



University of Connecticut Health Center

Financial Report
For the Year Ended June 30, 2011

Message from the Vice President and the Chief Financial Officer

Founded in 1881, the University of Connecticut (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 (Health Center). Although governed by a single Board of Trustees, the University and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center 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 the Health Center 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 the Health Center 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 the Health Center. 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, the Health Center pursues its mission of providing outstanding health care education in an environment of exemplary patient care, research and public service. With approximately 4,744 full-time equivalent employees, the Health Center is one of Connecticut's largest employers and an important contributor to the local and regional economy. The Health Center's campus in Farmington is situated on 206 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.) The Health Center campus includes 37 buildings totaling over 2.2 million square feet.

Educational Programs

Dedicated to providing broad educational opportunities in the biomedical sciences, the Health Center 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.

The UConn Health Center 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, about 345 students work toward the medical doctor's degree and 170 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, ranking first among the country's 55

dental schools on these examinations in 2001 and again in 2003. In the years since the Health Center graduated its first students in 1972, 1,412 men and women have received the D.M.D. degree; 2,972 the M.D. degree.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 550 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 the Health Center's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending the Health Center's positive impact on the region.

Research Programs

Since the Health Center's inception, high-quality research programs have been part of the institution's fabric. This history has enabled the Health Center 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 14 such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of five. In recent years, the University 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 have grown from \$44.8 million in FY 97 to over \$90.2 million in FY 11.

Health Care Services

Through John Dempsey Hospital (224 licensed beds), the Health Center 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. Health Center physicians make up the UConn Medical Group, the largest medical practice in Greater Hartford, offering 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 (only half are medical/surgical), 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 Center 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. The UConn Health Center is committed to finding new and effective ways to reach out to the public at large as part of the University's ongoing effort to bring a better quality of life to all our citizens.

Respectfully Submitted,



Richard D. Gray
Vice President and Chief Financial Officer
University of Connecticut



John M. Biancamano
Chief Financial Officer
University of Connecticut Health Center

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

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HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

We have audited the accompanying statements of net assets of the University of Connecticut Health Center (Health Center) as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. The Health Center is a component unit of the University of Connecticut system, which includes the University of Connecticut, the Health Center and the University of Connecticut Foundation, Inc. These financial statements are the responsibility of the Health Center's management. 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 19 and 18 percent of the assets of the Health Center as of June 30, 2011 and 2010, respectively and 34 and 33 percent of the revenues of the Health Center for the years then ended. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the John Dempsey Hospital, is based on the reports of the other auditors. The audits of the John Dempsey Hospital were conducted in accordance with auditing standards generally accepted in the United States of America.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Health Center, as of June 30, 2011 and 2010, and the results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements of the Health Center, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Center's basic financial statements. The introductory section and the consolidating statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The consolidating statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

Handwritten signature of Robert M. Ward in blue ink.

Robert M. Ward
Auditor of Public Accounts

Handwritten signature of John C. Geragosian in blue ink.

John C. Geragosian
Auditor of Public Accounts

January 13, 2012
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 (the "Health Center") for the year ended June 30, 2011. 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 (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. Although governed by a single Board of Trustees, the University of Connecticut and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center 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 the Health Center only. The Health Center offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. The Health Center'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), and University Dentists ("Primary Institution") and John Dempsey Hospital (the "Hospital"). The Health Center's enrollment in fiscal year 2011 was 352 in the School of Medicine, 178 in the School of Dental Medicine, and 340 Graduate students, taught by over 502 full time equivalent (FTE) faculty members. The Health Center in total employs approximately 4,744 FTE's. John Dempsey Hospital (JDH) has 204 acute care beds and 20 nursery beds. In fiscal year 2011, adjusted patient days (a measure of total hospital volume) were 106,000, up 7% from the prior year. During 2011, UConn Medical Group (UMG) had over 536,000 unique patient visits.

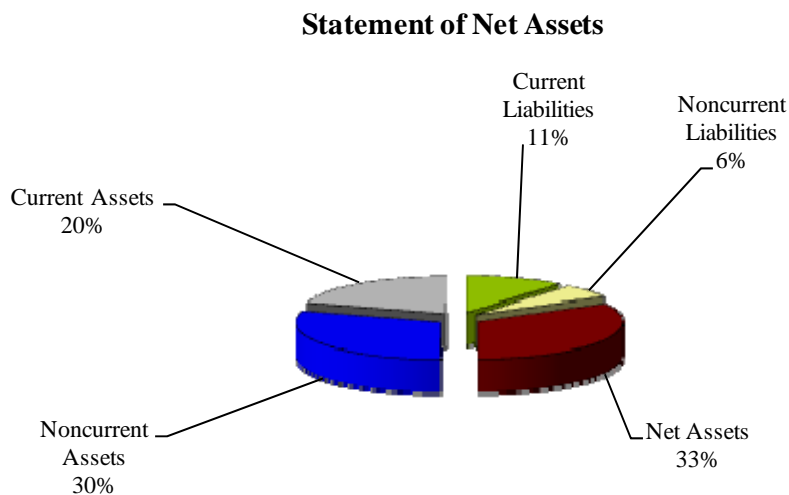
The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of the Health Center for the fiscal year ended June 30, 2011, 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 assets, statements of revenues, expenses and changes in net assets and statements of cash flows) present the financial position of the Health Center at June 30, 2011, and the results of operations and financial activities for the year then ended. These statements report information about the Health Center using accounting methods similar to those used by private-sector companies. In addition, a prior year column is presented for comparison purposes. The statement of net assets includes all of the Health Center’s assets and liabilities. The statement of revenues, expenses and changes in net assets reflects the year’s activities on the accrual basis of accounting, i.e., when services are provided or obligations are incurred, not when cash is received or paid. These statements report the Health Center’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

The Health Center’s financial position at June 30, 2011, consisted of assets of \$514.6 million and liabilities of \$175 million. Net assets, which represent the residual interest in the Health Center’s assets after liabilities are deducted, decreased \$6.2 million during fiscal year 2011 to \$339.6 million.



The decrease in net assets is attributable to operating losses outpacing nonoperating revenues including State Appropriations as well as depreciation of capital assets outpacing capital additions adjusting for changes in amounts due from affiliates.

Changes in net assets represent the operating activity of the Health Center, which results from revenues, expenses, gains and losses, and are summarized for the years ended June 30, 2011, 2010, and 2009 as follows:

	(in millions)		
	2011	2010	2009
Total operating revenue	\$ 592.9	\$ 570.4	\$ 565.1
Total operating expenses	<u>814.9</u>	<u>781.4</u>	<u>778.2</u>
Operating (loss)	(222.0)	(211.0)	(213.1)
Other changes in net assets	<u>215.8</u>	<u>245.8</u>	<u>253.1</u>
(Decrease)/Increase in net assets	<u>\$ (6.2)</u>	<u>\$ 34.8</u>	<u>\$ 40.0</u>

The financial statements contained herein show an operating loss of \$222 million for the year ending June 30, 2011 (fiscal year 2011). The measure more indicative of normal and recurring activities is net income before capital appropriations, 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, 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. The Health Center experienced a loss before capital appropriations of \$6.4 million in fiscal year 2011.

