal year 2027. Expenses related to these leases were \$4,868,000 and \$3,653,000 for the years ended June 30, 2014 and 2013, respectively. Future minimum rental payments at June 30, 2014 under non-cancelable operating leases are approximately as follows:

Year	Payments
2015	3,961,040
2016	3,710,551
2017	3,559,998
2018	3,450,176
2019	3,482,339
Thereafter	<u>16,289,666</u>
Total	<u>\$ 34,453,770</u>

12. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the "Foundation") is a tax-exempt organization whose objective is the betterment of the University, including UConn Health. The Foundation is a consolidated part of the University and therefore an affiliated party. As is the case with the University's Storrs based program, UConn Health has entered into a written agreement with the Foundation whereby UConn Health agrees to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse UConn Health for certain services performed and for operating expenses of the Foundation. The following transactions occurred between UConn Health and the Foundation during the year ended June 30, 2014:

	2014	2013
Amount paid to the Foundation	\$ <u>997,763</u>	<u>1,498,356</u>
Amount received from the Foundation		
for personal services and operating expenses	\$ <u>13,874</u>	<u>15,098</u>
Amount received from the Foundation from endowments and gifts	\$ <u>1,887,415</u>	<u>2,003,969</u>

In addition, UConn Health engages in transactions with the University. Listed below are the material transactions with the University. Not included in this list are certain cost share arrangements for shared services and transactions related to UCONN 2000 for which notation has been made in note 9.

Funds Received in Support of Office of Technology and Commercialization	-	<u>89,849</u>
Funds Paid to the University of Connecticut	\$ <u>9,216,976</u>	<u>6,458,082</u>

UConn Health is a component unit of the State of Connecticut. Through UConn Health, the State seeks to meet certain unmet needs in the community including the training and development of new doctors and dentists. The State supports UConn Health's mission primarily via two mechanisms: State Appropriations and the provision of In Kind benefits. State Appropriations represent amounts the State allows UConn Health to charge back directly to the State's General Fund. In Kind benefits take the form of forgone fringe benefit expense reimbursements related to salaries expensed on the General Fund. For the year ended June 30, 2014, the amounts of these benefits recognized were as follows:

Amount of General Fund Appropriations from State of Connecticut	\$ <u>138,808,380</u>	<u>122,309,172</u>
In Kind Fringe Benefits:		
Recognized through CMHC	46,358,944	39,439,557
Received elsewhere in Primary Institution	<u>80,971,213</u>	<u>51,622,153</u>
Total In Kind Fringe Benefits received from State of Connecticut:	\$ <u>127,330,157</u>	<u>91,061,710</u>
Total Appropriations and In Kind benefits received from State of Connecticut	\$ <u>266,138,537</u>	<u>213,370,882</u>

13. DENTAL CLINICS TRANSFER FROM JOHN DEMPSEY HOSPITAL TO PRIMARY INSTITUTION

On July 1, 2013, UConn Health realigned the Dental Clinics removing them from the Hospital's operating unit and aligning it with the institution's other dental practices in the Primary Institution. The change was made by transferring all assets and liabilities included in the Hospital's financial statements to UConn Health. During the year ended June 30, 2014, the Hospital stand alone financial statements recognized a loss of \$3,850,361 on the disposal of its Dental Clinics as a special item. The Dental Clinics comprised net patient service revenues of \$7,531,254 and total operating expenses of \$10,476,216 that were included in the 2013 statement of revenues, expenses and changes in position. UConn Health's consolidated financial statements recognize the realignment as a transfer of Dental Clinic Assets as seen in the accompanying consolidated schedules.

14. CONTINGENCIES

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

15. HYPOTHECATION

Individual components of UConn Health are allowed to borrow from the State on the basis of their net patient receivables and contract and other receivables to fund operations. These units include John Dempsey Hospital and the UConn Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. UConn Medical Group is allowed to borrow at up to 70% of its accounts receivable. As of June 30, 2014 and 2013, the Hospital and UMG had the following draws and availability under the State statute as follows:

	2014		2013	
	John Dempsey Hospital	UConn Medical Group	John Dempsey Hospital	UConn Medical Group
Amount Drawn under Hypothecation	\$ 18,819,807	-	\$ 12,799,970	-
Remaining amounts available under Hypothecation	\$ 24,165,640	8,273,756	\$ 25,903,903	7,832,376

16. OPERATING EXPENSES BY OBJECT

The table below details UConn Health's operating expenses by object for the years ended June 30, 2014 and 2013.

