

ANNUAL REPORT
with respect to
THE UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATIONS

The following is the annual financial information and operating data with respect to the University of Connecticut (the “University” or “UConn”). This report is being filed with the Municipal Securities Rulemaking Board (the “MSRB”) via its Electronic Municipal Market Access (“EMMA”) service pursuant to the continuing disclosure agreements of the University (the “Continuing Disclosure Agreements”) entered into in connection with the issuance of UConn bonds.

This statement is limited in scope. It contains only an updating of certain financial and operating data referenced below. The information set forth herein does not contain all material information concerning the University necessary to make an informed investment decision. This statement does not constitute an offer to sell or the solicitation of an offer to buy UConn bonds. This statement is intended to provide only the information necessary to conform to the requirements of the Continuing Disclosure Agreements.

The Annual Report for the University, including financial statements and certain financial information and operating data is attached hereto. The Official Statement dated May 8, 2019, for the University of Connecticut General Obligation Bonds, Series 2019 A which has been made available to the public on EMMA is incorporated herein by reference for information that may be required to be included in this filing but which is not included in the attached information.

DATED: December 20, 2019

ANNUAL FINANCIAL INFORMATION AND OPERATING DATA
with respect to
THE UNIVERSITY OF CONNECTICUT

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ANNUAL FINANCIAL INFORMATION AND OPERATING DATA
with respect to
THE UNIVERSITY OF CONNECTICUT

The following Annual Report of the University of Connecticut (the “University” or “UConn”) is submitted to comply with its obligation under its Continuing Disclosure Agreements for general obligation bonds issued by the University.

COMPETITION AND COMPETITIVENESS

Student Admissions and Enrollment

Admissions. The University continues to be in high demand with freshmen applications for all campuses over 37,000 for the fall 2019 entering class. The University of Connecticut is rated as “highly competitive” by Barron’s Profiles of American Colleges 2019, 35th Edition. Also, the Scholastic Aptitude Test (SAT) scores for students entering the University consistently exceed the statewide and national SAT score averages.

Schedule of Freshmen Enrollment - Storrs Campus
Fall 2015 – 2019

Fall	Freshmen Applications	Percentage Change in Applications	Accepted	Enrolled	Percentage Change in Enrolled	Enrolled as a Percentage of Accepted
2015	34,978	11.8	18,598	3,774	5.2	20.3
2016	35,980	2.9	17,560	3,822	1.3	21.8
2017	34,198	(5.0)	16,360	3,683	(3.6)	22.5
2018	34,886	2.0	17,015	3,749	1.8	22.0
2019	35,096	0.6	17,346	3,603	(3.9)	20.8

Total Average SAT Scores*
Fall 2015 - 2019

Fall	Storrs Campus	Regional Campuses	Connecticut Average	National Average
2015	1233	1042	1010	1006
2016	1233	1022	1000	1002
2017**	1294	1093	1041	1060
2018	1306	1106	1041	1060
2019	1296	1113	1046	1059

*Excluding the writing component.

**For fall 2017 and forward, results are reflective of a newly designed SAT and cannot be compared to previous year’s results.

Enrollment. Undergraduate enrollment at all campuses increased from fall 2015 through 2019.

Total Enrollment Data (Head Count) ¹
Fall 2015 – 2019

	2015	2016	2017	2018	2019
Undergraduates					
Storrs	18,826	19,324	19,241	19,133	18,847
Regional Campuses	4,581	4,306	4,604	4,845	5,053
Total	23,407	23,630	23,845	23,978	23,900
Graduates/Professionals ²	7,653	7,810	7,745	7,668	7,787
UConn Health					
Medicine	396	408	411	425	444
Dental Medicine	168	179	181	186	202
Total	564	587	592	611	646
Grand Total	31,624	32,027	32,182	32,257	32,333

¹ Includes non-degree and part-time students.

² Includes masters and doctoral students at all campuses, including UConn Health, and students in the professional degree programs in Law and Pharmacy.

Percentage of Enrollment by Residence Status
Fall 2015 - 2019

Fall	Undergraduate				Graduate/Professional	
	Storrs Campus		All Campuses		All Campuses*	
	In-State	Out-of-State	In-State	Out-of-State	In-State	Out-of-State
2015	72.6	27.4	77.2	22.8	62.5	37.5
2016	72.5	27.5	76.8	23.2	61.4	38.6
2017	72.0	28.0	76.3	23.7	61.9	38.1
2018	71.5	28.5	76.2	23.8	63.2	36.8
2019	72.5	27.5	77.2	22.8	62.5	37.5

*Excludes Schools of Medicine and Dental Medicine.

Tuition and Other Fees (Storrs and Regional Campuses)

Pursuant to State law, the Board of Trustees is authorized to adopt a comprehensive schedule of tuition and other fees, which is expected to prevail during the following fiscal year.

Tuition. For the academic year 2020, students classified as full-time undergraduate residents of Connecticut will pay tuition of \$13,798. Full-time out-of-state undergraduates will pay \$36,466 per year. In the 2020 academic year, total tuition revenues are budgeted to be \$443.3 million.

Mandatory Fees. For academic year 2020, undergraduate students must pay a General University Fee of \$1,380 per year. Students also pay \$2,048 per year in other fees, of which \$580 is for student health services, \$500 is for the Student Recreation Center, \$190 is for various student-controlled organizations, \$468 is for infrastructure maintenance, \$160 is a transit fee, and \$150 is a Technology Fee. Commencing in 1998, certain fees have been pledged for the payment of debt service on the University's Special Obligation Bonds.

Other Fees. There are numerous optional fees at the University. The primary optional fees for the academic year 2020 are the room (\$7,238) and board (\$6,020) fee. Higher and lower cost meal plan options are available.

**In-State Undergraduate Tuition & Other Fees
Academic Years 2016 - 2020**

	2016	2017	2018	2019³	2020
Tuition	\$ 10,524	\$ 11,224	\$ 11,998	\$ 12,848	\$ 13,798
Room & Board ¹	12,172	12,172	12,514	12,874	13,258
General University Fee	1,914	1,914	1,914	1,334	1,380
Other Fees ²	928	928	968	1,548	2,048
Total	\$ 25,538	\$ 26,238	\$ 27,394	\$ 28,604	\$ 30,484

¹ The Board Fee reflects the cost of the Value Meal Plan. Lower and higher cost meal plan options are available.

² Other Fees includes fees collected by the University on behalf of various student-controlled organizations.

³ Beginning in 2019, the Student Health Service Fee was moved from the General University Fee category to Other Fees.

Student Financial Aid

The University provides financial aid and financial counseling. The University has a policy of admitting students without regard to financial ability to pay and a policy of providing assistance to those admitted who demonstrate need. Approximately 76% of all undergraduates are receiving some form of financial aid.

Scholarships, Grants and Work-Study. In addition to University financial aid, there are a number of state, federal and private student financial aid programs available, including the Federal Pell Grant of \$652 to \$6,095 (for Fiscal Year 2020) and the Federal Supplemental Education Opportunities Grant (SEOG) of up to \$4,000. Both are awarded annually based on need. In addition, the University offers a number of merit scholarships. The University also offers Federal Work-Study employment, which is need-based, and Student Labor employment, which is available to all students.

Loan Programs. There are several loan programs at the University. Federal Direct Subsidized Stafford Loans are based on financial need, and the Federal Direct Unsubsidized Stafford Loans are available to students who do not qualify for the Federal Direct Subsidized Stafford Loans. Additionally, there is the Federal Direct Parent Loan to Undergraduate Students (PLUS) program, and the Federal Direct Graduate PLUS loan is available to eligible graduate students.

Tuition Waivers and Graduate Assistantships. The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is required by collective bargaining agreements to waive tuition for dependents of certain employees. The foregone revenue resulting from all such waivers in the 2020 academic year is forecasted at \$72.2 million.

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**Undergraduate and Graduate Aid (excluding Tuition Waivers)
for Fiscal Years 2016 – 2020 (in millions)**

	2016	2017	2018	2019	Budget 2020
University Supported	\$ 84.5	\$ 97.4	\$ 104.0	\$ 115.0	\$ 123.1
State	14.0	9.0	8.9	9.0	9.0
Federal	27.6	28.2	31.2	35.3	34.8
Other	25.0	26.2	26.2	29.1	27.8
Total Aid in Budget	\$ 151.1	\$ 160.8	\$ 170.3	\$ 188.4	\$ 194.7
Other Aid (i.e. Loans, Private Scholarships)	218.3	223.9	216.9	222.4	231.4
Grand Total	\$ 369.4	\$ 384.7	\$ 387.2	\$ 410.8	\$ 426.1

UNIVERSITY FINANCES

Financial Statements of the University

The unaudited financial statements of the University of Connecticut and the University of Connecticut Health Center (excluding the University of Connecticut Foundation, Inc.) for the Fiscal Year ended June 30, 2019 are included as Schedule 1 and Schedule 2 herein.

Below is a five-year presentation of the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Years ended June 30, 2015, 2016, 2017, 2018 and 2019. See “UNIVERSITY OF CONNECTICUT HEALTH CENTER” below in this Annual Report for the same information for the University of Connecticut Health Center (“UConn Health”).