Some sources of recurring operating and nonoperating revenues increased in 2011 and operating revenues, including tuition and fees revenue, patient service revenues and contract revenues, are expected to have slight increases in 2012. State support, not including state funded capital appropriations, increased 3.1% in fiscal 2011. Due to the weakening of the State's overall fiscal position, appropriations are expected to be lower in future fiscal years.

STATEMENTS OF NET ASSETS

The statements of net assets present the financial position of the Health Center at the end of the fiscal years and includes all assets and liabilities of the Health Center. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the Health Center, 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 the Health Center's assets, liabilities and net assets at June 30, 2011, 2010, and 2009 is as follows:

	(in millions)		
	2011	2010	2009
Current assets	\$ 207.6	\$ 230.5	\$ 204.9
Noncurrent assets:			
Capital assets, net	298.3	277.1	252.8
Other	<u>8.7</u>	<u>12.4</u>	<u>27.4</u>
Total assets	<u>514.6</u>	<u>520.0</u>	<u>485.1</u>
Current liabilities	113.5	117.1	101.7
Noncurrent liabilities	<u>61.5</u>	<u>57.1</u>	<u>72.4</u>
Total liabilities	<u>175.0</u>	<u>174.2</u>	<u>174.1</u>
Net assets	<u>\$ 339.6</u>	<u>\$ 345.8</u>	<u>\$ 311.0</u>

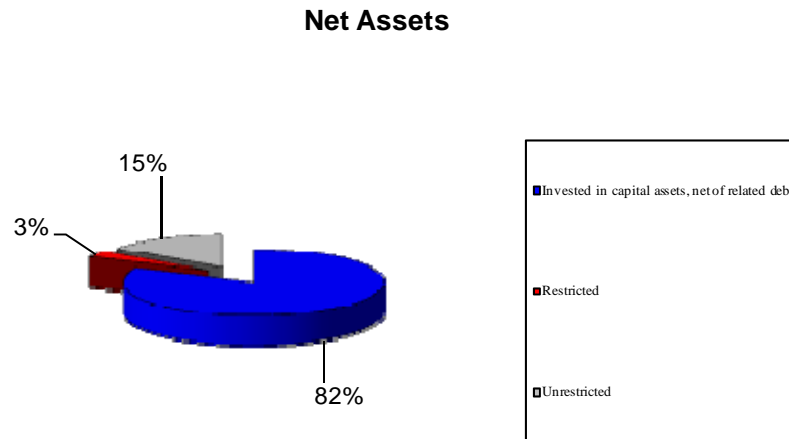
The total assets of the Health Center decreased by \$5.4 million, or 1%, over the prior year. The decrease was primarily due to decreases in contract and other receivables and restricted cash. See the Statement of Cash Flows for details.

Total liabilities increased by \$849,000 or less than 1% over 2010. The primary driver of the increase was the recording of federal monies received in the servicing of loan programs as liabilities. Normal increases in Accrued Salaries, Compensated Absences, Malpractice Liabilities, and Due to Third Party Payers associated with cost report filings of the

John Dempsey Hospital were offset by lower Accounts Payable and the significant decrease in Long Term Debt associated with UCHC's balloon payment on the Munson Road mortgage.

Net Assets

Net assets represent the residual interest in the Health Center's assets after liabilities are deducted. The Health Center had net assets of \$339.6 million at June 30, 2011, which were made up of the following:



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statement of revenues, expenses and changes in net assets presents the Health Center's results of operating and nonoperating activities. A summary of the Health Center's revenues, expenses and changes in net assets for the years ended June 30, 2011, 2010 and 2009 are as follows:

	(in millions)		
	2011	2010	2009
Operating revenues			
Patient Services	\$ 422.1	\$ 405.7	\$ 413.2
Grants and Contracts	86.0	88.0	88.3
Other	84.8	76.7	63.6
Total operating revenue	<u>592.9</u>	<u>570.4</u>	<u>565.1</u>
Operating expenses			
Patient services	492.8	469.3	471.2
Instruction	129.8	126.2	115.3
Other	192.3	185.9	191.7
Total operating expenses	<u>814.9</u>	<u>781.4</u>	<u>778.2</u>
Operating (loss)	(222.0)	(211.0)	(213.1)
Net nonoperating revenues	215.6	210.2	212.8
Total other revenues	0.2	35.6	40.3
(Dec)/Inc in net assets	<u>\$ (6.2)</u>	<u>\$ 34.8</u>	<u>\$ 40.0</u>

Revenue highlights for the year ending June 30, 2011, including operating and nonoperating revenues and capital additions, presented on the Statements of Revenues Expenses, and Changes in Net Assets are as follows:

- The largest source of revenue was patient service revenue. Net Patient service revenue increased \$16.4 million or 4.1% over prior year. Prior to eliminations the increase for John Dempsey Hospital was \$18.2 million. Increases in John Dempsey Hospital are the result of strategic rate increases coupled with increased volumes in both the inpatient and outpatient lines of service. Correctional Managed Health Care program revenues decreased \$1.2 million or 1.3% which reflects decreased costs related to the agreement with the State of Connecticut Department of Correction. More detailed information about the Health Center'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 \$225.3 million. This represents a 3.1% increase over the prior year and includes increases in in-kind fringe benefits associated with salary expense of general funded employees.

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

- Patient service expense is the largest expense category for the Health Center; it accounts for 60.5% of total operating expenses. It increased to \$492.8 million or 5% over the prior year. The increase is mainly attributable to the increases in patient volume for the John Dempsey Hospital and UConn Medical Group.
- Instruction, the Health Center's second largest operating expense, increased \$3.6 million or 2.8%. The increase reflects increased faculty costs including the effects of faculty unionization and recruitment and retention.

STATEMENTS OF CASH FLOWS

The statements of cash flows provide additional information about the Health Center'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, 2011, 2010, and 2009 is as follows:

	(in millions)		
	2011	2010	2009
Cash received from operations	\$ 604.8	\$ 579.8	\$ 566.5
Cash expended for operations	(692.4)	(661.2)	(667.2)
Net cash used in operating activities	(87.6)	(81.4)	(100.7)
Net cash provided by (used in) investing activities	1.0	4.0	7.5
Net cash provided by noncapital financing activities	135.2	132.8	132.8
Net cash used in capital and related financing activities	(52.5)	(28.9)	(29.6)
Net (decrease)/increase in cash and cash equivalents	(3.9)	26.5	10.0
Cash and cash equivalents, beginning of the year	103.6	77.1	67.1
Cash and cash equivalents, end of the year	\$ 99.7	\$ 103.6	\$ 77.1

CAPITAL AND DEBT ACTIVITIES

During fiscal year 2011 the Health Center 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 the Health Center. The Health Center is scheduled to receive \$775.3 million over the life of this program. There was no bond issuance during the fiscal year 2011 and therefore no associated revenue was recorded. During fiscal year 2010, the Health Center received \$35.6 million from the UCONN 2000 bond issuance which is included in the capital appropriation line in the Statements of Revenues, Expenses, and Changes in Net Assets.

