



# University of Connecticut Health Center

Financial Report  
For the Year Ended June 30, 2013

## **Message from the Executive Vice President for Administration 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 5,000 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 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.) The Health Center campus includes 23 buildings totaling close to 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, approximately 370 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. In the years since the

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Health Center graduated its first students in 1972, 1,491 men and women have received the D.M.D. degree; 3,136 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 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 27 such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of ten. 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 \$89.1 million in FY 13.

**Health Care Services**

Through John Dempsey Hospital (234 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, 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  
Executive Vice President for Administration &  
Chief Financial Officer  
University of Connecticut



Jeffrey P. Geoghegan  
Interim Chief Financial Officer

University of Connecticut Health Center

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## STATE OF CONNECTICUT



### AUDITORS OF PUBLIC ACCOUNTS

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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 (Health Center), 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., which comprise the statement of net position as of June 30, 2013 and 2012, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

#### 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 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 17 and 18 percent of the assets of the Health Center as of June 30, 2013 and 2012, respectively and 36 and 31 percent of the revenues of the Health Center 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Health Center, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying Management Discussion and Analysis on pages 4 through 9 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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 17, 2014  
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 (Health Center) for the year ended June 30, 2013. 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 ("Hospital"). The Health Center's enrollment in fiscal year 2013 was 368 in the School of Medicine, 174 in the School of Dental Medicine, and 331 Graduate students, taught by over 500 faculty members. The Health Center in total employs approximately 5,000 FTE's. John Dempsey Hospital (JDH) has 184 staffed acute care beds. In fiscal year 2013, adjusted patient days (a measure of total hospital volume) were 98,000, a decrease of 1.1% over comparable prior year adjusted patient days. During 2013, UConn Medical Group (UMG) had over 543,000 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, 2013, 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.

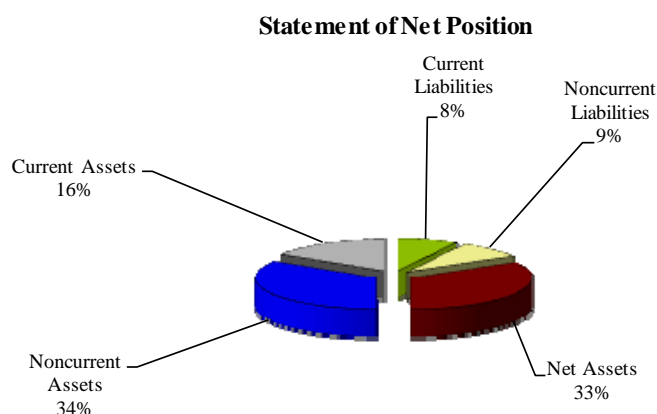


## OVERVIEW OF THE FINANCIAL STATEMENTS

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 the Health Center at June 30, 2013, 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 statements of net position include all of the Health Center'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 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, 2013, consisted of assets of \$597.8 million and liabilities of \$200.1 million. Net assets, which represent the residual interest in the Health Center's assets after liabilities are deducted, decreased \$5.4 million during fiscal year 2013 to \$397.7 million.



The decrease in net assets is attributable to operating losses and charges for losses on disposal associated with the revitalization of the Health Center campus in association with Bioscience Connecticut initiatives.

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, 2013, 2012, and 2011 as follows:

	(in millions)		
	2013	2012	2011
Total operating revenue	\$ 636.7	\$ 621.6	\$ 592.9
Total operating expenses	864.2	831.4	814.9
Operating (loss)	<u>(227.5)</u>	<u>(209.8)</u>	<u>(222.0)</u>
Other changes in net assets	222.1	273.3	215.8
(Decrease)/Increase in net assets	<u>\$ (5.4)</u>	<u>\$ 63.5</u>	<u>\$ (6.2)</u>

The financial statements contained herein show an operating loss of \$227.5 million for the year ending June 30, 2013 (fiscal year 2013). 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, 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 and losses on disposals of \$7.4 million in fiscal year 2013.

Some sources of recurring operating and nonoperating revenues increased in 2013, including tuition and fees revenue, patient service revenues and contract revenues. These categories are expected to have slight increases in 2014. State support, not including state funded capital appropriations, increased 5.1% in fiscal 2013. 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 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, 2013, 2012, and 2011 is as follows:

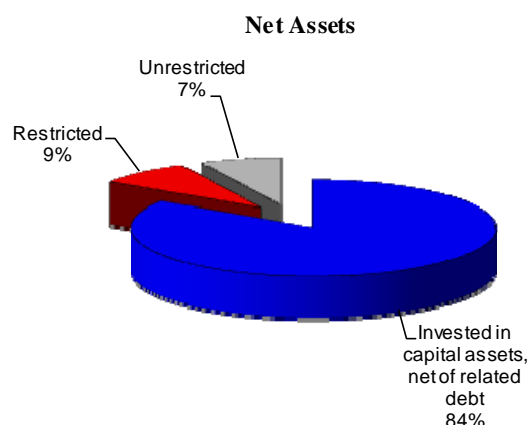
	(in millions)		
	2013	2012	2011
Current assets	\$ 193.2	\$ 237.1	\$ 207.6
Noncurrent assets:			
Capital assets, net	397.9	320.1	298.3
Other	6.7	4.8	8.7
Total assets	<u>597.8</u>	<u>562.0</u>	<u>514.6</u>
Current liabilities	94.0	99.1	113.5
Noncurrent liabilities	106.1	59.8	61.5
Total liabilities	<u>200.1</u>	<u>158.9</u>	<u>175.0</u>
Net assets	<u>\$ 397.7</u>	<u>\$ 403.1</u>	<u>\$ 339.6</u>

The total assets of the Health Center increased by \$35.8 million, or 6.4%, over the prior year. The increase was primarily attributable to increases in Property, Plant, and Equipment which are the result of continued capital expansion at the Health Center and includes \$37.7 million of construction in progress for UCHC's new Ambulatory Care Center.