Operating Expenses by object for the Years Ended June 30, 2014 and 2013:

	2014	2013
Salaries and Wages	\$ 418,304,692	\$ 403,159,063
Fringe Benefits	223,850,517	180,323,085
Supplies and Other Expenses	258,778,354	237,012,713
Utilities	11,598,819	11,297,174
Depreciation and Amortization	32,779,922	32,365,036
Total	\$ 945,312,304	\$ 864,157,071

SUPPLEMENTAL INFORMATION

UConn Health
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2014

(\$ in thousands)	2014			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 64,717	\$ -	\$ (18,820)	\$ 45,897
Patient receivables, net	10,338	33,443	-	43,781
Contract and other receivables	32,633	14,319	-	46,952
Construction escrow account	56,323	-	-	56,323
Due from Affiliates	91,429	-	-	91,429
Due from State of Connecticut	8,967	-	-	8,967
Due from Primary Institution	-	15,182	(15,182)	-
Due from Department of Correction	3,975	-	-	3,975
Inventories	2,304	7,660	-	9,964
Prepaid expenses	2,111	4,192	-	6,303
Total current assets	<u>272,797</u>	<u>74,796</u>	<u>(34,002)</u>	<u>313,591</u>
Noncurrent Assets				
Restricted cash and cash equivalents	417	-	-	417
Other assets	1,661	667	-	2,328
Due from State of Connecticut	4,955	-	-	4,955
Capital assets, net	521,992	51,704	-	573,696
Total noncurrent assets	<u>529,025</u>	<u>52,371</u>	<u>-</u>	<u>581,396</u>
Total assets	<u>\$ 801,822</u>	<u>\$ 127,167</u>	<u>\$ (34,002)</u>	<u>\$ 894,987</u>
LIABILITIES				
Current Liabilities				
Cash overdraft	\$ -	\$ 18,820	\$ (18,820)	\$ -
Accounts payable and accrued liabilities	38,158	9,737	-	47,895
Due to State of Connecticut	2,373	2,706	-	5,079
Accrued salaries	16,523	4,974	-	21,497
Compensated absences	14,484	6,532	-	21,016
Due to John Dempsey Hospital	15,182	-	(15,182)	-
Due to third party payors	-	4,492	-	4,492
Advanced revenues	564	-	-	564
Malpractice reserve	3,736	-	-	3,736
Long-term debt - current portion	2,130	-	-	2,130
Total current liabilities	<u>93,150</u>	<u>47,261</u>	<u>(34,002)</u>	<u>106,409</u>
Noncurrent Liabilities				
Malpractice reserve	18,139	-	-	18,139
Compensated absences	19,199	8,551	-	27,750
Long-term debt	165,895	-	-	165,895
Total noncurrent liabilities	<u>203,233</u>	<u>8,551</u>	<u>-</u>	<u>211,784</u>
Total liabilities	<u>\$ 296,383</u>	<u>\$ 55,812</u>	<u>\$ (34,002)</u>	<u>\$ 318,193</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 353,968	\$ 51,704	\$ -	\$ 405,672
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	547	-	-	547
Loans	104	-	-	104
Capital projects	152,707	-	-	152,707
Unrestricted	(1,948)	19,651	-	17,703
Total net assets	<u>\$ 505,439</u>	<u>\$ 71,355</u>	<u>\$ -</u>	<u>\$ 576,794</u>