At June 30, 2011, the Health Center had plant and equipment, net of accumulated depreciation, of \$298.3 million. The Health Center's fiscal 2012 capital budget projects spending of approximately \$50.7 million, includes \$20.0 million from issuance of UCONN 2000 Bond Funds, and \$30.7 million from other Health Center sources.

Debt activity during fiscal year 2011 included the annual payments for the bonds and loans outstanding and lease payments on capital leases entered into by the Hospital. These payments included a balloon payment on the Munson Road property of \$10.4 million. More detailed information about the Health Center's capital assets and debt activities are presented in notes 5 and 7 of the financial statements.

FISCAL YEAR 2012 OUTLOOK

As we look forward to fiscal year 2012, the Health Center's main concerns are maintaining outstanding research, education and clinical care while readying for changes resulting from the state's Bioscience Connecticut initiative, national healthcare reform, and changes in the US and global economic environments.

On July 8, 2011, the State passed Public Act 11-75 An Act Concerning the University of Connecticut Health Center (Bioscience Connecticut). The bill formalized and amended plans established by the State to establish the UConn Health Network. The new act still calls for partnership with area hospitals aimed at creating jobs and improving access to quality health care in the state. The centerpiece of the partnership remains a new patient care tower and renovations to John Dempsey Hospital at the Health Center. The plan will also include increased classroom and lab space for more medical and dental students aimed at alleviating an expected shortage of doctors and dentists in the state. Bioscience Connecticut involves the cooperation of all the area hospitals including Hartford Hospital, St. Francis Hospital and Medical Center, Connecticut Children's Medical Center, and other health care facilities and providers.

The plan is estimated to cost \$661 million and includes \$592 million in borrowing, \$338 million of previously approved. The Health Center is required to contribute \$69 million raised through operations or philanthropy. Features of the Bioscience Connecticut include:

- 1. Encouraging Job Growth Through Clinical Collaboration:** Local and state-wide health care organizations will collaborate on clinical and translational sciences to achieve breakthrough successes and drive the bioscience industry in the State thereby creating long term jobs.
- 2. Neonatal Intensive Care Unit:** The operations will be managed by Connecticut Children's Medical Center. Patients will continue to be treated at the Health Center; some NICU physicians and all staff will remain Health Center employees. A Certificate of Need application was filed and approved for the transfer.
- 3. Nationally recognized cancer center:** The goal will be to achieve National Institutes of Health designation as a Comprehensive Cancer Center, making it the second in the state.
- 4. Regional Simulation Center:** It will train up to 2,000 medical practitioners each year on newest equipment and technology in simulated care settings and will be located at Hartford Hospital.
- 5. Primary Care Institute:** It will be located at St. Francis Hospital and will develop new models of chronic disease management and primary care delivery and education. It will also serve to address the impending shortage of primary care providers in Connecticut.
- 6. Health Disparities Institute:** It will promote enhanced healthcare research, training and delivery to minority communities.

7. Institute for Clinical and Translational Sciences: It will be a super-site by network partners and will speed lab-to-bedside clinical trials and breakthrough medicine.

CONTACTING THE HEALTH CENTER'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of the Health Center'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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF NET ASSETS
As of June 30, 2011 and 2010

(\$ in thousands)	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 96,175	\$ 97,647
Patient receivables, net	42,659	42,279
Contract and other receivables	25,823	27,370
Due from Affiliates	6,823	30,817
Due from State of Connecticut	9,477	8,676
Due from Department of Correction	7,932	7,634
Inventories	10,050	9,575
Prepaid expenses	8,682	6,463
Total current assets	207,621	230,461
Noncurrent Assets		
Restricted cash and cash equivalents	3,510	5,999
Other assets	639	773
Assets limited as to use	4,370	5,258
Due from State of Connecticut	191	403
Capital assets, net	298,293	277,113
Total noncurrent assets	307,003	289,546
Total assets	\$ 514,624	\$ 520,007
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 30,557	\$ 34,377
Due to State of Connecticut	5,421	4,844
Accrued salaries	32,828	29,157
Compensated absences	17,962	16,817
Due to third party payors	9,416	2,833
Deferred revenue	12,115	9,599
Malpractice reserve	2,953	5,900
Long-term debt - current portion	2,261	13,523
Total current liabilities	113,513	117,050
Noncurrent Liabilities		
Malpractice reserve	17,486	12,415
Compensated absences	25,848	24,200
Long-term debt	18,168	20,501
Total noncurrent liabilities	61,502	57,116
Total liabilities	\$ 175,015	\$ 174,166
NET ASSETS		
Invested in capital assets, net of related debt	\$ 277,864	\$ 243,089
Restricted for		
Nonexpendable		
Scholarships	61	61
Expendable		
Research	4,047	4,359
Loans	875	1,864
Capital projects	5,758	30,649
Unrestricted	51,005	65,819
Total net assets	\$ 339,610	\$ 345,841

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2011 and 2010

(\$ in thousands)	2011	2010
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$4,734 and \$4,451, respectively)	\$ 13,095	\$ 12,163
Patient services (net of charity care of \$912 and \$1,014, respectively)	422,094	405,661
Federal grants and contracts	60,127	59,357
Nonfederal grants and contracts	25,885	28,673
Contract and other operating revenues	71,694	64,590
Total operating revenues	592,895	570,444
OPERATING EXPENSES		
Educational and General		
Instruction	129,793	126,206
Research	58,892	59,967
Patient services	492,788	469,340
Academic support	16,355	14,469
Institutional support	58,421	55,730
Operations and maintenance of plant	27,653	26,335
Depreciation	30,075	28,881
Loss on disposal	482	38
Student aid	416	480
Total operating expenses	814,875	781,446
Operating loss	(221,980)	(211,002)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	225,268	218,484
Transfers to State	(10,807)	(10,000)
Gifts	2,554	3,946
Investment income (net of investment expense of \$91 and \$78, respectively)	134	163
Interest on capital asset - related debt	(1,570)	(2,364)
Net nonoperating revenues	215,579	210,229
Loss before other revenues, expenses, gains or losses	(6,401)	(773)
Capital appropriations	170	35,610
Total other revenues	170	35,610
(Decrease)/Increase in net assets	(6,231)	34,837
NET ASSETS		
Net assets-beginning of year	345,841	311,004
Net assets-end of year	\$ 339,610	\$ 345,841

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	2011	2010
(\$ in thousands)		
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 429,952	\$ 415,880
Cash received from tuition and fees	13,095	12,163
Cash received from grants, contracts and other revenue	161,770	157,592
Cash paid to employees for personal services and fringe benefits	(439,159)	(428,493)
Cash paid for other than personal services	(253,330)	(238,558)
Net cash used in operating activities	(87,672)	(81,416)
Cash flows from investing activities:		
Net change in malpractice, advances and bond trust funds	888	1,488
Interest received	128	2,496
Net cash provided by investing activities	1,016	3,984
Cash flows from noncapital financing activities:		
State appropriations	132,667	131,234
Gifts	2,554	1,602
Net cash provided by noncapital financing activities	135,221	132,836
Cash flows from capital and related financing activities:		
Additions to property and equipment	(51,738)	(53,245)
Transfer to State	(10,000)	(10,000)
Capital appropriations	24,377	40,591
Interest paid	(1,570)	(2,364)
Net repayment, proceeds of long-term debt	(13,595)	(3,896)
Net cash used in capital and related financing activities	(52,526)	(28,914)
Net (decrease)/increase in cash and cash equivalents	(3,961)	26,490
Cash and cash equivalents at beginning of year	103,646	77,157
Cash and cash equivalents at end of year	\$ 99,685	\$ 103,646
Accompanying schedule of non-cash transactions		
Proceeds from capital leases	\$ —	\$ —