Total liabilities increased by \$41.2 million or 25.9% from 2012. The primary driver of the increase was the addition of \$46.6 million in long term debt associated with the construction of the Ambulatory Care Center. This increase was offset by normal operational changes to the statements of net position including decreases of \$4.2 million in Deferred Revenue and \$4 million in amounts Due to Third Party Payors.

**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 \$397.7 million at June 30, 2013.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The statements of revenues, expenses and changes in net position present 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, 2013, 2012 and 2011 are as follows:

	(in millions)		
	2013	2012	2011
Operating revenues			
Patient Services	\$ 432.0	\$ 429.5	\$ 422.1
Grants and Contracts	88.2	84.6	86.0
Other	116.5	107.5	84.8
Total operating revenue	<u>636.7</u>	<u>621.6</u>	<u>592.9</u>
Operating expenses			
Patient services	522.8	506.7	492.8
Instruction	141.2	129.2	129.8
Other	200.2	195.5	192.3
Total operating expenses	<u>864.2</u>	<u>831.4</u>	<u>814.9</u>
Operating (loss)	(227.5)	(209.8)	(222.0)
Net nonoperating revenues	220.1	210.8	215.6
Other Changes in Net Assets	2.0	62.5	0.2
Inc/(Dec) in net assets	<u>\$ (5.4)</u>	<u>\$ 63.5</u>	<u>\$ (6.2)</u>

Revenue highlights for the year ending June 30, 2013, 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 \$2.5 million or .6% over prior year. Prior to eliminations the increase for John Dempsey Hospital was \$7.9 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 revenues remained flat year over year. The Correctional Managed Health Care program revenues declined by \$9.2 million compared to prior year. This decline reflects

continued decreases in operational costs of the program. 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 \$213.4 million. This represents a 5.1% 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 the Health Center; it accounts for 60.5% of total operating expenses. It increased to \$522.8 million or 3.2% over the prior year. The increase is attributable to increases in patient volume and related increases in salary and fringe costs for John Dempsey Hospital.

## 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, 2013, 2012, and 2011 is as follows:

	(in millions)		
	2013	2012	2011
Cash received from operations	\$ 591.1	\$ 583.9	\$ 604.8
Cash expended for operations	(716.1)	(683.0)	(692.4)
Net cash used in operating activities	(125.0)	(99.1)	(87.6)
Net cash (used) provided by investing activities	(0.5)	0.8	1.0
Net cash provided by noncapital financing activities	130.0	117.1	135.2
Net cash used in capital and related financing activities	(42.7)	(33.7)	(52.5)
Net (decrease)/increase in cash and cash equivalents	(38.2)	(14.9)	(3.9)
Cash and cash equivalents, beginning of the year	84.8	99.7	103.6
Cash and cash equivalents, end of the year	\$ 46.6	\$ 84.8	\$ 99.7

## CAPITAL AND DEBT ACTIVITIES

During fiscal year 2013 the Health Center 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 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 fiscal year 2013 and therefore no associated revenue was recorded. During fiscal year 2012, the Health Center received \$62.5 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.

At June 30, 2013, the Health Center had plant and equipment, net of accumulated depreciation, of \$397.9 million. The Health Center's fiscal 2014 capital budget allows for spending of approximately \$175.6 million, including spending projections of \$151 million from projects funded through UCONN 2000 Bond Funds, and \$24.6 million from other Health Center sources.

During fiscal year 2013, the Health Center entered into a mortgage agreement with Teachers Insurance and Annuity Association (TIAA) to provide \$203 million for the construction of the Ambulatory Care Center (ACC). The project, expected to be completed in April of 2015, will provide new clinical space. During Fiscal 2014, the Health Center will

have an additional \$115 million available for the construction of the ACC. This amount is not included in the figures above.

The Health Center also continued to make payments on existing debt during the year. John Dempsey Hospital completed payback on its outstanding capital leases while the Finance Corporation continued payment on the Medical Arts and Research Building. 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 2014 OUTLOOK**

As we look forward to fiscal year 2014, the Health Center'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 the Health Center's mission – research, education and clinical care. These investments would use the Health Center 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 the Health Center'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 the UConn Health Center's future as a top tier academic medical center.

Construction components of Bioscience Connecticut on the Health Center campus include:

- Renovating and modernizing, for the first time in its history, the Health Center's original research facilities on the Farmington campus. This will include expanding space for startup bioscience businesses.
- Constructing a new patient care tower.
- Renovating the John Dempsey Hospital.
- Constructing, with private financing, a new ambulatory care center on the lower campus.