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Statements of Revenues, Expenses, and Changes in Net Position (\$ in thousands)

	2015	2016	2017	2018	<i>Unaudited</i> 2019
OPERATING REVENUES					
Student tuition and fees ¹	\$ 308,174	\$ 341,809	\$ 367,351	\$ 386,921	\$ 396,780
Federal grants and contracts	93,807	104,725	100,397	106,561	121,593
State and local grants and contracts	20,823	21,200	16,931	19,441	17,959
Nongovernmental grants and contracts	20,535	19,490	28,005	18,386	23,577
Sales and services of educational departments	21,028	20,543	20,325	23,708	22,710
Sales and services of auxiliary enterprises ²	201,066	210,455	209,851	210,990	211,036
Other sources	12,263	10,758	11,909	14,009	29,750
Total Operating Revenues	677,696	728,980	754,769	780,016	823,405
OPERATING EXPENSES					
Salaries and wages	542,082	557,497	556,411	569,359	569,872
Fringe benefits	271,164	287,553	349,328	338,545	417,689
Supplies and other expenses	217,413	245,871	245,357	264,456	279,602
Utilities	23,212	19,737	19,039	19,655	21,063
Depreciation and amortization	95,990	98,767	104,807	108,185	119,346
Scholarships and fellowships	10,713	12,437	11,791	8,870	11,409
Total Operating Expenses	1,160,574	1,221,862	1,286,733	1,309,070	1,418,981
Operating Loss	(482,878)	(492,882)	(531,964)	(529,054)	(595,576)
NONOPERATING REVENUES					
(EXPENSES)					
State appropriation	350,699	384,747	374,113	342,987	356,898
State debt service commitment for interest	46,635	53,092	64,757	70,740	77,333
Federal and state financial aid	35,684	38,968	34,800	37,986	42,222
Gifts	23,828	25,380	23,628	19,732	28,185
Investment income	889	1,448	2,996	6,059	11,957
Interest expense	(46,420)	(51,333)	(59,129)	(64,672)	(70,460)
Disposal of property and equipment, net	(473)	(8,486)	(1,418)	(1,524)	(2,345)
Other nonoperating revenue (expenses), net	(1,540)	(3,893)	(1,776)	(2,475)	745
Net Nonoperating Revenues	409,302	439,923	437,971	408,833	444,535
Loss Before Other Changes in Net Position	(73,576)	(52,959)	(93,993)	(120,221)	(151,041)
OTHER CHANGES IN NET POSITION					
State debt service commitment for principal	56,430	103,400	281,576	187,269	154,405
Capital allocation	131,500	-	-	-	-
Capital grants and gifts	25,412	5,071	1,388	5,099	3,907
Additions to permanent endowments	66	14	1,149	338	171
Net Other Changes in Net Position	213,408	108,485	284,113	192,706	158,483
Increase (Decrease) in Net Position	139,832	55,526	190,120	72,485	7,442
NET POSITION					
Net Position – Beginning of Year, Adjusted	857,767 ³	997,599	1,053,125	7,743 ⁴	91,418 ⁵
Net Position – End of Year	\$ 997,599	\$ 1,053,125	\$ 1,243,245	\$ 80,228	\$ 98,860

¹ Net of scholarship allowances of \$134,279, \$140,283, \$148,415, \$156,962, and \$172,581, respectively.

² Net of scholarship allowances of \$3,338, \$4,056, \$4,981, \$6,495, and \$7,827, respectively.

³ During fiscal year 2015, the University of Connecticut adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, beginning net position for the fiscal year ended June 30, 2015 was restated by \$577,593 for the cumulative effect of applying these standards.

⁴ During fiscal year 2018, the University of Connecticut adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, beginning net position for the fiscal year ended June 30, 2018 was restated by \$1,235,502 for the cumulative effect of applying this standard.

⁵ The University of Connecticut overstated compensated absences liability reported as of June 30, 2018. This amount included fringe benefit costs for defined benefit plans that were also included in net pension and net OPEB liabilities upon implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, beginning net position for the fiscal year ended June 30, 2019 was restated by \$11,190.

University Budget (Storrs and Regional Campuses)

Fiscal Year 2020 Budget. The Fiscal Year 2020 budget includes \$1,444.0 million in expenditures, net of \$19.6 million in lapses and \$1,444.0 million of revenue, yielding a balanced budget.

Fiscal Year 2020 Revenue Budget. For Fiscal Year 2020, State support is budgeted at a level of \$371.5 million (allotment \$199.4 million and fringe benefits/adjustments \$172.1 million including year-end accounting accruals), an increase of \$14.8 million or 4.1% more than the Fiscal Year 2019 amount. State support is the second largest source of revenue for the University. Tuition is the largest source of revenue (excluding waivers) and is budgeted at \$443.3 million, an increase of \$16.9 million or 4.0% over the Fiscal Year 2019 amount. Tuition revenue collections reflect a \$950 annual rate increase for in-state students and a \$1,250 annual rate increase for out-of-state students. Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off-campus MBA, EMBA, etc.). Also included in this category is the General University Fee, which supports multiple student support programs. There are various other fees included in this category such as the Student Recreation Center Fee, Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The fee collections for Fiscal Year 2020 are budgeted to be \$146.5 million, an increase of \$8.8 million or 6.4% more than the Fiscal Year 2019 amount. Auxiliary Enterprise Revenue is budgeted to be \$218.3 million, which is a decrease of \$0.6 million or 0.3% less than the Fiscal Year 2019 amount. Residence halls and rental properties, dining services and athletics generate most of the Auxiliary Enterprise Revenue. With respect to the Research Fund, the granting agency or donor restricts most of the revenues. Research Fund revenues for Fiscal Year 2020 are budgeted to be \$118.0 million, which is a \$4.2 million decrease or 3.4% less than Fiscal Year 2019.

Fiscal Year 2020 Expenditures Budget. Total Fiscal Year 2020 expenditures of \$1,444.0 million, which are net of \$19.6 million in lapses, are budgeted to increase by \$15.0 million or 1.0% from the Fiscal Year 2019 amount. Personal services expenditures are budgeted to reach \$521.7 million or \$20.5 million more than Fiscal Year 2019. Fringe benefit expenditures are budgeted to be \$318.7 million or \$32.8 million more than Fiscal Year 2019. Financial Aid expenditures are budgeted to be \$194.7 million, which is an increase of \$6.5 million or 3.5% over the Fiscal Year 2019 amount. The Fiscal Year 2020 budget requires the University to use \$19.6 million in lapses from additional salary savings from attrition and fund transfers from prior budgeted projects and other initiatives. With these actions, the budget is balanced.

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In addition to actual results of operations for Fiscal Years 2016-2019, the following schedule reflects the Fiscal Year 2020 budget.

Statement of Current Funds Operations (in millions)

	FY16	FY17	FY18	FY19	FY20
Current Funds Revenues:	Actual	Actual	Actual	Actual	Budget
Operating Fund					
State Support	\$ 384.5	\$ 374.0	\$ 343.0	\$ 356.7	\$ 371.5
Tuition (Net of Discounts)	353.4	377.5	402.7	426.4	443.3
Fees	124.3	133.5	136.1	137.7	146.5
Auxiliary Enterprise Revenue	214.5	214.8	217.5	218.9	218.3
All Other Revenues	138.7	130.6	137.5	173.6	146.4
Total Operating Fund	1,215.4	1,230.4	1,236.8	1,313.3	1,326.0
Research Fund	105.8	107.5	107.5	122.2	118.0
Total Current Funds Revenues	1,321.2	1,337.9	1,344.3	1,435.5	1,444.0
Personal Services	496.7	495.8	505.0	501.2	521.7
Fringe Benefits	239.5	241.7	259.1	285.9	318.7
Other Expenses	230.1	219.6	241.2	258.5	254.8
Equipment	21.1	17.3	29.6	23.2	25.5
Student Financial Aid	150.8	160.5	170.2	188.2	194.7
Non-mandatory/Projects	82.1	94.8	31.7	49.6	31.1
Total Operating Fund	1,220.3	1,229.7	1,236.8	1,306.6	1,346.5
Research Fund Expenditures	98.2	101.2	105.1	122.4	117.1
Total Current Funds Expenditures	1,318.5	1,330.9	1,341.9	1,429.0	1,463.6
Lapses	-	-	-	-	(19.6)
Net Gain (Loss)	\$ 2.7	\$ 7.0	\$ 2.4	\$ 6.5	\$ 0.0

Note: totals may not add due to rounding.

State Support of the University – Appropriations

The State develops a biennial budget, which includes the University appropriation request. The appropriations are applicable to each specific year and the second year’s appropriation is subject to review and adjustment. The University has historically received a substantial percentage of its operating revenue from the State General Fund Appropriation. In the Connecticut State system of higher education, the University of Connecticut receives more State support than any other State institution of higher education. The annual State appropriation the University receives is in the form of a block grant and is allotted quarterly. The University has independent authority to purchase goods and services; hire, fire and promote administrators, faculty and staff; and plan, design and construct capital projects. Public Act 19-117 appropriated \$200.4 million to the University for Fiscal Year 2020. The Fiscal Year 2020 appropriation has since been reduced by the State by \$1.0 million for allocable bottom line savings for the State budget. This reduction results in a forecasted allotment of \$199.4 million for fiscal year 2020.