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2011 and 2010

(\$ in thousands)	<u>2011</u>	<u>2010</u>
Operating loss	\$ (221,980)	\$ (211,002)
Adjustments to reconcile operating income to net cash		
Used in operating activities:		
Depreciation and loss on disposal	30,557	28,919
Personal services and fringe benefits in-kind from State	91,806	86,043
Changes in assets and liabilities:		
Patients receivables, net	(380)	6,245
Contract and other receivables	1,547	5,225
Due from DOC	(298)	(1,535)
Inventories	(476)	(2,127)
Third party payors	6,582	5,510
Prepaid expenses	(2,219)	184
Other assets	134	(32)
Accounts payable and accrued liabilities	(4,627)	2,544
Due to State of Connecticut	577	(37)
Accrued salaries	3,671	2,412
Compensated absences	2,794	3,264
Deferred revenue	2,516	(119)
Malpractice reserve	<u>2,124</u>	<u>(6,910)</u>
Net cash used in operating activities	<u>\$ (87,672)</u>	<u>\$ (81,416)</u>

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

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

For the Years Ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut Health Center (the “Health Center”) is a part of a comprehensive institution of higher education, the University of Connecticut (the “University”). Although governed by a single Board of Trustees, the Health Center and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center 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 the Health Center for the years ended June 30, 2011 and 2010, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group, University of Connecticut Health Center Finance Corporation, Correctional Managed Healthcare (CMHC) and University Dentists (the “Primary Institution”) and John Dempsey Hospital (the “Hospital”). The Health Center 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 the Health Center: The University of Connecticut Foundation Inc. (the “Foundation”). The Foundation raises funds to promote, encourage, and assist education and research at the University, including its Health Center.

Basis of Presentation

The Health Center’s financial statements are prepared 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. The Health Center has not elected this option.

Effective July 1, 2001, the Health Center 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 the Health Center 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.

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 the Health Center (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

The Health Center 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:

The Health Center 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 the Health Center to the community. Non-exchange transactions include State Appropriations, Gifts, and Investment returns.

Cash and Cash Equivalents:

The Health Center 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.

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 the Health Center. 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 John Dempsey Hospital 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 based on actuarial funding recommendations. The Operating Fund acts as a "General Fund" for the Health Center, 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 the Health Center 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, the Health Center earns interest on Operating Fund cash balances through the State Treasurer's interest credit program. Under this program, the Treasurer pays the Health Center STIF equivalent interest on the average daily cash balance held in the Operating Fund each quarter. Additionally, interest is paid on monies transferred from the Health Center's civil list funds into the direct disbursement account used to process checks issued directly to vendors by the Health Center. Though the balance in this account may include assets of the Operating, Research Foundation 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.

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 the Health Center’s malpractice self-insurance fund. Effective July 1, 1999, the Health Center developed a methodology by which it could allocate malpractice costs between the Hospital and UMG. For the years ended June 30, 2011, and 2010, these costs are included in the statements of revenues, expenses and changes in net assets.

Reclassification

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation. Included in these amounts are \$5.8 million in Contract and Other Operating revenue and Patient Services expense related to services provided by University Medical Group which had been offset in the prior year presentation. This reclassification resulted in increases to the Salaries, Fringe Benefits, and Supplies in FY 2010 of \$3.7 million, \$1.4 million, and \$764,000, respectively.

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.

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 the Health Center's name.

The Health Center’s cash and cash equivalents, current and noncurrent, balance was \$99,685,097 and \$103,646,463, as of June 30, 2011 and 2010, respectively and included the following:

	2011	2010
Cash maintained by State of Connecticut Treasurer	\$ 54,751,928	\$ 55,412,369
Invested in State of Connecticut Short-Term Investment Fund	43,163,497	47,863,030
Deposits with Financial Institutions and Other	1,768,172	369,564
Currency (Change Funds)	1,500	1,500
Total cash and cash equivalents	<u>99,685,097</u>	<u>103,646,463</u>
Less: current balance	96,174,656	97,647,270
Total noncurrent balance	<u>\$ 3,510,441</u>	<u>\$ 5,999,193</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, the Health Center benefits from this protection, though the extent to which the deposits of an individual State agency such as the Health Center 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, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. For financial reporting purposes, STIF is considered to be "cash equivalents" in the statement of net assets.

The Health Center's cash management investment policy authorizes the Health Center 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 \$43,163,497 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 2011.

Certain funds are held by outside fiscal agents and are not under the direct control of the Health Center. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds was \$2,540,604 and \$2,539,982 as of June 30, 2011 and 2010, respectively. Investment income earned on these assets is transferred to the Health Center in accordance with the applicable trust agreement. Income received from those sources for the years ended June 30, 2011 and 2010 was \$6,221 and \$11,022, 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 2011 and 2010, the Hospital provided charity care services of \$912,282 and \$1,013,714, respectively. The cost basis of these services was \$480,274 and \$502,625, respectively. All related expenses are included in operating expenses.

4. NET PATIENT SERVICE REVENUE

The Health Center 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. The Health Center 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 the Health Center.

The Health Center 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, the Health Center 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 the Health Center is as follows:

	<u>2011</u>	<u>2010</u>
John Dempsey Hospital		
Gross patient services revenue	\$ 543,303,930	\$ 514,239,006
Less allowances	275,186,908	260,249,422
Less bad debts	<u>3,784,188</u>	<u>7,834,037</u>
Net patient service revenue	264,332,834	246,155,547
UConn Medical Group		
Gross patient services revenue	192,852,692	195,368,341
Less allowances	117,702,401	117,452,546
Less bad debts	<u>1,433,349</u>	<u>1,550,515</u>
Net patient service revenue	73,716,942	76,365,280
Correctional Managed Health Care	91,026,502	92,219,790
All other	<u>4,514,989</u>	<u>2,916,228</u>
Total net patient service revenue per business unit	433,591,267	417,656,845
Eliminations	<u>(11,497,670)</u>	<u>(11,996,458)</u>
Total net patient service revenue	\$ <u><u>422,093,597</u></u>	\$ <u><u>405,660,387</u></u>

(Amounts above include internal transactions eliminated on face of statements. See Supplemental Information for greater details)

5. CAPITAL ASSETS

Capital assets at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 12,270,408	8,423,594
Construction in Progress	49,120,164	73,977,330
Buildings	404,444,843	359,249,065
Equipment	239,966,516	224,050,267
Capital leases	<u>13,776,275</u>	<u>13,776,275</u>
	719,578,206	679,476,531
Less accumulated depreciation	<u>421,285,145</u>	<u>402,364,047</u>
Capital assets, net	\$ <u><u>298,293,061</u></u>	<u><u>277,112,484</u></u>