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 immediate short-term goals of the initiative are already being realized – construction on the Health Center campus is well underway. The projects are proceeding on time and on budget. The first of 3 new parking garages opened in May, and the Ambulatory Care Center (ACC) Project, the Hospital Tower and the Jackson Laboratory Building are all very active construction sites. Also, Jackson Laboratory researchers are on site working in leased space on the Health Center campus.

## **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 POSITION**  
**As of June 30, 2013 and 2012**

(\$ in thousands)	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 46,236	\$ 84,404
Patient receivables, net	47,513	41,110
Contract and other receivables	38,048	33,744
Construction escrow account	21,859	-
Due from Affiliates	3,938	48,300
Due from State of Connecticut	5,262	5,126
Due from Department of Correction	12,636	9,591
Inventories	10,478	10,040
Prepaid expenses	7,192	4,754
Total current assets	<u>193,162</u>	<u>237,069</u>
Noncurrent Assets		
Restricted cash and cash equivalents	400	384
Other assets	1,297	615
Assets limited as to use	-	3,643
Due from State of Connecticut	5,032	158
Capital assets, net	<u>397,903</u>	<u>320,137</u>
Total noncurrent assets	<u>404,632</u>	<u>324,937</u>
Total assets	<u>\$ 597,794</u>	<u>\$ 562,006</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 39,417	\$ 36,054
Due to State of Connecticut	4,280	5,183
Accrued salaries	19,285	17,945
Compensated absences	20,161	19,758
Due to third party payors	2,714	6,741
Deferred revenue	4,705	8,887
Malpractice reserve	2,451	2,742
Long-term debt - current portion	<u>1,007</u>	<u>1,833</u>
Total current liabilities	<u>94,020</u>	<u>99,143</u>
Noncurrent Liabilities		
Malpractice reserve	17,438	17,215
Compensated absences	26,725	26,191
Long-term debt	<u>61,881</u>	<u>16,335</u>
Total noncurrent liabilities	<u>106,044</u>	<u>59,741</u>
Total liabilities	<u>\$ 200,064</u>	<u>\$ 158,884</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	\$ 335,015	\$ 301,969
Restricted for		
Nonexpendable		
Scholarships	61	61
Expendable		
Research	1,982	3,436
Loans	794	1,081
Capital projects	30,829	48,458
Unrestricted	<u>29,049</u>	<u>48,117</u>
Total net assets	<u>\$ 397,730</u>	<u>\$ 403,122</u>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2013 and 2012**

(\$ in thousands)	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$5,039 and \$4,648, respectively)	\$ 13,812	\$ 13,746
Patient services (net of charity care of \$801 and \$543, respectively)	432,032	429,546
Federal grants and contracts	60,651	56,904
Nonfederal grants and contracts	27,593	27,690
Contract and other operating revenues	102,574	93,730
Total operating revenues	<u>636,662</u>	<u>621,616</u>
<b>OPERATING EXPENSES</b>		
Educational and General		
Instruction	141,182	129,217
Research	60,918	63,080
Patient services	522,825	506,720
Academic support	20,011	20,200
Institutional support	53,114	53,059
Operations and maintenance of plant	33,606	28,031
Depreciation	32,365	30,875
Student aid	136	165
Total operating expenses	<u>864,157</u>	<u>831,347</u>
Operating loss	<u>(227,495)</u>	<u>(209,731)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	213,371	202,997
Transfer from/(to) State and outside programs	-	1,312
Gifts	7,658	7,435
Investment income (net of investment expense of \$98 and \$16, respectively)	124	101
Interest on capital asset - related debt	(1,072)	(1,095)
Net nonoperating revenues	<u>220,081</u>	<u>210,750</u>
Loss before other revenues, expenses, gains or losses	<u>(7,414)</u>	<u>1,019</u>
<b>OTHER CHANGES IN NET ASSETS</b>		
Capital appropriations	5,000	62,500
Loss on Disposal	(2,978)	(7)
Net Other Changes in Net Assets	<u>2,022</u>	<u>62,493</u>
(Decrease)/Increase in net assets	<u>(5,392)</u>	<u>63,512</u>
<b>NET ASSETS</b>		
Net assets-beginning of year	403,122	339,610
Net assets-end of year	<u>\$ 397,730</u>	<u>\$ 403,122</u>

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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
(\$ in thousands)		
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 418,557	\$ 426,761
Cash received from tuition and fees	13,770	13,718
Cash received from grants, contracts and other revenue	158,799	143,438
Cash paid to employees for personal services and fringe benefits	(454,175)	(435,051)
Cash paid for other than personal services	<u>(261,942)</u>	<u>(247,981)</u>
Net cash used in operating activities	<u>(124,991)</u>	<u>(99,115)</u>
Cash flows from investing activities:		
Net change in malpractice, advances and bond trust funds	(578)	727
Interest received	<u>118</u>	<u>101</u>
Net cash (used)/provided by investing activities	<u>(460)</u>	<u>828</u>
Cash flows from noncapital financing activities:		
State appropriations	122,309	109,670
Gifts	<u>7,658</u>	<u>7,435</u>
Net cash provided by noncapital financing activities	<u>129,967</u>	<u>117,105</u>
Cash flows from capital and related financing activities:		
Additions to property and equipment	(108,946)	(52,726)
Transfer from/(to) State and outside programs	—	1,312
Capital appropriations	44,488	21,055
Interest paid	(1,072)	(1,095)
Net repayment, proceeds from long-term debt	<u>22,862</u>	<u>(2,261)</u>
Net cash used in capital and related financing activities	<u>(42,668)</u>	<u>(33,715)</u>
Net (decrease) in cash and cash equivalents	(38,152)	(14,897)
Cash and cash equivalents at beginning of year	<u>84,788</u>	<u>99,685</u>
Cash and cash equivalents at end of year	<u><u>\$ 46,636</u></u>	<u><u>\$ 84,788</u></u>