No assurance can be made that the State will not change the 2020 Fiscal Year funding prior to the end of such Fiscal Year. Any State funding cuts are expected to be managed by the University through reduced hiring, reduced operating costs, fewer projects, and other deficit mitigation efforts.

**Schedule of State Operating Support and Fringe Benefits to the University
for Fiscal Years 2016 – 2020 (in millions)**

Fiscal Year	Operating Appropriations¹ and Allotments	Fringe Benefits/ Adjustments	Operating Total
2016	\$ 240.6	\$ 143.9	\$ 384.5
2017	220.8	153.2	374.0
2018	191.3	151.7	343.0
2019	194.7	162.0	356.7
2020	199.4	172.1	371.5

¹ Excludes State Debt Service Commitment for UCONN2000 general obligation bonds issued to fund University capital projects.

State Support of the University - Bond Issuance

In addition to appropriating funds for the general operating support of the University, the State has authorized its general obligation bonds to fund capital projects of the University.

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**State Legislative Bond Authorizations for the University
for Fiscal Years 1996 - 2027**

Fiscal Year	State General Obligation Bonds	UCONN 2000 Bonds¹	Total
1996	\$ 18,000,000 ²	\$ 112,542,000	\$ 130,542,000
1997	9,400,000 ²	112,001,000	121,401,000
1998		93,146,000	93,146,000
1999		64,311,000	64,311,000
2000	2,000,000 ³	130,000,000	132,000,000
2001	20,000,000 ³	100,000,000	120,000,000
2002		100,000,000	100,000,000
2003		100,000,000	100,000,000
2004		100,000,000	100,000,000
2005 ⁴		100,000,000	100,000,000
2006		79,000,000	79,000,000
2007		89,000,000	89,000,000
2008	8,000,000 ⁵	115,000,000	123,000,000
2009		140,000,000	140,000,000
2010		0	0
2011		138,800,000	138,800,000
2012	23,000,000 ^{6,7}	157,200,000	180,200,000
2013	20,000,000 ⁶	143,000,000	163,000,000
2014		204,400,000	204,400,000
2015	131,500,000 ⁶	315,500,000	447,000,000
2016	25,000,000 ⁸	312,100,000	337,100,000
2017	16,000,000 ⁸	240,400,000	256,400,000
2018		200,000,000	200,000,000
2019		200,000,000	200,000,000
2020		291,600,000	291,600,000
2021		186,200,000	186,200,000
2022		101,400,000	101,400,000
2023		98,000,000	98,000,000
2024		85,000,000	85,000,000
2025		70,100,000	70,100,000
2026		63,600,000	63,600,000
2027		40,600,000	40,600,000
Total	\$272,900,000	\$4,282,900,000	\$4,555,800,000

-Footnotes on the following page-

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- ¹ Secured by State Debt Service Commitment. As of December 31, 2019, the University had \$199,600,000 of its General Obligation bonds secured by the State Debt Service Commitment authorized and unissued.
 - ² For Babbidge Library on the Storrs campus.
 - ³ For the development of a new downtown campus for the University of Connecticut in Waterbury.
 - ⁴ For Fiscal Year 2005, \$50,000,000 was authorized under UCONN 2000 Phase II and an additional \$50,000,000 was authorized under UCONN 2000 Phase III. Fiscal Years 2005-24 represent authorizations under UCONN 2000 Phase III including UConn Health projects. No UConn Health projects were authorized in Phase I or Phase II.
 - ⁵ Special Act 04-2 authorized the issuance of \$8,000,000 of State General Obligation Bonds for renovation, alterations and improvements to the University’s Law Library in Hartford, which was approved by the State Bond Commission on March 28, 2008.
 - ⁶ Public Act 11-57, as amended by Public Act 14-98, authorized the issuance of \$169,500,000 of State General Obligation Bonds to create a Technology Park on the Storrs Campus. \$18,000,000 was approved by the State Bond Commission on August 26, 2011. \$20,000,000 was approved by the State Bond Commission on April 26, 2013. \$131,500,000 was approved by the State Bond Commission on May 11, 2015.
 - ⁷ Public Act 11-75 authorized \$5,000,000 in State General Obligation Bonds for a comprehensive cancer center and the University sponsored health disparities institute, which was approved by the Bond Commission on October 28, 2011.
 - ⁸ Public Act 15-1 (sections 2 & 21) authorized the issuance of \$41 million of State General Obligation Bonds for the UConn Health Integrated Electronic Medical Record (EMR). The Integrated EMR will provide the health information technology required for compliance with federal and state regulations, enable interoperability and improve efficiencies for all UConn Health entities with access to clinical data updated in real-time in a single patient database. \$25,000,000 was approved by the State Bond Commission on January 29, 2016, and \$16,000,000 was approved on February 1, 2017.

Grants and Contracts

Revenue from federal, state, local and non-governmental grants and contracts totaled \$163.1 million in Fiscal Year 2019, representing 19.8% of total operating revenues reported by the University in the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year ended June 30, 2019. If nongovernmental grants are excluded, the revenue from federal, state and local governmental grants and contracts, totaled \$139.6 million for this time period, which represented 16.9% of total operating revenues.

Grants and Contracts for Fiscal Years 2015 - 2019 (in Millions)

Fiscal Year	Amount*
2015	\$ 135.2
2016	145.4
2017	145.3
2018	144.4
2019	163.1

*Amounts were updated to reflect financial statement reclassifications of revenues (Federal financial aid) from operating to nonoperating revenues.

The University of Connecticut Foundation, Inc.

Two other entities also support the mission of the University: The University of Connecticut Foundation, Inc., “Foundation”, and the University of Connecticut Law School Foundation, Inc., “Law School Foundation”. For financial reporting purposes, the Law School Foundation is included as a component unit with the University; the Foundation is an independent, privately governed institution, which is separately audited. On July 1, 2017, the Law School Foundation entered into an agreement with the Foundation and transferred all gift assets and operations to the Foundation. The Foundation operates exclusively for charitable and educational purposes, raising funds to promote,

encourage, and assist education and research at the University and UConn Health. The Foundation solicits and accepts donations of properties, monies, and securities and invests and administers these gifts. The Foundation materially supports the mission of both the University and UConn Health.

Gift revenue to the University, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. The Foundation disburses funds to the University as requests are made, provided the request is in accordance with donor restrictions, if any. These disbursements paid to the University and to third parties on behalf of the University from the Foundation totaled approximately \$35.3 million in Fiscal Year 2019 compared to \$28.4 million in Fiscal Year 2018. In addition, the University receives gifts directly. Total non-operating gifts and capital gifts and grants revenue to the University from all sources amounted to \$3.0 million and \$5.0 million in Fiscal Years 2019 and 2018, respectively.

Giving University-wide continued at record levels, with contributions of \$71.4 million to support the University students, faculty, and programs during Fiscal Year 2019. Of the \$71.4 million in new gifts and commitments, \$21.7 million was directed for scholarships and fellowships, \$25.0 million for program support, \$14.1 million for research, \$2.2 million for faculty support, and \$8.4 million for capital improvements. Donors contributed \$27.0 million to the University's endowment.

University of Connecticut Foundation, Inc.
Summary of Total Assets, Revenue and Expenditures
For Fiscal Years 2015 -2019 (in thousands)

Assets	2015	2016	2017	2018	2019
Endowment assets	\$ 368,179	\$ 362,419	\$ 401,505	\$ 446,492	\$ 458,743
All other assets	102,537	100,473	102,645	113,857	138,866
Total Assets	470,716	462,892	504,150	560,349	597,609
Support and Revenue					
Contributions and educational support	32,504	40,741	35,603	65,045	40,184
Payment from the University	9,139	9,450	10,050	10,480	11,167
Investment income, net	10,067	(3,070)	45,653	32,925	21,987
Other revenues	1,712	1,694	1,985	1,591	1,669
Total Support and Revenue	53,422	48,815	93,291	110,041	75,007
Expenditures					
Disbursements to and on behalf of the University	37,355	34,181	27,598	28,396	35,344
Foundation expenses (development, asset mgt, admin)	17,067	19,711	20,932	22,790	24,049
Total Expenditures	54,422	53,892	48,530	51,186	59,393
Less change in net assets not owned by Foundation	127	(109)	-	-	-
Support and Revenues Over/Under Expenditures	(\$ 1,127)	(\$ 4,968)	\$ 44,761	\$ 58,855	\$ 15,614

University Indebtedness

The UCONN 2000 Act, as amended, empowers the University to borrow money and issue securities to finance the acquisition, construction, reconstruction, improvement or equipping of any UCONN 2000 project and to provide for the security and payment of those securities and to refund such securities. Toward this purpose, to date, the University has issued General Obligation Bonds and Special Obligation Bonds, entered into a privately placed Governmental Lease Purchase Agreement, and assumed a promissory note associated with the purchase of the Nathan Hale Inn on the Storrs Campus.