The Health Center's fine art collection is capitalized on the statements of net assets. This collection is included in equipment in the Primary Institution and totaled \$668,311 and \$668,311 at June 30, 2011 and 2010, respectively. Plant and equipment activity and related information on accumulated depreciation for the Health Center for the years ended June 30, 2011 and 2010 was as follows:

	<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>
<u>Property and equipment:</u>				
Land	\$ 8,423,594	\$ 3,846,814	\$ -	\$ 12,270,408
Construction in Progress	73,977,330	31,658,725	(56,515,891)	49,120,164
Buildings	348,655,473	45,164,135	-	393,819,608
Improvements other than buildings	10,593,592	31,643	-	10,625,235
Equipment	224,050,267	27,552,506	(11,636,257)	239,966,516
Capital leases	<u>13,776,275</u>	<u>-</u>	<u>-</u>	<u>13,776,275</u>
Total property and equipment	<u>679,476,531</u>	<u>108,253,823</u>	<u>(68,152,148)</u>	<u>719,578,206</u>
<u>Less accumulated depreciation:</u>				
Buildings	211,924,422	11,956,051	-	223,880,473
Improvements other than buildings	7,395,080	75,233	-	7,470,313
Equipment	171,757,027	16,963,512	(11,153,824)	177,566,715
Capital Leases	<u>11,287,518</u>	<u>1,080,126</u>	<u>-</u>	<u>12,367,644</u>
Total accumulated depreciation	<u>402,364,047</u>	<u>30,074,922</u>	<u>(11,153,824)</u>	<u>421,285,145</u>
<u>Net property and equipment:</u>				
Land	8,423,594	3,846,814	-	12,270,408
Construction in Progress	73,977,330	31,658,725	(56,515,891)	49,120,164
Buildings	136,731,051	33,208,084	-	169,939,135
Improvements other than buildings	3,198,512	(43,590)	-	3,154,922
Equipment	52,293,240	10,588,994	(482,433)	62,399,801
Capital leases	<u>2,488,757</u>	<u>(1,080,126)</u>	<u>-</u>	<u>1,408,631</u>
Total capital assets, net	<u>\$ 277,112,484</u>	<u>\$ 78,178,901</u>	<u>\$ (56,998,324)</u>	<u>\$ 298,293,061</u>

	<u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>2010</u>
<u>Property and equipment:</u>				
Land	\$ 8,423,594	\$ -	\$ -	\$ 8,423,594
Construction in Progress	50,636,930	43,577,297	(20,236,897)	73,977,330
Buildings	334,253,236	14,402,237	-	348,655,473
Improvements other than buildings	10,518,706	74,886	-	10,593,592
Equipment	212,665,658	15,427,402	(4,042,793)	224,050,267
Capital leases	<u>13,776,275</u>	<u>-</u>	<u>-</u>	<u>13,776,275</u>
Total property and equipment	<u>630,274,399</u>	<u>73,481,822</u>	<u>(24,279,690)</u>	<u>679,476,531</u>
<u>Less accumulated depreciation:</u>				
Buildings	201,200,176	10,724,246	-	211,924,422
Improvements other than buildings	7,079,197	315,883	-	7,395,080
Equipment	159,669,002	16,093,225	(4,005,200)	171,757,027
Capital leases	<u>9,539,573</u>	<u>1,747,945</u>	<u>-</u>	<u>11,287,518</u>
Total accumulated depreciation	<u>377,487,948</u>	<u>28,881,299</u>	<u>(4,005,200)</u>	<u>402,364,047</u>
<u>Net property and equipment:</u>				
Land	8,423,594	-	-	8,423,594
Construction in Progress	50,636,930	43,577,297	(20,236,897)	73,977,330
Buildings	133,053,060	3,677,991	-	136,731,051
Improvements other than buildings	3,439,509	(240,997)	-	3,198,512
Equipment	52,996,656	(665,823)	(37,593)	52,293,240
Capital leases	<u>4,236,702</u>	<u>(1,747,945)</u>	<u>-</u>	<u>2,488,757</u>
Total capital assets, net	<u>\$ 252,786,451</u>	<u>\$ 44,600,523</u>	<u>\$ (20,274,490)</u>	<u>\$ 277,112,484</u>

Construction in progress at June 30, 2011 and 2010, represents accumulated costs for various Health Center construction projects. The Health Center has entered into various contractual arrangements related to these projects. Upon completion, the cost of the project is transferred to the appropriate investment in plant category and depreciation will commence.

6. ENDOWMENTS

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

7. LONG-TERM LIABILITIES

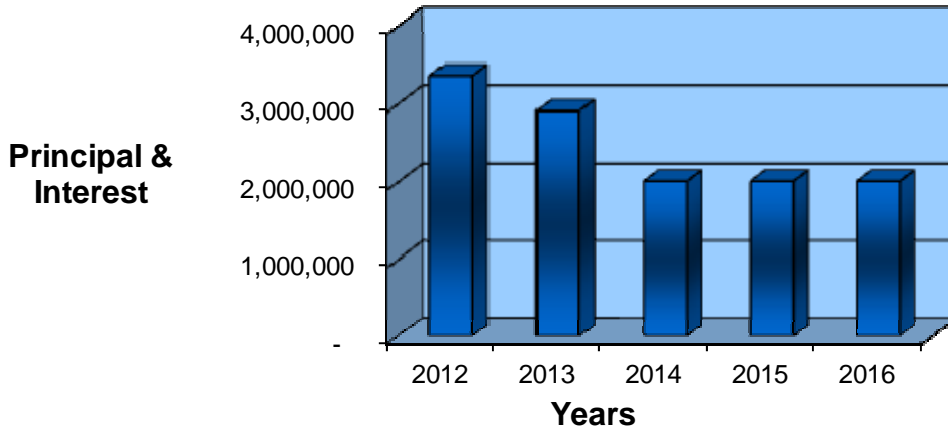
Long-term liability activity for the years ended June 30, 2011 and 2010 was as follows:

	June 30, 2010			June 30, 2011	
	Balance	Additions	Reductions	Balance	Amounts due within 1 year
Long-Term debt:					
Loans payable John Dempsey Hospital	\$ 2,075,991	-	830,398	1,245,593	\$ 830,396
Lease Agreements John Dempsey Hospital	2,318,364	-	1,231,750	1,086,614	614,731
Mortgage Agreements Primary Institution	29,629,891	-	11,533,046	18,096,845	815,937
Total Long-Term Debt	34,024,246	-	13,595,194	20,429,052	2,261,064
Malpractice reserve	18,315,000	5,209,761	3,085,761	20,439,000	2,953,000
Compensated absences	41,017,248	24,583,606	21,790,045	43,810,809	17,962,432
Total Long - Term Liabilities	\$ 93,356,494	29,793,367	38,471,000	84,678,861	\$ 23,176,496

	June 30, 2009			June 30, 2010	
	Balance	Additions	Reductions	Balance	Amounts due within 1 year
Long-Term debt:					
Loans payable John Dempsey Hospital	2,906,387	-	830,396	2,075,991	\$ 830,396
Lease Agreements John Dempsey Hospital	4,301,478	-	1,983,114	2,318,364	1,231,751
Mortgage Agreements Primary Institution	30,712,427	-	1,082,536	29,629,891	11,461,189
Total Long-Term Debt	37,920,292	-	3,896,046	34,024,246	13,523,336
Malpractice reserve	25,225,000	3,800,000	10,710,000	18,315,000	5,900,000
Compensated absences	37,752,872	23,691,784	20,427,408	41,017,248	16,817,072
Total Long - Term Liabilities	\$ 100,898,164	27,491,784	35,033,454	93,356,494	\$ 36,240,408

Estimated cash basis interest and principal requirements for the long-term debt for the next five years are as follows:

Long-Term Debt Requirement



Year	Long-Term Debt
2012 \$	3,369,242
2013	2,915,261
2014	2,014,187
2015	2,014,187
2016	2,014,187
Thereafter	16,952,744
Totals	\$ <u>29,279,808</u>

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

The Health Center 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 the Health Center 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.