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, 2013 and 2012**

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

(\$ in thousands)	<u>2013</u>	<u>2012</u>
Operating loss	\$ (227,495)	\$ (209,731)
Adjustments to reconcile operating income to net cash		
Used in operating activities:		
Depreciation	32,365	30,875
Personal services and fringe benefits In Kind from State	90,994	93,875
Changes in assets and liabilities:		
Patients receivables, net	(6,403)	1,550
Contract and other receivables	(4,305)	(7,921)
Due from DOC	(3,045)	(1,659)
Inventories	(438)	10
Third party payors	(4,027)	(2,675)
Prepaid expenses	(2,438)	3,928
Other assets	(683)	24
Accounts payable and accrued liabilities	2,625	5,498
Due to State of Connecticut	(168)	3,565
Accrued salaries	1,340	(14,882)
Compensated absences	937	2,138
Deferred revenue	(4,182)	(3,228)
Malpractice reserve	(68)	(482)
Net cash used in operating activities	\$ <u>(124,991)</u>	\$ <u>(99,115)</u>

Schedule of Non-Cash Financing Transactions

Mortgage Proceeds held by Trustee in construction escrow		
account	21,859	—
Accruals of Expenses related to Construction in Progress	4,162	—

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, 2013 and 2012

### 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, 2013 and 2012, 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 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. 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.

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, the Health Center’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 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, Loss on disposal of property, plant, and equipment, 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.

#### **Construction Escrow Account:**

Funds related to the financing of the Ambulatory Care Center are placed into the Construction Escrow account upon advancement from the lender. The Health Center 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 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 in conjunction with 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. 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 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, 2013, and 2012, 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 2012 financial statements have been reclassified to conform to the 2013 presentation including the reclassification of approximately \$3 million of net assets from Restricted Expendable Capital Projects to Unrestricted.

## **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 \$46,635,663 and \$84,788,149, as of June 30, 2013 and 2012, respectively and included the following:

	<b>2013</b>	<b>2012</b>
Cash maintained by State of Connecticut Treasurer	\$ (4,596,197)	\$ 38,135,011
Invested in State of Connecticut Short-Term Investment Fund	45,994,572	43,651,644
Deposits with Financial Institutions and Other	5,235,788	2,999,994
Currency (Change Funds)	1,500	1,500
Total cash and cash equivalents	46,635,663	84,788,149
Less: current balance	46,235,645	84,403,920
Total noncurrent balance	\$ 400,018	\$ 384,229

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, 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.

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 \$45,994,572 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 2013.

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 \$2,547,020 and \$2,542,979 as of June 30, 2013 and 2012, 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, 2013 and 2012 was \$3,959 and \$4,058, 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 2013 and 2012, the Hospital provided charity care services of \$801,071 and \$543,109, respectively. The cost basis of these services was \$415,547 and \$279,796, 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:

	<b>2013</b>	<b>2012</b>
John Dempsey Hospital		
Gross patient services revenue	\$ 581,954,466	\$ 547,510,368
Less allowances	297,190,471	268,524,698
Less bad debts	<u>3,351,113</u>	<u>5,464,999</u>
Net patient service revenue	281,412,882	273,520,671
UConn Medical Group		
Gross patient services revenue	197,450,559	187,975,136
Less allowances	125,016,081	115,756,890
Less bad debts	<u>1,392,507</u>	<u>1,425,903</u>
Net patient service revenue	71,041,971	70,792,343
Correctional Managed Health Care	81,255,195	90,406,437
All other	<u>3,809,858</u>	<u>4,576,470</u>
Total net patient service revenue per business unit	437,519,906	439,295,921
Eliminations	<u>(5,488,085)</u>	<u>(9,749,569)</u>
Total net patient service revenue	\$ <u><u>432,031,821</u></u>	\$ <u><u>429,546,352</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, 2013 and 2012 consisted of the following:

	<b>2013</b>	<b>2012</b>
Land	\$ 13,537,051	\$ 12,270,408
Construction in Progress	163,646,123	79,295,845
Buildings	408,394,523	404,291,062
Equipment	262,934,503	262,492,649
Capital leases	<u>13,776,275</u>	<u>13,776,275</u>
	862,288,475	772,126,239
Less accumulated depreciation	<u>464,385,265</u>	<u>451,989,058</u>
Capital assets, net	\$ <u><u>397,903,210</u></u>	\$ <u><u>320,137,181</u></u>