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2013

(\$ in thousands)	2013			Total
	Primary Institution	John Dempsey Hospital	Eliminations	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 59,036	\$ -	\$ (12,800)	\$ 46,236
Patient receivables, net	10,495	30,977	-	41,472
Contract and other receivables	32,061	12,028	-	44,089
Construction escrow account	21,859	-	-	21,859
Due from Affiliates	3,938	-	-	3,938
Due from State of Connecticut	5,262	-	-	5,262
Due from Primary Institution	-	16,742	(16,742)	-
Due from Department of Correction	12,636	-	-	12,636
Inventories	2,244	8,234	-	10,478
Prepaid expenses	3,896	3,296	-	7,192
Total current assets	<u>151,427</u>	<u>71,277</u>	<u>(29,542)</u>	<u>193,162</u>
Noncurrent Assets				
Restricted cash and cash equivalents	400	-	-	400
Other assets	697	600	-	1,297
Due from State of Connecticut	5,032	-	-	5,032
Capital assets, net	342,113	55,790	-	397,903
Total noncurrent assets	<u>348,242</u>	<u>56,390</u>	<u>-</u>	<u>404,632</u>
Total assets	<u>\$ 499,669</u>	<u>\$ 127,667</u>	<u>\$ (29,542)</u>	<u>\$ 597,794</u>
LIABILITIES				
Current Liabilities				
Cash overdraft	\$ -	\$ 12,800	\$ (12,800)	\$ -
Accounts payable and accrued liabilities	29,540	9,877	-	39,417
Due to State of Connecticut	1,896	2,384	-	4,280
Accrued salaries	14,367	4,918	-	19,285
Compensated absences	13,583	6,578	-	20,161
Due to John Dempsey Hospital	16,742	-	(16,742)	-
Due to third party payors	-	2,714	-	2,714
Advanced revenues	4,705	-	-	4,705
Malpractice reserve	2,451	-	-	2,451
Long-term debt - current portion	1,007	-	-	1,007
Total current liabilities	<u>84,291</u>	<u>39,271</u>	<u>(29,542)</u>	<u>94,020</u>
Noncurrent Liabilities				
Malpractice reserve	17,438	-	-	17,438
Compensated absences	18,005	8,720	-	26,725
Long-term debt	61,881	-	-	61,881
Total noncurrent liabilities	<u>97,324</u>	<u>8,720</u>	<u>-</u>	<u>106,044</u>
Total liabilities	<u>\$ 181,615</u>	<u>\$ 47,991</u>	<u>\$ (29,542)</u>	<u>\$ 200,064</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 279,225	\$ 55,790	\$ -	\$ 335,015
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	1,982	-	-	1,982
Loans	794	-	-	794
Capital projects	30,829	-	-	30,829
Unrestricted	5,163	23,886	-	29,049
Total net assets	<u>\$ 318,054</u>	<u>\$ 79,676</u>	<u>\$ -</u>	<u>\$ 397,730</u>

UCONN HEALTH
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014

(\$ in thousands)	2014				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 15,794	\$ -	\$ 15,794	\$ -	\$ 15,794
Patient services, net	170,365	286,757	457,122	(6,807)	450,315
Federal grants and contracts	62,527	-	62,527	-	62,527
Nonfederal grants and contracts	23,803	-	23,803	-	23,803
Contract and other operating revenues	115,609	21,956	137,565	(30,794)	106,771
Total operating revenues	<u>388,098</u>	<u>308,713</u>	<u>696,811</u>	<u>(37,601)</u>	<u>659,210</u>
OPERATING EXPENSES					
Educational and General					
Instruction	171,191	-	171,191	(18,573)	152,618
Research	59,518	-	59,518	-	59,518
Patient services	282,920	317,666	600,586	(19,028)	581,558
Academic support	20,824	-	20,824	-	20,824
Institutional support	66,416	-	66,416	-	66,416
Operations and maintenance of plant	31,548	-	31,548	-	31,548
Depreciation	23,873	8,907	32,780	-	32,780
Student aid	50	-	50	-	50
Total operating expenses	<u>656,340</u>	<u>326,573</u>	<u>982,913</u>	<u>(37,601)</u>	<u>945,312</u>
Operating loss	<u>(268,242)</u>	<u>(17,860)</u>	<u>(286,102)</u>	<u>-</u>	<u>(286,102)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	266,139	-	266,139	-	266,139
Gifts	6,750	550	7,300	-	7,300
Hospital transfer	(12,975)	12,975	-	-	-
Transfer of Dental Clinics	3,850	(3,850)	-	-	-
Investment income, net	93	-	93	-	93
Interest on capital asset - related debt	(1,007)	-	(1,007)	-	(1,007)
Net nonoperating revenues	<u>262,850</u>	<u>9,675</u>	<u>272,525</u>	<u>-</u>	<u>272,525</u>
Loss before other revenues, expenses, gains or losses	<u>(5,392)</u>	<u>(8,185)</u>	<u>(13,577)</u>	<u>-</u>	<u>(13,577)</u>
OTHER CHANGES IN NET ASSETS					
Capital appropriations	193,214	-	193,214	-	193,214
Loss on Disposal	(437)	(136)	(573)	-	(573)
Net Other Changes in Net Assets	<u>192,777</u>	<u>(136)</u>	<u>192,641</u>	<u>-</u>	<u>192,641</u>
Increase/(Decrease) in net assets	<u>187,385</u>	<u>(8,321)</u>	<u>179,064</u>	<u>-</u>	<u>179,064</u>
NET ASSETS					
Net assets-beginning of year	318,054	79,676	397,730	-	397,730
Net assets-end of year	<u>\$ 505,439</u>	<u>\$ 71,355</u>	<u>\$ 576,794</u>	<u>\$ -</u>	<u>\$ 576,794</u>