During fiscal year 2010, the State of Connecticut passed Public Act No. 09-3, *AN ACT CONCERNING EXPENDITURES AND REVENUE FOR THE BIENNIUM ENDING JUNE 30, 2011*, (Public Act) . Sec. 74. of the Public Act states “(Effective from passage) (a) Notwithstanding the provisions of section 10a-256 of the general statutes, the sum of \$10,000,000 shall be transferred from The University of Connecticut Health Center Medical Malpractice Trust Fund and credited to the resources of the General Fund for each of the fiscal years ending June 30, 2010, and June 30, 2011.” The Public Act also states “the amount of funding necessary to protect the Health Center for malpractice shall be determined

and approved by the Board of Trustees of the University of Connecticut.” Since the State effectively removed control and responsibility for maintaining and managing the malpractice fund from the Hospital, the Fund was transferred from the Hospital to the Primary Institution.

To the extent that claims for cases exceed current year premium charged by the Health Center, the Health Center may petition the State to make up the difference. However, operational subsidies from the State and/or the Health Center may be affected by the performance of the Health Center’s malpractice program. At June 30, 2011, the Health Center Malpractice Trust Fund had actuarial reserves of approximately \$20.4 million and assets of approximately \$4.5 million. In fiscal year 2011, the Health Center transferred the second \$10 million installment to the State of Connecticut’s General Fund, accounting for the majority of the reduction in Malpractice reserves. .

8. RESIDENCY TRAINING PROGRAM

The Health Center’s School of Medicine Residency Training Program provides area hospitals with the services of interns and residents. Participating hospitals remit payments to the Health Center, in accordance with an established rate schedule, for services provided. The Health Center, 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.

9. BOND FINANCED ALLOTMENTS

The Health Center recognizes an asset when an allotment is processed for State general obligation bonds or when bonds are funded from Health Center 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 Health Center 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 the Health Center under Phase III. The Act, as amended, authorized additional projects for the Health Center at an estimated cost of \$775,300,000. The Act also requires the Health Center to contribute not less than \$69 million through operations, eligible gifts, or other sources towards new Health Center construction.

In fiscal year 2011, there were no additional bonds issued. In fiscal year 2010, the University recorded total revenue of \$105,000,000 as State debt service commitment for principal for the 2011 Series A bonds which includes \$35,610,000 to finance projects for the Health Center. As noted above, Phase III includes a commitment to fund projects totaling \$775,530,000 for the Health Center. 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 the Health Center. A corresponding receivable is recorded for the unspent portion of the bonds (\$6,822,776 at June 30, 2011) in the Statement of Net Assets.

10. RETIREMENT PLAN

All regular full-time employees participate in one of two retirement plans. The State Employees’ Retirement System, a single employer defined benefit public employee retirement system, is administered by the State and covers most full-time employees. The State of Connecticut is statutorily responsible for the pension benefits of the Health Center employees who

participate in this plan. The Health Center makes contributions on behalf of the employees through a fringe benefit charge assessed by the State.

Alternatively, employees may choose to participate in the Connecticut Alternate Retirement Program (CARP). CARP is a State-administered, portable pension plan offered to eligible employees of the State’s constituent units of higher education as an alternate to the State Employees’ Retirement System. This plans third party administrator is ING. Under this defined contribution plan, plan members are required to contribute 5 percent of their annual salaries; the State is required to contribute 8 percent of covered salary.

11. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the State provides post retirement health care and life insurance benefits to eligible Health Center employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. 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 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.

12. COMMITMENTS

On June 30, 2011, the Health Center had individual outstanding commitments exceeding \$300,000 in amount, totaling \$13,531,907. A portion of this amount was included in the June 30, 2011 accounts payable. Commitments above do not include any commitments arising from the administration of UCONN 2000 funds by the University on the Health Center’s behalf. Such obligations would be paid directly from proceeds of current and future bond issuances.

The Health Center agreed to pay \$44,405,591 during the 2011-2012 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll and related fringe benefits to the interns and residents participating in the School of Medicine Residency Training Program. These costs are to be funded by participating hospitals, which will remit payments to the Health Center, in accordance with an established rate schedule, for services provided.

The Health Center leases various building space under operating lease commitments, which expire at various dates through fiscal year 2021. Expenses related to these leases were approximately \$3,875,000 and 3,695,000 for the years ended June 30, 2011 and 2010, respectively. Future minimum rental payments at June 30, 2011 under non-cancelable operating leases are approximately as follows:

Year	Payments
2012	\$ 2,969,339
2013	2,734,152
2014	1,787,381
2015	1,641,172
2016	1,669,985
Thereafter	<u>6,773,861</u>
Total	\$ <u><u>17,575,890</u></u>

13. 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 its Health Center. 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, the Health Center has entered into a written agreement with the Foundation whereby the Health Center agrees to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse the Health Center for certain services performed and for operating expenses for the benefit of the Foundation. The following transactions occurred between the Health Center and the Foundation during the year ended June 30, 2011:

Amount paid to the Foundation	\$ <u>945,000</u>
Amount received from the Foundation for personal services and operating expenses	\$ <u>8,318</u>
Amount received from the Foundation from endowments and gifts	\$ <u>1,962,367</u>

In addition, The Health Center 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>603,666</u>
Funds Paid to the University of Connecticut	\$ <u>537,879</u>

The Health Center is a component unit of the State of Connecticut. Through the Health Center, the State seeks to meet certain unmet needs in the community including the training and development of new doctors and dentists. The State supports the Health Center's mission primarily via two mechanisms: State Appropriations and the provision of In Kind benefits. State Appropriations represent amounts the State allows the Health Center 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, 2011, the amounts of these benefits recognized were as follows:

Amount of General Fund Appropriations from State of Connecticut	\$ <u>119,166,814</u>
In Kind Fringe Benefits:	
Recognized through CMHC	38,651,142
Recognized in John Dempsey	13,500,000
Received elsewhere in Primary Institution	<u>53,950,536</u>
Total In Kind Fringe Benefits received from State of Connecticut:	\$ <u>106,101,678</u>
Total Appropriations and In Kind benefits received from State of Connecticut	\$ <u>225,268,492</u>

14. CONTINGENCIES

The Health Center 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 the Health Center's financial statements.