The Health Center's fine art collection is capitalized on the statements of net position. This collection is included in equipment in the Primary Institution and totaled \$812,272 and \$786,677 at June 30, 2013 and 2012, respectively. Plant and equipment activity and related information on accumulated depreciation for the Health Center for the years ended June 30, 2013 and 2012 was as follows:

	<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	79,295,845	102,538,310	(18,188,032)	163,646,123
Buildings	393,665,822	12,515,173	(8,411,712)	397,769,283
Improvements other than buildings	10,625,240	-	-	10,625,240
Equipment	262,492,649	14,976,631	(14,534,777)	262,934,503
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	235,677,855	11,266,071	(6,450,442)	240,493,484
Improvements other than buildings	7,518,391	353,253	-	7,871,644
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	79,295,845	102,538,310	(18,188,032)	163,646,123
Buildings	157,987,967	1,249,102	(1,961,270)	157,275,799
Improvements other than buildings	3,106,849	(353,253)	-	2,753,596
Equipment	66,506,535	(5,340,775)	(1,016,391)	60,149,369
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>

	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>
<u>Property and equipment:</u>				
Land	\$ 12,270,408	\$ -	\$ -	\$ 12,270,408
Construction in Progress	50,888,685	30,070,578	(1,663,418)	79,295,845
Buildings	393,697,460	15,263	(46,901)	393,665,822
Improvements other than buildings	10,625,235	5	-	10,625,240
Equipment	238,320,143	24,350,428	(177,922)	262,492,649
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	<u>719,578,206</u>	<u>54,436,274</u>	<u>(1,888,241)</u>	<u>772,126,239</u>
<u>Less accumulated depreciation:</u>				
Buildings	223,880,473	11,797,382	-	235,677,855
Improvements other than buildings	7,470,313	48,078	-	7,518,391
Equipment	177,566,715	18,590,169	(170,770)	195,986,114
Capital leases	12,367,644	439,054	-	12,806,698
Total accumulated depreciation	<u>421,285,145</u>	<u>30,874,683</u>	<u>(170,770)</u>	<u>451,989,058</u>
<u>Net property and equipment:</u>				
Land	12,270,408	-	-	12,270,408
Construction in Progress	50,888,685	30,070,578	(1,663,418)	79,295,845
Buildings	169,816,987	(11,782,119)	(46,901)	157,987,967
Improvements other than buildings	3,154,922	(48,073)	-	3,106,849
Equipment	60,753,428	5,760,259	(7,152)	66,506,535
Capital leases	1,408,631	(439,054)	-	969,577
Total capital assets, net	<u>\$ 298,293,061</u>	<u>\$ 23,561,591</u>	<u>\$ (1,717,471)</u>	<u>\$ 320,137,181</u>

Construction in progress at June 30, 2013 and 2012, 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. Additional information is presented in footnote 13.

## 7. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2013 and 2012 was as follows:

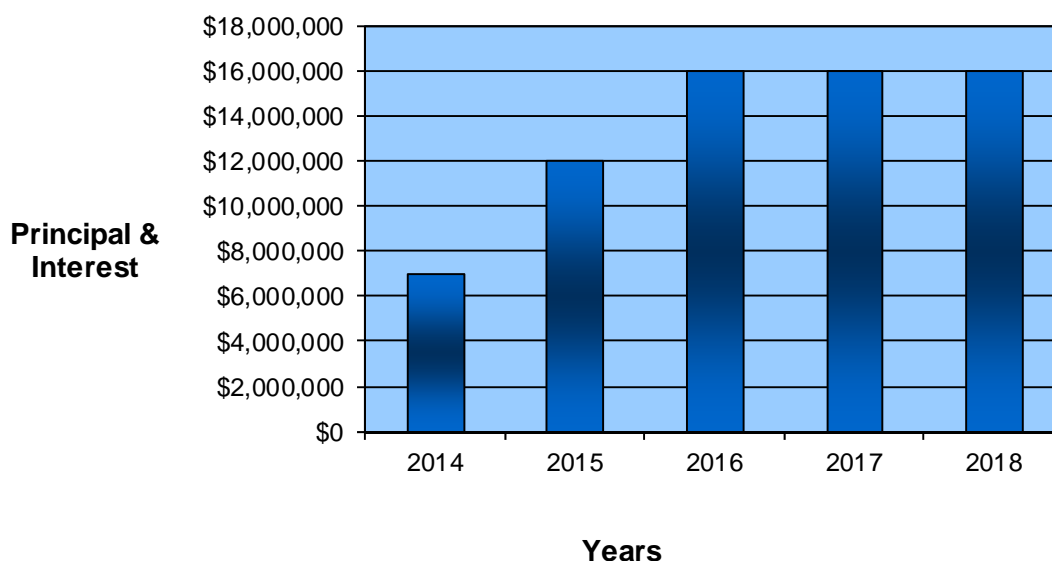
	June 30, 2012			June 30, 2013		Amounts due
	Balance	Additions	Reductions	Balance		within 1 year
<b>Long-Term debt:</b>						
Loans payable John Dempsey Hospital	\$ 415,197	-	415,197	-	\$	-
Lease Agreements John Dempsey Hospital	471,883	-	471,883	-		-
Mortgage Agreements Primary Institution	17,280,908	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
<b>Malpractice reserve</b>	19,957,000	4,130,192	4,198,192	19,889,000		2,451,000
<b>Compensated absences</b>	45,948,872	26,090,506	25,153,211	46,886,167		20,161,052
<b>Total Long - Term Liabilities</b>	<b>\$ 84,073,860</b>	<b>76,774,280</b>	<b>31,184,229</b>	<b>129,663,911</b>	<b>\$</b>	<b>23,619,532</b>