The University of Connecticut General Obligation Bonds are issued pursuant to the Master Indenture of Trust, as amended (the "Master Indenture"), and are secured by the full faith and credit of the University and are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is defined by the Act and the Master Indenture as the commitment by the State to pay an annual amount

for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal on serial General Obligation Bonds or sinking fund installments on term General Obligation Bonds and interest accruing thereon. As of December 31, 2019, the University's General Obligation Bonds principal outstanding will be \$1,676,390,000.

The University of Connecticut also has issued Special Obligation Bonds pursuant to the Special Obligation Indenture of Trust, dated as of January 1, 1997, between the University, as Issuer, and U.S. Bank National Association, as successor to State Street Bank & Trust Company, as Trustee, as amended (the "Special Obligation Master Indenture"). The Board of Trustees approved the Special Obligation Master Indenture on November 8, 1996. Unlike the UCONN 2000 General Obligation Bonds that are paid from the State's General Fund, debt service on the Special Obligation Bonds is paid from certain pledged revenues, including student fees of the University as defined in the Special Obligation Master Indenture. To date, ten projects have been authorized to receive \$374,180,000 of the UCONN 2000 Special Obligation Bond proceeds, and these projects may also be supported by other UCONN 2000 debt, State General Obligation Bonds or other funding. Of the \$374,180,000 authorized, \$33,000,000 was unissued as of December 31, 2019. On November 15, 2019, the University called all of the outstanding \$16,745,000 Special Obligation Refunding 2010-A bonds with pledged revenues and realized future debt service savings. As of December 31, 2019, the University's Special Obligation Bonds principal outstanding will be \$206,655,000.

A privately placed Governmental Lease Purchase Agreement (the "Lease"), with Caterpillar Financial Services Corporation, a Delaware Corporation, secured by the University's general obligation was entered into to finance the cogeneration facility portion of the UCONN 2000 Heating Plant Upgrade project. The cogeneration facility is part of the UCONN 2000 Heating Plant Upgrade project, as defined under the UCONN 2000 Act, which generates substantially all of the needs for electrical power, heating and cooling on the main campus at Storrs. The \$81,900,000 original principal amount of the Lease, comprised of \$75,000,000 and executed in 2003, and pursuant to an amendment, an additional \$6,900,000 executed in 2005, is a UCONN 2000 debt obligation entered into under certain separately negotiated documents and agreements and is not secured by the Master Indenture or the Special Obligation Master Indenture. Subsequent to 2005, the University has amended the Lease twice to lower interest rates and reduce its monthly Lease payments. As of January 2017, the Lease interest rate became 2.22% resulting in a monthly Lease payment of \$461,645. As of December 31, 2019, the principal amount of the Lease outstanding will be \$31,062,630 with a final maturity date of December 29, 2025. The UCONN 2000 Heating Plant Upgrade project also has been partially funded with General Obligation Bonds of the University secured by the State Debt Service Commitment.

In addition to UCONN 2000 indebtedness, the University has certain other limited indebtedness; see Schedule 1, "UNAUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2019".

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The following schedule sets forth the debt service payments to be made in each University fiscal year on the general obligation bonds issued and outstanding by the University as of December 31, 2019.

**Debt Service on General Obligation Bonds ⁽¹⁾
as of December 31, 2019**

<u>FYE 30-Jun</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 107,485,000	\$ 40,213,208	\$ 147,698,208
2021	126,220,000	74,868,865	201,088,865
2022	120,970,000	68,879,846	189,849,846
2023	117,155,000	63,039,796	180,194,796
2024	112,765,000	57,313,496	170,078,496
2025	107,630,000	51,752,140	159,382,140
2026	103,885,000	46,488,165	150,373,165
2027	100,250,000	41,312,553	141,562,553
2028	96,470,000	36,357,803	132,827,803
2029	96,685,000	31,528,928	128,213,928
2030	90,110,000	26,915,328	117,025,328
2031	85,250,000	22,712,288	107,962,288
2032	76,265,000	18,471,575	94,736,575
2033	76,265,000	14,745,713	91,010,713
2034	76,265,000	11,398,888	87,663,888
2035	62,180,000	8,095,250	70,275,250
2036	51,175,000	5,227,050	56,402,050
2037	38,095,000	2,799,175	40,894,175
2038	22,535,000	1,076,100	23,611,100
2039	8,735,000	174,700	8,909,700
Totals⁽²⁾	\$ 1,676,390,000	\$ 623,370,864	\$ 2,299,760,864

⁽¹⁾ Secured by State Debt Service Commitment, net of bonds previously refunded.

⁽²⁾ Totals may not sum due to rounding.

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The following table sets forth all bonds and capital leases issued by the University under the UCONN 2000 program and outstanding as of December 31, 2019.

Total UCONN 2000 Debt Obligations Outstanding

	Original Par Amount ¹	Amount Outstanding Currently ¹	Dated Date
General Obligation Debt Service Commitment Bonds			
GO DSC 2010 Series A	\$ 97,115,000	\$ 53,400,000	May 25, 2010
GO DSC 2010 Series A Refunding ²	36,095,000	6,095,000	May 25, 2010
GO DSC 2011 Series A	179,730,000	107,820,000	December 8, 2011
GO DSC 2011 Series A Refunding ³	31,905,000	14,520,000	December 8, 2011
GO DSC 2013 Series A	172,660,000	120,855,000	July 31, 2013
GO DSC 2013 Series A Refunding ⁴	51,250,000	34,295,000	July 31, 2013
GO DSC 2014 Series A	109,050,000	81,780,000	April 22, 2014
GO DSC 2014 Series A Refunding ⁵	92,940,000	9,675,000	April 22, 2014
GO DSC 2015 Series A	220,165,000	176,135,000	April 16, 2015
GO DSC 2015 Series A Refunding ⁶	34,625,000	24,135,000	April 16, 2015
GO DSC 2016 Series A	261,510,000	222,275,000	April 21, 2016
GO DSC 2016 Series A Refunding ⁷	80,425,000	31,855,000	April 21, 2016
GO DSC 2017 Series A	311,200,000	280,080,000	January 19, 2017
GO DSC 2017 Series A Refunding ⁸	33,950,000	26,885,000	January 19, 2017
GO DSC 2018 Series A	276,075,000	262,275,000	May 3, 2018
GO DSC 2019 Series A	174,785,000	166,045,000	May 8, 2019
GO DSC 2019 Series A Refunding ⁹	64,680,000	58,265,000	May 8, 2019
Total^{10,14}		\$1,676,390,000	
Special Obligation Student Fee Revenue Bonds¹²			
UCONN 2000 SPEC OB 2012-A Refunding ¹¹	87,980,000	67,965,000	December 13, 2012
UCONN 2000 SPEC OB 2018-A	141,725,000	138,690,000	March 29, 2018
Total¹⁴		\$ 206,655,000	
Capital Leases			
Governmental Lease Purchase Agreement	75,000,000	28,399,862	December 18, 2003
Governmental Lease Purchase Agreement	6,900,000	2,662,768	August 15, 2005
Total^{13, 14}		\$ 31,062,630	

¹ "Original Par Amount" includes bonds previously refunded. "Amount Currently Outstanding" is net of bonds previously refunded.

² The General Obligation 2010-A Refunding Bonds refunded \$35,885,000 of the outstanding GO DSC Series 1999-A, 2001-A, 2003-A and 2004-A Bonds.

³ The General Obligation 2011-A Refunding Bonds refunded \$33,735,000 of the outstanding GO DSC Series 2003-A and 2004 Bonds.

⁴ The General Obligation 2013-A Refunding Bonds refunded \$54,375,000 of the outstanding GO DSC Series 2004A and 2005A Bonds.

⁵ The General Obligation 2014-A Refunding Bonds refunded \$97,930,000 of the outstanding GO DSC Series 2004A Refunding and 2005A Bonds.

⁶ The General Obligation 2015-A Refunding Bonds refunded \$38,550,000 of the outstanding GO DSC Series 2006A Bonds.

⁷ The General Obligation 2016-A Refunding Bonds refunded \$88,535,000 of the outstanding GO DSC Series 2006A Refunding Bonds and 2007A Bonds.

⁸ The General Obligation 2017-A Refunding Bonds refunded \$36,095,000 of the outstanding GO DSC Series 2007A Refunding Bonds.

⁹ The General Obligation 2019-A Refunding Bonds refunded \$72,060,000 of the outstanding GO DSC Series 2009A Refunding Bonds.

¹⁰ The Debt Service on the General Obligation Bonds is payable from the Debt Service Commitment of the State.

¹¹ The SPEC-OB-2012-A Refunding Bonds refunded all of the outstanding \$75,430,000 SPEC-OB Series 2002-A Bonds and \$96,130,000 Series 2002-A Refunding Bonds.

¹² Debt Service on the Special Obligation Bonds are payable from certain Pledged Revenues of the University as further defined in the Special Obligation Indenture of Trust, dated as of January 1, 1997, as amended.

¹³ Does not include capital lease obligations subject to annual appropriation.

¹⁴ Totals may not sum due to rounding.

Employee Data

Faculty and Staff. As of fall 2019, the University had 4,972 full-time equivalent (“FTE”) employees. Full and part-time faculty accounted for 1,571 FTE employees. The University hires adjunct lecturers on a semester-by-semester basis, as needed, who are not included in the above employee count. In fall 2019, 55.8% of full-time teaching faculty were tenured, 16.0% were tenure track and the remaining were non-tenure track faculty. The average age range of full-time faculty was 45-49. Additionally, the University also has 920 FTE graduate student assistants who receive stipends; and other non-permanent employees (i.e. special payroll, students) not captured in any of the prior categories.