15. HYPOTHECATION

Individual components of the Health Center 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 University Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. University Medical Group is allowed to borrow at up to 70% of its accounts receivable. As of June 30, 2011 and 2010, the Hospital had drawn down \$-0- and \$3,082,016, respectively, under the State statute. As of June 30, 2011 and 2010, the Hospital has available \$27,849,397 and 24,125,771, respectively under the State statute.

16. Operating Expenses by Object

The table below details the Health Center's operating expenses by object for the years ended June 30, 2011 and 2010.

Operating Expenses by object for the Years Ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Salaries and Wages	\$ 377,149,315	\$ 367,408,228
Fringe Benefits	162,683,939	152,902,276
Supplies and Other Expenses	229,952,091	218,188,948
Utilities	14,532,525	14,028,109
Depreciation and Amortization	30,557,355	28,918,892
Total	<u>\$ 814,875,225</u>	<u>\$ 781,446,453</u>

SUPPLEMENTAL INFORMATION

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2011

(\$ in thousands)	2011			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 94,857	\$ 1,318	\$ -	\$ 96,175
Assets limited as to use	-	-	-	-
Patient receivables, net	12,147	30,512	-	42,659
Contract and other receivables	25,391	431	-	25,823
Due from Affiliates	6,823	-	-	6,823
Due from State of Connecticut	9,477	-	-	9,477
Due from Primary Institution	-	13,000	(13,000)	-
Due from Department of Correction	7,932	-	-	7,932
Inventories	2,702	7,348	-	10,050
Prepaid expenses	5,047	3,635	-	8,682
Total current assets	<u>164,376</u>	<u>56,244</u>	<u>(13,000)</u>	<u>207,621</u>
Noncurrent Assets				
Restricted cash and cash equivalents	3,251	260	-	3,510
Other assets	16	623	-	639
Assets limited as to use	4,370	-	-	4,370
Due from State of Connecticut	191	-	-	191
Capital assets, net	243,215	55,078	-	298,293
Total noncurrent assets	<u>251,043</u>	<u>55,961</u>	<u>-</u>	<u>307,003</u>
Total assets	<u>\$ 415,419</u>	<u>\$ 112,205</u>	<u>\$ (13,000)</u>	<u>\$ 514,624</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	21,796	8,761	-	30,557
Due to State of Connecticut	2,159	3,262	-	5,421
Accrued salaries	25,715	7,113	-	32,828
Compensated absences	12,515	5,447	-	17,962
Due to John Dempsey Hospital	13,000	-	(13,000)	-
Due to third party payors	-	9,416	-	9,416
Deferred revenue	12,115	-	-	12,115
Malpractice reserve	2,953	-	-	2,953
Long-term debt - current portion	816	1,445	-	2,261
Total current liabilities	<u>91,069</u>	<u>35,444</u>	<u>(13,000)</u>	<u>113,513</u>
Noncurrent Liabilities				
Malpractice reserve	17,486	-	-	17,486
Compensated absences	18,010	7,838	-	25,848
Long-term debt	17,281	887	-	18,168
Total noncurrent liabilities	<u>52,777</u>	<u>8,725</u>	<u>-</u>	<u>61,502</u>
Total liabilities	<u>\$ 143,846</u>	<u>\$ 44,169</u>	<u>\$ (13,000)</u>	<u>\$ 175,015</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 225,118	\$ 52,746	\$ -	\$ 277,864
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	3,920	127	-	4,047
Loans	875	-	-	875
Capital projects	5,758	-	-	5,758
Unrestricted	35,841	15,164	-	51,005
Total net assets	<u>\$ 271,573</u>	<u>\$ 68,037</u>	<u>\$ -</u>	<u>\$ 339,610</u>

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2010

(\$ in thousands)	2010			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 100,729	\$ -	\$ (3,082)	\$ 97,647
Patient receivables, net	12,526	29,753	-	42,279
Contract and other receivables	26,892	478	-	27,370
Due from Affiliates	30,817	-	-	30,817
Due from State of Connecticut	8,676	-	-	8,676
Due from Primary Institution	-	12,789	(12,789)	-
Due from Department of Correction	7,634	-	-	7,634
Inventories	2,484	7,091	-	9,575
Due from third party payors	-	-	-	-
Prepaid expenses	3,418	3,045	-	6,463
Total current assets	<u>193,176</u>	<u>53,156</u>	<u>(15,871)</u>	<u>230,461</u>
Noncurrent Assets				
Restricted cash and cash equivalents	5,999	-	-	5,999
Other assets	160	613	-	773
Assets limited as to use	5,258	-	-	5,258
Due from State of Connecticut	403	-	-	403
Capital assets, net	<u>222,401</u>	<u>54,712</u>	<u>-</u>	<u>277,113</u>
Total noncurrent assets	<u>234,221</u>	<u>55,325</u>	<u>-</u>	<u>289,546</u>
Total assets	<u>\$ 427,397</u>	<u>\$ 108,481</u>	<u>\$ (15,871)</u>	<u>\$ 520,007</u>
LIABILITIES				
Current Liabilities				
Cash overdraft	\$ -	\$ 3,082	\$ (3,082)	\$ -
Accounts payable and accrued liabilities	23,217	11,160	-	34,377
Due to State of Connecticut	1,956	2,888	-	4,844
Accrued salaries	22,650	6,507	-	29,157
Compensated absences	11,812	5,005	-	16,817
Due to John Dempsey Hospital	12,789	-	(12,789)	-
Due to third party payors	-	2,833	-	2,833
Deferred revenue	9,599	-	-	9,599
Malpractice reserve	5,900	-	-	5,900
Long-term debt - current portion	<u>11,461</u>	<u>2,062</u>	<u>-</u>	<u>13,523</u>
Total current liabilities	<u>99,384</u>	<u>33,537</u>	<u>(15,871)</u>	<u>117,050</u>
Noncurrent Liabilities				
Malpractice reserve	12,415	-	-	12,415
Compensated absences	16,997	7,203	-	24,200
Long-term debt	<u>18,169</u>	<u>2,332</u>	<u>-</u>	<u>20,501</u>
Total noncurrent liabilities	<u>47,581</u>	<u>9,535</u>	<u>-</u>	<u>57,116</u>
Total liabilities	<u>\$ 146,965</u>	<u>\$ 43,072</u>	<u>\$ (15,871)</u>	<u>\$ 174,166</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 192,771	\$ 50,318	\$ -	\$ 243,089
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	4,211	148	-	4,359
Loans	1,864	-	-	1,864
Capital projects	30,649	-	-	30,649
Unrestricted	<u>50,877</u>	<u>14,942</u>	<u>-</u>	<u>65,819</u>
Total net assets	<u>\$ 280,433</u>	<u>\$ 65,408</u>	<u>\$ -</u>	<u>\$ 345,841</u>

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
ASSETS
For the Year Ended June 30, 2011