	June 30, 2011			June 30, 2012		Amounts due
	Balance	Additions	Reductions	Balance		within 1 year
<b>Long-Term debt:</b>						
Loans payable John Dempsey Hospital	\$ 1,245,593	-	830,396	415,197	\$	415,197
Lease Agreements John Dempsey Hospital	1,086,614	-	614,731	471,883		471,883
Mortgage Agreements Primary Institution	18,096,845	-	815,937	17,280,908		945,746
Total Long-Term Debt	20,429,052	-	2,261,064	18,167,988		1,832,826
<b>Malpractice reserve</b>	20,439,000	51,829	533,829	19,957,000		2,742,000
<b>Compensated absences</b>	43,810,809	27,512,989	25,374,926	45,948,872		19,758,007
<b>Total Long - Term Liabilities</b>	<b>\$ 84,678,861</b>	<b>27,564,818</b>	<b>28,169,819</b>	<b>84,073,860</b>	<b>\$</b>	<b>24,332,833</b>

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

## Long-Term Debt Requirement



Year	Long-Term Debt
2014 \$	7,007,001
2015	12,044,165
2016	15,985,039
2017	15,985,039
2018	15,985,039
Thereafter	316,790,397
Totals	\$ 383,796,680

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.

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by the Health Center, the Health Center may petition the State to make up any 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, 2013, the Health Center Malpractice Trust Fund had actuarial reserves of approximately \$20 million and assets of approximately \$8.4 million.

## **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 2013, the University did not issue bonds and therefore recorded no associated revenues. In fiscal 2012, the University recorded total revenue of \$179,730,000 as State debt service commitment for principal for the 2012 Series A bonds which included \$62,500,000 to finance projects for the Health Center. The Health Center reports revenues from these bonds as Capital Appropriations. 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 (\$3,938,207 at June 30, 2013) in the Statements of Net Position.

## **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, 2013, the Health Center had individual outstanding commitments exceeding \$300,000 in amount, totaling \$71,458,409. A portion of this amount was included in the June 30, 2013 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 \$49,342,192 during the 2013-2014 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 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 2029. Expenses related to these leases were \$3,653,000 and \$3,759,000 for the years ended June 30, 2013 and 2012, respectively. Future minimum rental payments at June 30, 2013 under non-cancelable operating leases are approximately as follows:

<b>Year</b>	<b>Payments</b>
2014 \$	3,700,951
2015	3,809,606
2016	3,479,739
2017	3,363,938
2018	3,126,928
Thereafter	<u>17,994,771</u>
Total	\$ <u><u>35,475,933</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 of the Foundation. The following transactions occurred between the Health Center and the Foundation during the year ended June 30, 2013:

Amount paid to the Foundation	\$ <u>1,498,356</u>
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Amount received from the Foundation	
for personal services and operating expenses	\$ <u>15,098</u>

Amount received from the Foundation	
from endowments and gifts	\$ <u>2,003,969</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>89,849</u>
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Funds Paid to the University of Connecticut	\$ <u>6,458,082</u>
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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, 2013, the amounts of these benefits recognized were as follows:

Amount of General Fund Appropriations from State of Connecticut	\$ <u>122,309,172</u>
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In Kind Fringe Benefits:	
Recognized through CMHC	39,439,557
Received elsewhere in Primary Institution	<u>51,622,153</u>

Total In Kind Fringe Benefits received from State of Connecticut:	\$ <u>91,061,710</u>
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Total Appropriations and In Kind benefits received from State of Connecticut	\$ <u>213,370,882</u>
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#### 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 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, 2013 and 2012, the Hospital and UMG had the following draws and availability under the State statute as follows:

	<b>2013</b>		<b>2012</b>	
	John Dempsey Hospital	UCONN Medical Group	John Dempsey Hospital	UCONN Medical Group
<b>Amount Drawn under Hypothecation</b>	\$ 12,799,970	-	\$ 6,698,130	1,023,801
<b>Remaining amounts available under Hypothecation</b>	\$ 25,903,903	7,832,376	\$ 23,543,904	8,338,357

## 16. Operating Expenses by Object

The table below details the Health Center's operating expenses by object for the years ended June 30, 2013 and 2012.