Six bargaining units represented approximately 4,476 FTE union members as of fall 2019. Approximately 10% of University faculty and staff were non-union employees. The University bargains with two units covering 3,750 FTE employees: the American Association of University Professors (AAUP) and the University of Connecticut Professional Employees Association (UCPEA). Law school faculty, University exempt (management) and certain temporary and part-time employees are not represented by bargaining units. The remaining four unions covering 726 FTE employees bargain directly with the State. In addition, the University bargains directly with the Graduate Employee Union Local 6950 (GEU-UAW) for graduate student assistants and with the UAW for a bargaining unit recognized in July 2018 of post-doctoral research associates.

The University has statutory authority to negotiate and enter into collective bargaining agreements with the labor unions that represent its faculty (AAUP) and non-teaching professionals (UCPEA). The University has reached agreement on successor contracts with these unions. The collective bargaining agreements are currently in effect and will be in full force and effect through June 30, 2021. The University has negotiated a successor agreement with the GEU-UAW, which is currently in effect and will be in full force and effect until June 30, 2022. The University is currently in mediation for an inaugural agreement with the UAW that will cover a unit of post-doctoral research associates.

Retirement Plans and Post-Employment Benefits. Most State employees are eligible to receive retirement benefits under a State retirement plan. Various retirement plans are available for University employees none of which are administered by the University. Additional information on retirement benefits may be found in the University’s financial statements included as Schedule 1 herein.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

Student Enrollment

Enrollment. UConn Health’s enrollment in fall 2019 was 444 in the School of Medicine, 202 in the School of Dental Medicine, and 287 Graduate students.

Each year, approximately 440 students work toward their medical doctor's degree and 200 toward their doctor of medical dentistry degree. Admission to each school is highly competitive, but both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards.

Average Total MCAT and DAT Scores Fall 2015 - 2019

Fall	MCAT*	DAT
2015	31.7	21.2
2016	509.3	21.6
2017	511.3	21.5
2018	512.2	21.4
2019	512.1	22.0

*Beginning in fall 2016, the new test, which was revised to cover a broader range of material and better equip medical schools with ways to more completely assess applicants, uses a new scoring system. The new scoring methodology changed the scale from a maximum of 45 to a maximum of 528.

**Passing Rates on National Exams
2015 - 2019**

Year	School of Medicine	School of Dental Medicine
2015	99	100
2016	98	100
2017	99	100
2018	97	100
2019	97	100

Tuition and Other Fees

Pursuant to State law, the Board of Directors is authorized to adopt a comprehensive schedule of tuition and other fees which are expected to prevail during the following fiscal year. Such tuition and fees must comply with the policy of the Office of Higher Education that requires them to be between the 70th and 75th percentiles of public schools nationally.

Tuition. For the academic year 2020, students classified as full-time residents of Connecticut were charged tuition of \$38,585 for the School of Medicine and \$35,810 for the School of Dental Medicine. Out-of-state students were charged \$72,665 for the School of Medicine and \$73,564 for the School of Dental Medicine. For the 2021 academic year, tuition for Connecticut residents has been set at \$40,287 for School of Medicine students and \$37,063 for School of Dental Medicine students.

Mandatory Fees. For academic year 2020, students will pay a fee of \$2,910 for the School of Medicine and \$2,627 for the School of Dental Medicine per year. This fee includes payments for commencement, student affairs, and a student activity fee. An optional student health plan is available for an additional fee.

**Annual Cost of an In-State Student Enrolled
at UConn Health by School
Academic Years 2016 - 2020**

	School of Medicine				
	2016	2017	2018	2019	2020
Tuition	\$ 30,013	\$ 32,554	\$ 34,706	\$ 36,932	\$ 38,585
Fees*	8,500	7,500	3,660	3,160	2,910
Total	\$ 38,513	\$ 40,054	\$ 38,366	\$ 40,092	\$ 41,495

	School of Dental Medicine				
	2016	2017	2018	2019	2020
Tuition	\$ 28,231	\$ 30,667	\$ 32,599	\$ 34,599	\$ 35,810
Fees*	7,682	6,681	2,940	2,538	2,627
Total	\$ 35,913	\$ 37,348	\$ 35,539	\$ 37,137	\$ 38,437

* Beginning in 2018, the optional student health fee is excluded.

**Percentage of Enrollment by Residence Status
Fall 2015 - 2019**

Fall	School of Medicine		School of Dental Medicine	
	In-State	Out-of-State	In-State	Out-of-State
2015	93.4	6.6	88.9	11.1
2016	91.2	8.8	90.0	10.0
2017	92.5	7.5	89.0	11.0
2018	90.8	9.2	87.0	13.0
2019	96.2	3.8	86.0	14.0

Employment

UConn Health employed approximately 4,500 full-time equivalent (FTE) employees as of fall 2019. UConn Health employees are State employees. The terms and conditions of employment of almost 3,900 FTE employees as of fall 2019 are governed by collective bargaining agreements with nine bargaining units. The State bargains with all bargaining units representing UConn Health employees except the University Health Professions (the “UHP”) and the American Association of University Professors (the “AAUP”). UConn Health has statutory authority to negotiate and enter into collective bargaining agreements with the labor unions that represent its faculty (AAUP) and non-teaching professionals (UHP). UConn Health has reached agreement on successor contracts with these unions. The collective bargaining agreements are currently in effect and will be in full force and effect through June 30, 2021. The remaining seven unions bargain directly with the State. University exempt (management) and certain temporary and part-time employees are not represented by bargaining units.

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UCONN HEALTH FINANCES

Financial Statements of UConn Health

Below is a five-year presentation of the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Years ended June 30, 2015, 2016, 2017, 2018 and 2019. As of December 19, 2019, UConn Health is still evaluating the impact of applying certain provisions of current GASB pronouncements to existing amounts included herein. The potential impact of these changes is unknown at this time.

Statement of Revenues, Expenses and Changes in Net Position (*\$ in thousands*)

	2015	2016	2017	2018	<i>Unaudited</i> 2019
OPERATING REVENUES					
Student tuition and fees ¹	\$ 16,557	\$ 15,728	\$ 17,499	\$ 18,613	\$ 20,655
Patient services ²	512,960	532,876	539,777	580,697	534,494
Federal grants and contracts	57,920	59,529	58,148	50,748	58,196
Nongovernmental grants and contracts	24,407	27,116	29,009	29,337	30,016
Contract and other operating revenues	109,324	108,017	114,283	127,188	159,745
Total operating revenues	721,168	743,266	758,716	806,583	803,106
OPERATING EXPENSES					
Educational and General					
Instruction	163,703	168,299	169,130	179,948	157,696
Research	56,961	58,233	59,400	56,102	52,869
Patient services	607,436	648,072	713,342	747,637	664,608
Academic support	22,458	18,070	19,186	19,322	15,224
Institutional support	83,260	80,638	82,233	112,126	127,327
Operations and maintenance of plant	35,363	38,714	37,295	38,223	37,655
Depreciation	37,830	41,468	52,046	52,637	72,575
Student aid	32	84	194	364	73
Total operating expenses	1,007,043	1,053,578	1,132,826	1,206,359	1,128,027
Operating (loss) income	(285,875)	(310,312)	(374,110)	(399,776)	(324,921)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	280,645	289,287	278,211	279,513	250,846
Transfer to State and outside Programs	-	-	-	-	(1,991)
Gifts	7,175	6,866	4,079	5,706	6,146
Interest income	176	141	104	654	1,385
Interest on capital asset – related debt	(3,820)	(10,487)	(10,214)	(9,909)	(9,619)
Net non-operating revenues	284,176	285,807	272,180	275,964	246,767
Income before other revenues, expenses, gains or losses	(1,699)	(24,505)	(101,930)	(123,812)	(78,154)
Loss on disposal	(3,902)	(695)	(989)	(3,092)	(1,898)
Capital appropriations	159,810	175,000	43,479	88,806	13,000
Total other revenues	155,908	174,305	42,490	85,714	11,102
Increase (decrease) in net position	154,209	149,800	(59,440)	(38,098)	(67,052)
NET POSITION					
Net position-beginning of year	576,794	35,971	185,771	126,332	(1,014,953)
Cumulative impact of implementing GASB 68 and 71	(695,032)	-	-	(1,103,187)	-
Cumulative effect of accounting changes and error corrections	-	-	-	-	(45,403)
Net position-beginning of year as restated	(118,238)	-	-	(976,855)	(\$1,060,356)
Net position-end of year	\$ 35,971	\$ 185,771	\$ 126,331	\$ (1,014,953)	\$ (1,127,408)

¹ Net of scholarship allowances of \$5,556, \$6,205, \$6,250, \$5,964 and \$6,786 respectively.

² Net of charity care of \$328, \$438, \$310, \$422 and \$396 respectively.