UConn Health
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

(\$ in thousands)	2013				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 13,770	\$ 42	\$ 13,812	\$ -	\$ 13,812
Patient services, net	156,107	281,413	437,520	(5,488)	432,032
Federal grants and contracts	60,651	-	60,651	-	60,651
Nonfederal grants and contracts	27,593	-	27,593	-	27,593
Contract and other operating revenues	103,802	23,595	127,397	(24,823)	102,574
Total operating revenues	<u>361,923</u>	<u>305,050</u>	<u>666,973</u>	<u>(30,311)</u>	<u>636,662</u>
OPERATING EXPENSES					
Educational and General					
Instruction	155,423	-	155,423	(14,241)	141,182
Research	60,918	-	60,918	-	60,918
Patient services	239,299	299,596	538,895	(16,070)	522,825
Academic support	20,011	-	20,011	-	20,011
Institutional support	53,114	-	53,114	-	53,114
Operations and maintenance of plant	33,606	-	33,606	-	33,606
Depreciation	22,864	9,501	32,365	-	32,365
Student aid	136	-	136	-	136
Total operating expenses	<u>585,371</u>	<u>309,097</u>	<u>894,468</u>	<u>(30,311)</u>	<u>864,157</u>
Operating loss	<u>(223,448)</u>	<u>(4,047)</u>	<u>(227,495)</u>	<u>-</u>	<u>(227,495)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	213,371	-	213,371	-	213,371
Gifts	7,108	550	7,658	-	7,658
Hospital transfer	(15,178)	15,178	-	-	-
Investment income, net	124	-	124	-	124
Interest on capital asset - related debt	(1,068)	(4)	(1,072)	-	(1,072)
Net nonoperating revenues	<u>204,357</u>	<u>15,724</u>	<u>220,081</u>	<u>-</u>	<u>220,081</u>
Loss before other revenues, expenses, gains or losses	<u>(19,091)</u>	<u>11,677</u>	<u>(7,414)</u>	<u>-</u>	<u>(7,414)</u>
OTHER CHANGES IN NET ASSETS					
Capital appropriations	5,000	-	5,000	-	5,000
Loss on Disposal	(2,936)	(42)	(2,978)	-	(2,978)
Net Other Changes in Net Assets	<u>2,064</u>	<u>(42)</u>	<u>2,022</u>	<u>-</u>	<u>2,022</u>
Increase/(Decrease) in net assets	<u>(17,027)</u>	<u>11,635</u>	<u>(5,392)</u>	<u>-</u>	<u>(5,392)</u>
NET ASSETS					
Net assets-beginning of year	335,081	68,041	403,122	-	403,122
Net assets-end of year	<u>\$ 318,054</u>	<u>\$ 79,676</u>	<u>\$ 397,730</u>	<u>\$ -</u>	<u>\$ 397,730</u>

DIRECTORS AND FINANCIAL OFFICERS
June 30, 2014

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TRUSTEES
As of June 30, 2014

BOARD OF TRUSTEES

MEMBERS EX OFFICIO

The Honorable Dannel P. Malloy
Governor of the State of Connecticut
President ex officio *Hartford*

The Honorable Steven K. Reviczky
Commissioner of Agriculture
Member ex officio *Hartford*

The Honorable Catherine H. Smith
Commissioner of Economic
and Community Development
Member ex officio *Hartford*

The Honorable Stefan Pryor
Commissioner of Education
Member ex officio *Hartford*

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

ELECTED BY THE ALUMNI

Donny E. Marshall *Coventry*
Richard T. Carbray, Jr. *Rocky Hill*

APPOINTED BY THE GOVERNOR

Lawrence D. McHugh, *Chairman* *Middletown*
Louise M. Bailey, *Secretary* *West Hartford*
Andy F. Bessette *West Hartford*
Charles F. Bunnell *East Haddam*
Shari G. Cantor *West Hartford*
Andrea Dennis-LaVigne *Simsbury*
Marilda L. Gandara *Hartford*
Juanita T. James *Stamford*
Thomas E. Kruger *Stamford*
Rebecca Lobo *Granby*
Denis J. Nayden *Stamford*
Thomas D. Ritter *Hartford*

ELECTED BY THE STUDENTS

Rose A. Barham *Newington*
Michael K. Daniels *Plainville*

UConn
HEALTH