### Operating Expenses by object for the Years Ended June 30, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Salaries and Wages	\$ 403,159,063	\$ 391,890,345
Fringe Benefits	140,883,528	128,612,942
Supplies and Other Expenses	276,452,270	266,777,559
Utilities	11,297,174	13,191,697
Depreciation and Amortization	32,365,036	30,874,683
Total	<u>\$ 864,157,071</u>	<u>\$ 831,347,226</u>



# **SUPPLEMENTAL INFORMATION**

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**CONSOLIDATING STATEMENT OF NET POSITION**  
**As of June 30, 2013**

(\$ in thousands)	2013			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 59,036	\$ -	\$ (12,800)	\$ 46,236
Patient receivables, net	10,495	37,018	-	47,513
Contract and other receivables	32,061	5,987	-	38,048
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>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	400	-	-	400
Other assets	697	600	-	1,297
Assets limited as to use	-	-	-	-
Due from State of Connecticut	5,032	-	-	5,032
Capital assets, net	<u>342,113</u>	<u>55,790</u>	<u>-</u>	<u>397,903</u>
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>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
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
Deferred revenue	4,705	-	-	4,705
Malpractice reserve	2,451	-	-	2,451
Long-term debt - current portion	<u>1,007</u>	<u>-</u>	<u>-</u>	<u>1,007</u>
Total current liabilities	<u>84,291</u>	<u>39,271</u>	<u>(29,542)</u>	<u>94,020</u>
<b>Noncurrent Liabilities</b>				
Malpractice reserve	17,438	-	-	17,438
Compensated absences	18,005	8,720	-	26,725
Long-term debt	<u>61,881</u>	<u>-</u>	<u>-</u>	<u>61,881</u>
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>
<b>NET POSITION</b>				
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	<u>5,163</u>	<u>23,886</u>	<u>-</u>	<u>29,049</u>
Total net assets	<u>\$ 318,054</u>	<u>\$ 79,676</u>	<u>\$ -</u>	<u>\$ 397,730</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**CONSOLIDATING STATEMENT OF NET POSITION**  
**As of June 30, 2012**

(\$ in thousands)	2012			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 91,102	\$ -	\$ (6,698)	\$ 84,404
Patient receivables, net	9,579	31,531	-	41,110
Contract and other receivables	31,673	2,071	-	33,744
Due from Affiliates	48,300	-	-	48,300
Due from State of Connecticut	5,126	-	-	5,126
Due from Primary Institution	-	12,521	(12,521)	-
Due from Department of Correction	9,591	-	-	9,591
Inventories	2,453	7,587	-	10,040
Prepaid expenses	1,231	3,523	-	4,754
Total current assets	<u>199,055</u>	<u>57,233</u>	<u>(19,219)</u>	<u>237,069</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	384	-	-	384
Other assets	16	599	-	615
Assets limited as to use	3,643	-	-	3,643
Due from State of Connecticut	158	-	-	158
Capital assets, net	262,219	57,918	-	320,137
Total noncurrent assets	<u>266,420</u>	<u>58,517</u>	<u>-</u>	<u>324,937</u>
Total assets	<u>\$ 465,475</u>	<u>\$ 115,750</u>	<u>\$ (19,219)</u>	<u>\$ 562,006</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Cash overdraft	\$ -	\$ 6,698	\$ (6,698)	\$ -
Accounts payable and accrued liabilities	24,420	11,634	-	36,054
Due to State of Connecticut	2,449	2,734	-	5,183
Accrued salaries	13,382	4,563	-	17,945
Compensated absences	13,547	6,211	-	19,758
Due to John Dempsey Hospital	12,521	-	(12,521)	-
Due to third party payors	-	6,741	-	6,741
Deferred revenue	8,887	-	-	8,887
Malpractice reserve	2,742	-	-	2,742
Long-term debt - current portion	946	887	-	1,833
Total current liabilities	<u>78,894</u>	<u>39,468</u>	<u>(19,219)</u>	<u>99,143</u>
<b>Noncurrent Liabilities</b>				
Malpractice reserve	17,215	-	-	17,215
Compensated absences	17,950	8,241	-	26,191
Long-term debt	16,335	-	-	16,335
Total noncurrent liabilities	<u>51,500</u>	<u>8,241</u>	<u>-</u>	<u>59,741</u>
Total liabilities	<u>\$ 130,394</u>	<u>\$ 47,709</u>	<u>\$ (19,219)</u>	<u>\$ 158,884</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	\$ 244,938	\$ 57,031	\$ -	\$ 301,969
Restricted for				-
Nonexpendable				-
Scholarships	61	-	-	61
Expendable				-
Research	3,436	-	-	3,436
Loans	1,081	-	-	1,081
Capital projects	48,458	-	-	48,458
Unrestricted	37,107	11,010	-	48,117
Total net assets	<u>\$ 335,081</u>	<u>\$ 68,041</u>	<u>\$ -</u>	<u>\$ 403,122</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**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
<b>OPERATING REVENUES</b>					
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>
<b>OPERATING EXPENSES</b>					
<b>Educational and General</b>					
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>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	213,371	-	213,371	-	213,371
Transfer from/(to) State and outside programs	-	-	-	-	-
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>
<b>OTHER CHANGES IN NET ASSETS</b>					
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>
(Decrease)/Increase in net assets	<u>(17,027)</u>	<u>11,635</u>	<u>(5,392)</u>	<u>-</u>	<u>(5,392)</u>
<b>NET ASSETS</b>					
Net assets-beginning of year	<u>335,081</u>	<u>68,041</u>	<u>403,122</u>	<u>-</u>	<u>403,122</u>
Net assets-end of year	<u>\$ 318,054</u>	<u>\$ 79,676</u>	<u>\$ 397,730</u>	<u>\$ -</u>	<u>\$ 397,730</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2012**