Fiscal Year 2020 Spending Plan. UConn Health is estimated to end Fiscal Year 2020 with a loss of \$7.1 million. A primary driver of the anticipated loss is the allocation by the State to UConn Health of the State of Connecticut’s legacy unfunded pension and health care liabilities. These State legacy unfunded liabilities are a component of the employee fringe benefit rates that the State charges UConn Health. UConn Health will institute lapses valued at \$7.1 million during Fiscal Year 2020 by implementing savings in expenses and/or new or increased revenue opportunities. With such lapses, UConn Health plans on a balanced Fiscal Year 2020 Spending Plan.

Prior year losses in the table below reflect GASB 68, 71 and 75 adjustments made for financial reporting purposes and are not included in the annual spending plan.

In addition to actual results of operations for Fiscal Years 2016-2019, the following schedule reflects the Fiscal Year 2020 Spending Plan.

Statement of Current Funds Operations¹ (in millions)

	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Unaudited	FY 2020 Spending Plan
Revenues:					
State Support	\$ 235.3	\$ 224.3	\$ 225.6	\$ 250.9	\$ 295.4
Tuition & Fees	21.5	23.7	24.2	27.4	28.6
Research Grants and Contracts	86.8	87.2	80.1	88.2	91.1
Interns and Residents	63.3	63.0	67.1	69.4	73.1
Net Patient Care	450.4	459.5	501.0	534.5	568.1
Correctional Managed Health Care ²	86.6	82.7	79.7	0.0	0.0
Other Income	47.2	46.7	60.9	91.1	177.5
Total Revenues	991.1	987.1	1,038.6	1,061.5	1,233.8
Expenses:					
Personal Services	389.1	385.7	389.7	418.6	443.4
Fringe Benefits	208.7	293.0	315.3	256.0	306.1
Correctional Managed Health Care ²	86.6	82.7	79.7	0.0	0.0
Medical/Dental House Staff	52.4	52.9	53.6	55.9	58.4
Drugs/Medical Supplies	76.9	87.7	95.1	127.3	112.8
Outside & Other Purchased Services	71.3	75.5	93.2	95.6	100.7
Other Expenses	130.6	111.5	135.8	186.3	219.5
Total Expenses	1,015.6	1,089.0	1,162.4	1,139.7	1,240.9
Lapses	-	-	-	-	(7.1)
Net Gain (Loss)	(\$ 24.5)	(\$ 101.9)	(\$ 123.8)	(\$ 78.2)	\$ 0.0

¹ Statement of Current Funds Operations results include certain non-operating expenses as well as year-end adjustments such as the GASB 68 and GASB 71 adjustments. These items are not presented in the UConn Health operating budget and accounted for \$3.2 million, \$8.6 million, \$73.2 million, \$99.3, and \$3.2 million for fiscal years 2015, 2016, 2017, 2018, and 2019 respectively.

² On June 30, 2018, the agreement between the State Department of Correction and UConn Health (Correctional Managed Healthcare) expired. Both parties agreed not to pursue an extension of the existing agreement. Instead, UConn Health and DOC agreed to continue certain services on an interim basis while DOC evaluated which services it would be rebidding. As such, UConn Health dissolved Correctional Managed Healthcare.

State Support of UConn Health – Appropriations

The State develops a biennial budget, which includes UConn Health's appropriation request. The appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. Public Act 19-117 appropriated \$128.2 million to UConn Health for Fiscal Year 2020. This amount was reduced by \$626,000 for lapses built into the State's initial budget.

Grants and Contracts

Revenue from federal, state, local and non-governmental grants and contracts totaled \$88.2 million in Fiscal Year 2019, representing 11.0% of total operating revenues reported by UConn Health in the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year ended June 30, 2019.

Governmental Grants and Contracts for Fiscal Years 2015 - 2019 (in Millions)

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 82.3
2016	86.6
2017	87.2
2018	80.1
2019	88.2

UConn Health Long-Term Liabilities

Summarized information on UConn Health long-term liabilities is presented in the UConn Health financial statements in Schedule 2 herein.

In addition to the Malpractice Fund, UConn Health also maintains certain accrued compensated absences, to the extent that they are not expected to be utilized in the current year, as long-term liabilities. These amounts have been accrued as payables and will offset future payroll expenses as they are utilized.

ATTACHMENTS:

SCHEDULE 1: UNAUDITED UCONN CAFR

SCHEDULE 2: UNAUDITED UC HEALTH CAFR



UConn | UNIVERSITY OF
CONNECTICUT

Comprehensive Annual Financial Report

For the Year Ended June 30, 2019

Included as an Enterprise Fund of the State of Connecticut

Prepared by the Office of the Controller

DRAFT 12-18-2019

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

December 11, 2019

To President Katsouleas,
Members of the Board of Trustees, and
University of Connecticut Community:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the University of Connecticut for the fiscal year ended June 30, 2019. For purposes of this report, the University of Connecticut (University) is herein defined as all financial activity from Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law, and the School of Social Work. The University of Connecticut Health Center (UConn Health), which maintains a separate budget and issues its own audited financial statements, is excluded from this report.

The CAFR includes the Management's Discussion and Analysis (MD&A), the basic financial statements, notes, other supplementary and statistical information. The CAFR provides financial information about the University's results of activities during the year and describes its financial position at the end of the year based on currently known facts, decisions, and conditions.

Management assumes full responsibility for the contents of this report including the accuracy, completeness, and fairness of the data presented. We believe the University's system of internal controls is sufficient to identify material misstatements. Although we have strong internal controls, the cost of internal controls should not exceed the benefits. Therefore, the objective of the University's internal control system is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements, and that assets are safeguarded against loss from unauthorized use or disposition.

The University's Joint Audit and Compliance Committee of the Board of Trustees exercises oversight over the integrity of its financial statements and internal control systems, as well as direct engagement in the approval of independent auditing services. Certain bond covenants require that the University's accounting and financial records be subject to an annual independent audit. The University's annual audit for the fiscal year ended June 30, 2019, was performed by the State of Connecticut Auditors of Public Accounts. They have issued an unmodified opinion on the fair presentation of the financial statements. The independent auditors' opinion can be found in the front of the financial section.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformity with standards established by the Governmental Accounting Standards Board (GASB), as well as using guidelines of the Government Finance Officers Association of the United States and Canada (GFOA). The MD&A is presented to supplement the financial statements and should be read in conjunction with this letter of transmittal. The MD&A can be found immediately following the auditors' report

University Profile

Background

The University was founded in 1881 when Charles and Augustus Storrs donated land and money to the State of Connecticut (State), establishing the Storrs Agricultural School later to become Connecticut's land-grant college. Today the University serves as the State's flagship institution for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, service, and outreach.

The University is governed by the Board of Trustees that is composed of 21 members, including the Governor, the UConn Health Board of Directors Chair, and the Commissioners of Agriculture, Economic and Community Development, and Education. The University is reported as an enterprise fund in the State's CAFR and operates as a state-assisted institution of higher education.

The University supports a robust research program, with a "Research 1" classification that places it among those universities with the highest level of research activity. A number of University programs rank among the top research programs in their respective disciplines.

In addition to academics, the University also participates in Division I athletics. The University's women's basketball team is a dominant powerhouse that has won eleven national championships overall and has appeared in the last twelve NCAA final fours. In 2017, the women's field hockey team posted the program's first undefeated season en route to winning their third national title in the last seven years.

Student and Faculty Data

For the 2018-2019 academic year, the number of applications for undergraduate admissions grew to over 38,000 for just 5,500 seats. Total enrollment in the fall of 2018 was 31,646 students, including nearly 7,700

graduate students. There were 42 states represented in the University's student population, as well as 106 countries. Of the 23,978 undergraduates, 51 percent were female and 35 percent were minority students. The University employs 1,540 full-time faculty members and an additional 783 part-time faculty and adjuncts. In 2018-2019, the University awarded 8,776 degrees. Approximately 73 percent of graduates who attended high school in Connecticut and who are employed, continue to work in the State of Connecticut.

Related Organization

The University of Connecticut Foundation, Inc. (Foundation), a related organization, operates exclusively to promote the educational, scientific, cultural, research and recreational objectives for both the University and UConn Health, and therefore is not included as a component unit in the accompanying financial statements. See Notes 1 and 15 for additional information.

Economic Condition

The Connecticut economy continues to experience steady growth in some categories. In September 2018, the unemployment rate was 3.9 percent. Since then, the unemployment rate has dropped 0.3 percent to 3.6 percent. Between fiscal year 2017 and fiscal year 2018, the statewide average weekly wage grew 1.3 percent to \$1,334. However, according to the Connecticut Economic Digest in 2018, single-family home sales decreased by 1.9 percent over the prior year and conventional mortgage rates increased to an average of 4.54%, the highest average rate since 2010.

Connecticut continues to deal with extremely large unfunded pension liabilities. As those costs are passed onto the University through fringe benefit rates, it negatively affects the University's research competitiveness. The University expects to pay \$27.7 million in fiscal year 2020 towards both unfunded pension and retiree health liabilities from non-state funds such as tuition, student fees and other outside revenues.

Long-Term Financial Planning

Despite recent cuts in State support and increasing fringe benefit costs, the University is a financially stable institution with exceptional educational programs and research, and it continues to successfully balance financial needs and investments for long-term growth while improving the educational quality for students and faculty alike. The University's long-term plan includes becoming more self-reliant in generating diverse operating revenues amid a potential for decreases in State support. The University will maintain a balanced budget for its growing

operations through increases in student tuition, increases in philanthropy, and reductions in spending.