(\$ in thousands)	2011				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 13,095	\$ -	\$ 13,095	\$ -	\$ 13,095
Patient services, net	169,259	264,333	433,592	(11,498)	422,094
Federal grants and contracts	60,127	-	60,127	-	60,127
Nonfederal grants and contracts	25,885	-	25,885	-	25,885
Contract and other operating revenues	91,119	1,955	93,074	(21,380)	71,694
Total operating revenues	<u>359,485</u>	<u>266,288</u>	<u>625,773</u>	<u>(32,878)</u>	<u>592,895</u>
OPERATING EXPENSES					
Educational and General					
Instruction	146,095	-	146,095	(16,302)	129,793
Research	58,892	-	58,892	-	58,892
Patient services	235,944	273,420	509,364	(16,576)	492,788
Academic support	16,355	-	16,355	-	16,355
Institutional support	58,421	-	58,421	-	58,421
Operations and maintenance of plant	27,653	-	27,653	-	27,653
Depreciation	20,776	9,299	30,075	-	30,075
Loss on disposal	282	200	482	-	482
Student aid	416	-	416	-	416
Total operating expenses	<u>564,834</u>	<u>282,919</u>	<u>847,753</u>	<u>(32,878)</u>	<u>814,875</u>
Operating loss	<u>(205,349)</u>	<u>(16,631)</u>	<u>(221,980)</u>	<u>-</u>	<u>(221,980)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	211,768	13,500	225,268	-	225,268
Transfers to State	(10,807)	-	(10,807)	-	(10,807)
Gifts	2,051	503	2,554	-	2,554
Hospital transfer	(5,407)	5,407	-	-	-
Investment income, net	134	-	134	-	134
Interest on capital asset - related debt	(1,420)	(150)	(1,570)	-	(1,570)
Net nonoperating revenues	<u>196,319</u>	<u>19,260</u>	<u>215,579</u>	<u>-</u>	<u>215,579</u>
Loss before other revenues, expenses, gains or losses	<u>(9,030)</u>	<u>2,629</u>	<u>(6,401)</u>	<u>-</u>	<u>(6,401)</u>
Capital appropriations	170	-	170	-	170
Total other revenues	<u>170</u>	<u>-</u>	<u>170</u>	<u>-</u>	<u>170</u>
(Decrease)/Increase in net assets	<u>(8,860)</u>	<u>2,629</u>	<u>(6,231)</u>	<u>-</u>	<u>(6,231)</u>
NET ASSETS					
Net assets-beginning of year	280,432	65,409	345,841	-	345,841
Net assets-end of year	<u>\$ 271,572</u>	<u>\$ 68,038</u>	<u>\$ 339,610</u>	<u>\$ -</u>	<u>\$ 339,610</u>

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
ASSETS
For the Year Ended June 30, 2010

(\$ in thousands)	2010				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 12,163	\$ -	\$ 12,163	\$ -	\$ 12,163
Patient services, net	171,501	246,156	417,657	(11,996)	405,661
Federal grants and contracts	59,357	-	59,357	-	59,357
Nonfederal grants and contracts	28,673	-	28,673	-	28,673
Contract and other operating revenues	80,627	1,082	81,709	(17,119)	64,590
Total operating revenues	<u>352,321</u>	<u>247,238</u>	<u>599,559</u>	<u>(29,115)</u>	<u>570,444</u>
OPERATING EXPENSES					
Educational and General					
Instruction	141,567	-	141,567	(15,361)	126,206
Research	59,967	-	59,967	-	59,967
Patient services	222,152	260,942	483,094	(13,754)	469,340
Academic support	14,469	-	14,469	-	14,469
Institutional support	55,730	-	55,730	-	55,730
Operations and maintenance of plant	26,335	-	26,335	-	26,335
Depreciation	18,310	10,571	28,881	-	28,881
Loss on disposal	24	14	38	-	38
Student aid	480	-	480	-	480
Total operating expenses	<u>539,034</u>	<u>271,527</u>	<u>810,561</u>	<u>(29,115)</u>	<u>781,446</u>
Operating loss	<u>(186,713)</u>	<u>(24,289)</u>	<u>(211,002)</u>	<u>-</u>	<u>(211,002)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	204,984	13,500	218,484	-	218,484
Transfers to State	(10,000)	-	(10,000)	-	(10,000)
Gifts	3,098	848	3,946	-	3,946
Hospital transfer	(19,515)	19,515	-	-	-
Investment income, net	113	50	163	-	163
Interest on capital asset - related debt	(2,089)	(275)	(2,364)	-	(2,364)
Net nonoperating revenues	<u>176,591</u>	<u>33,638</u>	<u>210,229</u>	<u>-</u>	<u>210,229</u>
Loss before other revenues, expenses, gains or losses	<u>(10,122)</u>	<u>9,349</u>	<u>(773)</u>	<u>-</u>	<u>(773)</u>
Capital appropriations	<u>35,610</u>	<u>-</u>	<u>35,610</u>	<u>-</u>	<u>35,610</u>
Total other revenues	<u>35,610</u>	<u>-</u>	<u>35,610</u>	<u>-</u>	<u>35,610</u>
Increase (decrease) in net assets	<u>25,488</u>	<u>9,349</u>	<u>34,837</u>	<u>-</u>	<u>34,837</u>
NET ASSETS					
Net assets-beginning of year	<u>254,944</u>	<u>56,060</u>	<u>311,004</u>	<u>-</u>	<u>311,004</u>
Net assets-end of year	<u>\$ 280,432</u>	<u>\$ 65,409</u>	<u>\$ 345,841</u>	<u>\$ -</u>	<u>\$ 345,841</u>

DIRECTORS AND FINANCIAL OFFICERS
June 30, 2011

BOARD OF DIRECTORS

Members at Large

Richard Barry	<i>Avon</i>
Mark Bertolini	<i>Avon</i>
Andy F. Bessette	<i>Orono, MN</i>
Francisco Borges	<i>Farmington</i>
Cheryl Chase	<i>Hartford</i>
Sanford Cloud Jr.	<i>Farmington</i>
John Droney	<i>Farmington</i>
Robert T. Samuels	<i>W. Hartford</i>
Tim Holt	<i>Glastonbury</i>

Appointed by the Governor

Karen Christiana	<i>West Hartford</i>
Kathleen Woods	<i>Avon</i>
Teresa Ressel	<i>Stamford</i>

Members Ex Officio

Philip Austin	<i>Storrs</i>
Robert Dakers	<i>Glastonbury</i>

Appointed by Chairperson, Board of Trustees

Gerald N. Burrow, Chairperson	<i>Hamden</i>
Lenworth M. Jacobs, MD	<i>Hartford</i>
Wayne Shepperd	<i>Danbury</i>

FINANCIAL OFFICERS

Richard Gray, Vice President and Chief Financial Officer
John Biancamano, Chief Financial Officer
Jeffrey P. Geoghegan, Controller

TRUSTEES
As of June 30, 2011

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*

APPOINTED BY THE GOVERNOR

Lawrence D. McHugh, *Chairman* *Middletown*
Louise M. Bailey, *Secretary* *West Hartford*
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Peter S. Drotch *Framingham, MA*
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Wayne J. Shepperd *Danbury*
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The Honorable George A. Coleman
Commissioner of Education
Member ex officio *Hartford*

Gerard N. Burrow, M.D.
Chair, Health Center Board of Directors
Member ex officio *Hamden*

ELECTED BY THE STUDENTS

Corey M. Schmitt *Storrs*
Adam Scianna *Norwalk*

ELECTED BY THE ALUMNI

Francis X. Archambault, Jr. *Storrs*
Andrea Dennis-LaVigne, D.V.M. *Simsbury*