(\$ in thousands)	2012				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
<b>OPERATING REVENUES</b>					
Student tuition and fees, net	\$ 13,718	\$ 28	\$ 13,746	\$ -	\$ 13,746
Patient services, net	165,775	273,521	439,296	(9,750)	429,546
Federal grants and contracts	56,904	-	56,904	-	56,904
Nonfederal grants and contracts	27,690	-	27,690	-	27,690
Contract and other operating revenues	102,024	15,861	117,885	(24,155)	93,730
Total operating revenues	<u>366,111</u>	<u>289,410</u>	<u>655,521</u>	<u>(33,905)</u>	<u>621,616</u>
<b>OPERATING EXPENSES</b>					
Educational and General					
Instruction	146,701	-	146,701	(17,484)	129,217
Research	63,080	-	63,080	-	63,080
Patient services	234,208	288,933	523,141	(16,421)	506,720
Academic support	20,200	-	20,200	-	20,200
Institutional support	53,059	-	53,059	-	53,059
Operations and maintenance of plant	28,031	-	28,031	-	28,031
Depreciation	21,903	8,972	30,875	-	30,875
Student aid	165	-	165	-	165
Total operating expenses	<u>567,347</u>	<u>297,905</u>	<u>865,252</u>	<u>(33,905)</u>	<u>831,347</u>
Operating loss	<u>(201,236)</u>	<u>(8,495)</u>	<u>(209,731)</u>	<u>-</u>	<u>(209,731)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	202,997	-	202,997	-	202,997
Transfer from/(to) State and outside programs	1,312	-	1,312	-	1,312
Gifts	6,935	500	7,435	-	7,435
Hospital transfer	(8,063)	8,063	-	-	-
Investment income, net	101	-	101	-	101
Interest on capital asset - related debt	(1,031)	(64)	(1,095)	-	(1,095)
Net nonoperating revenues	<u>202,251</u>	<u>8,499</u>	<u>210,750</u>	<u>-</u>	<u>210,750</u>
Loss before other revenues, expenses, gains or losses	<u>1,015</u>	<u>4</u>	<u>1,019</u>	<u>-</u>	<u>1,019</u>
<b>OTHER CHANGES IN NET ASSETS</b>					
Capital appropriations	62,500	-	62,500	-	62,500
Loss on Disposal	(7)	-	(7)	-	(7)
Net Other Changes in Net Assets	<u>62,493</u>	<u>-</u>	<u>62,493</u>	<u>-</u>	<u>62,493</u>
(Decrease)/Increase in net assets	<u>63,508</u>	<u>4</u>	<u>63,512</u>	<u>-</u>	<u>63,512</u>
<b>NET ASSETS</b>					
Net assets-beginning of year	271,573	68,037	339,610	-	339,610
Net assets-end of year	<u>\$ 335,081</u>	<u>\$ 68,041</u>	<u>\$ 403,122</u>	<u>\$ -</u>	<u>\$ 403,122</u>

## **DIRECTORS AND FINANCIAL OFFICERS**

### **June 30, 2013**

#### **BOARD OF DIRECTORS**

##### **Members at Large**

Richard Barry	<i>Avon</i>
Andy F. Bessette	<i>Orono, MN</i>
Cheryl Chase	<i>Hartford</i>
John Droney	<i>Farmington</i>
Tim Holt	<i>Glastonbury</i>
Wayne Rawlins	<i>Hartford</i>
Robert T. Samuels	<i>W. Hartford</i>
Charles Shivery	<i>Hartford</i>

##### **Appointed by the Governor**

Kathleen Woods	<i>Avon</i>
Teresa Ressel	<i>Stamford</i>

##### **Members Ex Officio**

Susan Herbst	<i>Storrs</i>
Robert Dakers	<i>Glastonbury</i>
Jewel Mullen	<i>Hartford</i>

##### **Appointed by Chairperson, Board of Trustees**

Sanford Cloud Jr, Chairperson	<i>Farmington</i>
Francis X. Archambault, Jr.	<i>Storrs</i>
Wayne Shepperd	<i>Danbury</i>

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#### **FINANCIAL OFFICERS**

Richard D. Gray, Executive Vice President for Administration and Chief Financial Officer  
Jeffrey P. Geoghegan, Interim Chief Financial Officer

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## TRUSTEES As of June 30, 2013

### 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, Health Center Board of Directors  
*Member ex officio*                      *Farmington*

#### *ELECTED BY THE ALUMNI*

Francis X. Archambault, Jr.                      *Storrs*  
Richard T. Carbray, Jr.                      *Rocky Hill*

#### *APPOINTED BY THE GOVERNOR*

Lawrence D. McHugh, *Chairman*                      *Middletown*  
Louise M. Bailey, *Secretary*                      *West Hartford*  
Peter S. Drotch                      *Framingham, MA*  
Marilda L. Gandara                      *Hartford*  
Lenworth M. Jacobs, Jr., M.D.                      *West Hartford*  
Juanita T. James                      *Stamford*  
Thomas E. Kruger                      *Stamford*  
Rebecca Lobo                      *Granby*  
Denis J. Nayden                      *Stamford*  
Thomas D. Ritter                      *Hartford*  
Wayne J. Shepperd                      *Danbury*  
Richard Treibick                      *Greenwich*

#### *ELECTED BY THE STUDENTS*

Rose A. Barham                      *Newington*  
Brien T. Buckman                      *Stamford*