Increases in Student Tuition

Starting in fiscal year 2017 and growing since that time, tuition revenue has become the largest source of revenue for the University. During fiscal year 2016, the University's Board of Trustees approved a new four-year tuition plan through fiscal year 2020. Fiscal year 2019 represented the third year of that plan with modest increases. This is the second time that the Board of Trustees has adopted a four-year tuition plan rather than addressing tuition each year. The multi-year plan provides more certainty for students as they plan with their families for their college careers. Although tuition will increase, more financial aid will also be available to help address issues of affordability and accessibility for the University's students.

Increases in Philanthropy

Philanthropy is an area of revenue growth for the University and is part of the University's long-term financial planning. The Foundation, which supports both the University and UConn Health, has seen substantial changes in the last few years. In fiscal years 2018 and 2019, the Foundation raised \$153.8 million in commitments. Since 2010, the Foundation has raised nearly \$672 million in commitments from private sources for direct operational and endowment support at the University.

Reductions in Spending

Over the last several years, the University has been and will continue to implement spending cuts across departments, requiring attrition and vacancy savings to achieve cost savings. The University has also taken measures to increase operational efficiencies, such as the One UConn effort to consolidate cross-campus administrative functions to streamline or eliminate non-core activities whenever possible. University departments continue to look for ways to do more with less support while attempting to maintain academic excellence and a high standard of service to our students.

Major Initiatives

Next Generation Connecticut (NextGenCT) represents one of the most ambitious State investments in economic development, higher education, and research in the nation, with a particular focus on capital investment. The NextGenCT initiative added \$1.5 billion in bond funds for new and renovated facilities, extending the UCONN 2000 capital improvement program that began in 1995 to 2027. An operating component was also included, but has been limited due to the State's financial constraints. The general obligation bonds issued through UCONN 2000

and NextGenCT are secured by the State's debt service commitment, thus there are no revenues budgeted for payment of these bonds. Since fiscal year 2015, UConn has been authorized \$1.0 billion in funding for this initiative, with an additional \$291.6 million and \$186.2 million coming in fiscal years 2020 and 2021, respectively. These funds have allowed UConn to open a new residential hall, renovate the associated dining hall, build a new downtown Hartford campus, complete the Engineering and Science Building, open the Innovation Partnership Building, update and renovate various buildings throughout campus, and address needed infrastructure and deferred maintenance improvements.

Despite reductions in operating funding, the NextGenCT initiative has provided a strong framework for the University and has aided the State's economy. Since the beginning of the initiative, many new faculty have been hired, particularly in the fields of science, technology, engineering, and math (STEM). Additionally, funds have been provided for STEM scholarships and STEM fellowships, as well as for staff positions. Since fiscal year 2013, undergraduate enrollment has grown by 1,677 at all campuses with a 33 percent increase in STEM undergraduate enrollment at Storrs. This ongoing success has attracted higher quality students and the University maintains solid rankings in virtually all relevant areas.

Academic and Financial Highlights

Highlights from the 2018-2019 academic year include the following:

- For fall 2018, the University ranks 19th out of the top 58 public research universities in graduation rates for all freshmen and 23rd for minority freshmen. Furthermore, the University ranks 16th among the national public research universities for freshman retention.
- Among the graduates from the 2017-2018 academic year, 88 percent have a positive outcome including employment, continuing their education, serving in the U.S. Armed Forces, or living or volunteering in the State.
- The University reduced the time to graduation to 4.2 years, which ranks 4th among public research university peers. This was accomplished by increasing the number of class offerings and reducing the student-to-faculty ratio. Decreasing the time to graduation helps UConn students pay less in tuition and join the workforce more quickly.

- In fiscal year 2019, the University provided \$115 million in tuition funded financial aid, which represents nearly a 10.9 percent increase over last fiscal year. An additional \$8.1 million is budgeted for fiscal year 2020.
- As of this date, the University has expended \$3.1 billion out of the \$3.3 billion of bonds authorized under the UCONN 2000 capital improvement program.

Looking ahead, the University will continue to build on these accomplishments and further strengthen its programs and services for faculty, staff, students, and the University community.

Awards and Acknowledgements

The University marked its ninth consecutive year among the nation's top 25 public universities, according to the 2020 U.S. News & World Report rankings. The No. 24 ranking reflects the University's strong graduation and retention rates, academic excellence, faculty resources, and other factors that are weighed into the annual evaluations. Similarly, according to the Wall Street Journal/Times Higher Education College Rankings, the University sits at No. 27 for top public universities in the United States. The Wall Street Journal ranking system puts emphasis on student success and learning, by factoring in (1) resources, (2) engagement, (3) outcomes, and (4) the environment, as measures of university quality.


Finally, the University holds a number of other worthy distinctions among universities domestically and globally. According to Money Magazine's 2019 "Best Colleges For Your Money" rankings, the University ranks 27th out of 268 public higher education institutions across the United States, citing financial assistance, strong graduation rates, and salaries of graduates as the key factors in their rankings. The University occupies the 5th spot (out of 282) on the Sierra Club's 2019 "Cool Schools" ranking. This is due in part because of the University's plan to become carbon neutral by 2050. Furthermore, the University was 10th out of more than 600 universities worldwide, and 2nd in the United States, on the 2018 GreenMetric World University Ranking, which rates universities on their response to sustainability issues.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2018. To receive a Certificate of Achievement, a report issuer must publish an easily readable and efficiently organized CAFR, and must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a

period of one year only. The University will submit its CAFR for the fiscal year ended June 30, 2019 to the GFOA, and anticipates this year's report will continue to meet the requirements to receive the Certificate of Achievement.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts from staff within the Office of the Controller and other University financial staff. Each member has my sincere appreciation for their individual contribution in the preparation of the report.

Respectfully submitted,



Scott Jordan
Executive Vice President for Administration
and Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

University of Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

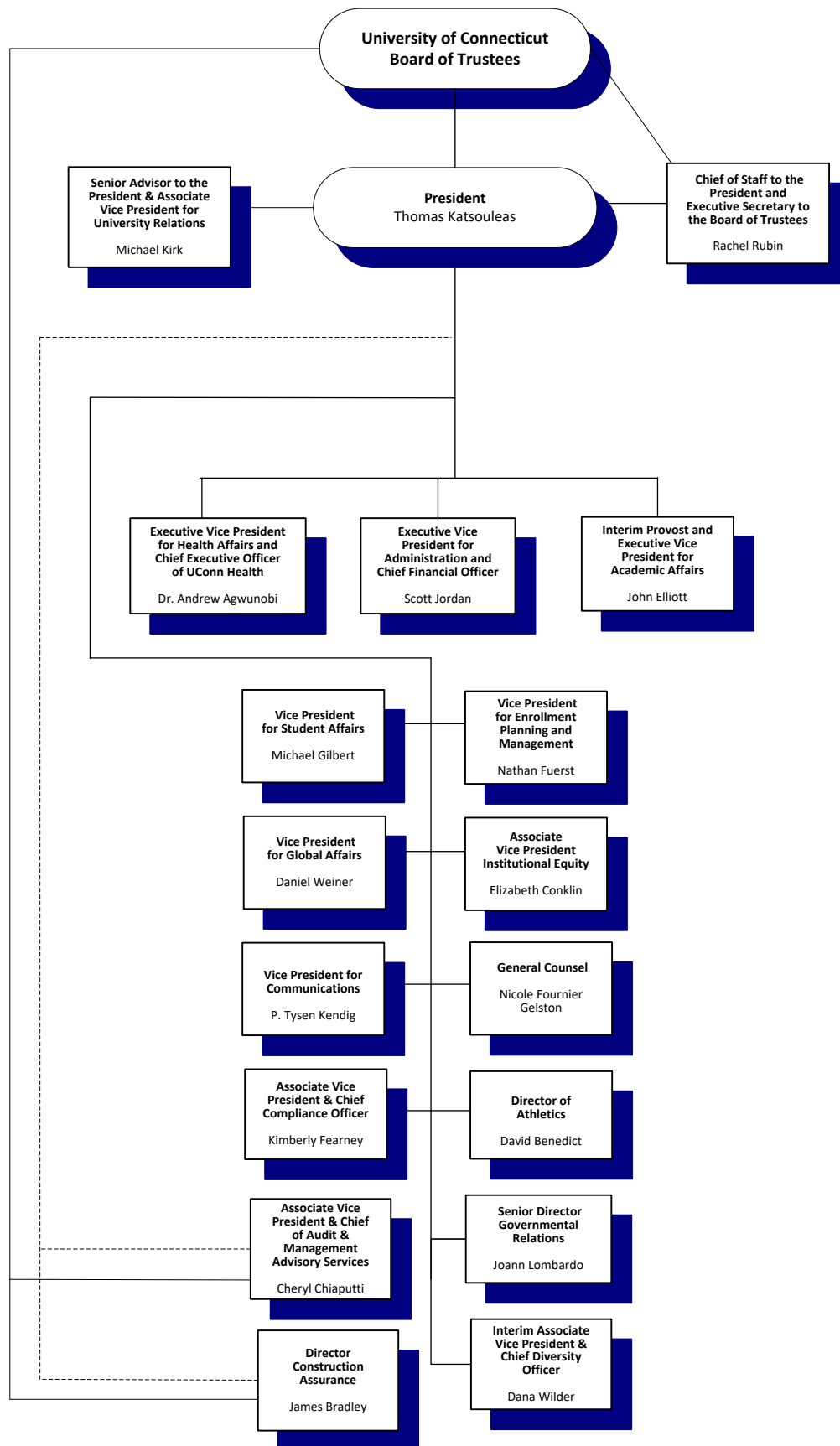
June 30, 2018

Christopher P. Morill

Executive Director/CEO

UNIVERSITY OF CONNECTICUT

Organization Chart



FINANCIAL SECTION

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

JOHN C. GERAGOSIAN

20 TRINITY STREET

ROBERT J. KANE

HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT

Board of Trustees of the
University of Connecticut

Report on Financial Statements

We have audited the accompanying financial statements of the University of Connecticut (UConn), a component unit of the University of Connecticut system, which includes UConn, the University of Connecticut Health Center and the University of Connecticut Foundation, Inc. The accompanying financial statements, which consist of the statement of net position as of June 30, 2018 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, collectively comprise UConn's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the financial position of UConn as of June 30, 2018 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, UConn adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which resulted in UConn restating net position for the recognition of other postemployment benefit activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 15 through 25 and the Required Supplementary Information on pages 54 through 56 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Sincerely,



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor

December 28, 2018
State Capitol
Hartford, Connecticut

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Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial position and results of activities for the fiscal year ended June 30, 2019, and selected comparative information from fiscal year 2018. It includes highly summarized information and should be read in conjunction with the accompanying financial statements and notes.

Reporting Entity

The University of Connecticut (University) is herein defined as all programs except for the University of Connecticut Health Center (UConn Health, see Note 1). This includes programs offered at the Storrs main campus, regional campuses, the School of Law, and the School of Social Work.

The University's financial report includes three basic financial statements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The MD&A, financial statements, notes, and other supplementary information are the responsibility of management.

Key Reporting Changes

In fiscal year 2019, the University recorded a prior period adjustment of \$11.2 million to correct the overstatement of compensated absences as of June 30, 2018, and an additional \$4.3 million to reclassify long-term software commitments to net investment in capital assets from unrestricted net position (see Note 18).

In addition, the University changed its method of accounting for certain executed memorandums of understanding (MOUs) with UConn Health. In fiscal year 2018, an aggregate \$12.4 million provided by UConn Health per the MOUs was reported as a reduction to operating expenses. Starting in fiscal year 2019, an aggregate \$16.2 million resulting from the same transactions was recorded as operating revenues under other sources in the Statement of Revenues, Expenses, and Changes in Net Position. Prior fiscal year 2018 data presented in this MD&A was not restated (see Notes 1 and 15).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents either an increase or decrease in net position based on the revenues received, the expenses paid, and any other gains and losses recognized by the University. Revenues and expenses are classified as

operating, nonoperating, or other changes in net position according to definitions prescribed by GASB.

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

By its very nature, a state-funded institution does not receive tuition, fees, room, and board revenues sufficient to support the operations of the University. Nonoperating revenues are received for which goods and services are not provided but are essential to the programs and services provided by the University. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include appropriations from the State of Connecticut (State) for general operations, the State's debt service commitment for interest, federal and state financial aid, noncapital gifts, and short-term investment income.

Other changes in net position are composed primarily of the State's debt service commitment for principal and capital grants and gifts.

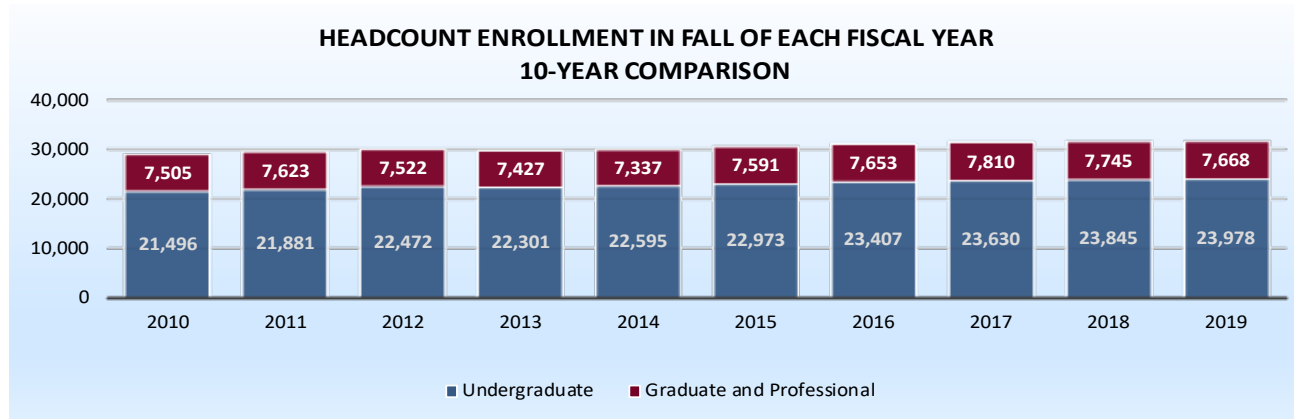
The Condensed Schedule of Revenues, Expenses, and Changes in Net Position on the following page reflects an increase in net position, exclusive of the prior period adjustment, at the end of fiscal year 2019. Summarized highlights of the information presented in the Condensed Schedule of Revenues, Expenses, and Changes in Net Position are as follows:

Revenues

Operating revenues increased \$43.4 million in fiscal year 2019 based on the following factors:

- Student tuition and fees, net of scholarship allowances, increased \$9.9 million. This change was mainly due to planned tuition increases and a marginal increase in undergraduate enrollment, offset in part by higher scholarship allowances and the elimination of certain student fees. Scholarship allowances increased due to higher tuition and increases in financial aid.

The following graph presents undergraduate and graduate enrollment over the last 10 years:



The following table shows a Condensed Schedule of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30 (\$ in millions):

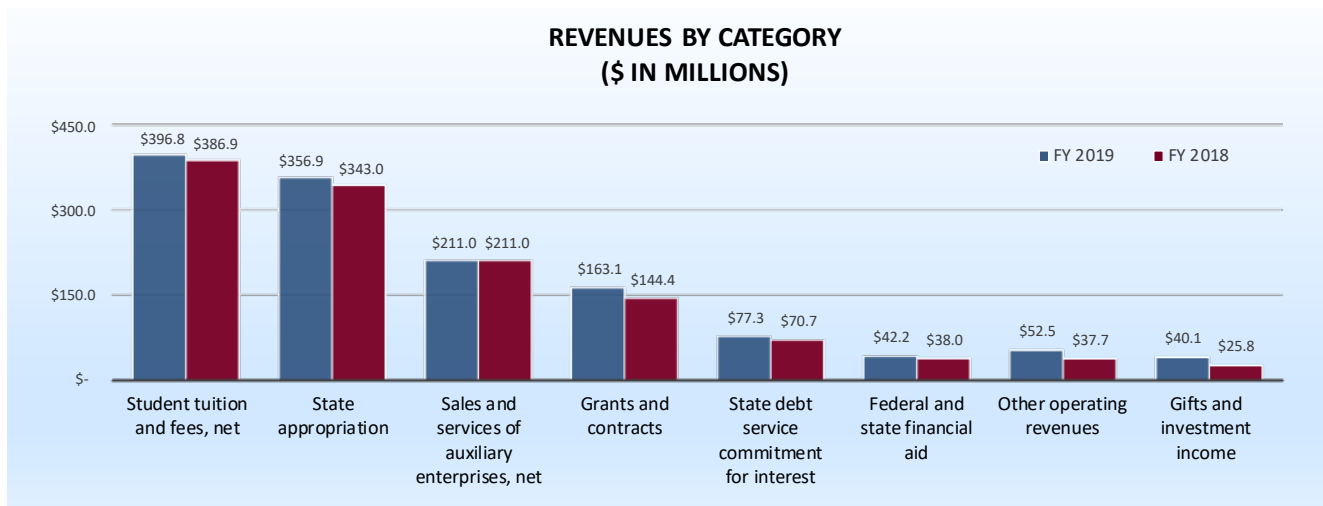
	2019	2018	\$ Change	% Change
Operating Revenues				
Student tuition and fees, net	\$ 396.8	\$ 386.9	\$ 9.9	2.6%
Grants and contracts	163.1	144.4	18.7	13.0%
Sales and services of auxiliary enterprises, net	211.0	211.0	-	0.0%
Other	52.5	37.7	14.8	39.3%
Total Operating Revenues	823.4	780.0	43.4	5.6%
Operating Expenses				
Salaries and wages	569.8	569.3	0.5	0.1%
Fringe benefits	417.7	338.5	79.2	23.4%
Supplies and other expenses	279.6	264.5	15.1	5.7%
Utilities	21.1	19.7	1.4	7.1%
Depreciation and amortization	119.3	108.2	11.1	10.3%
Scholarships and fellowships	11.4	8.9	2.5	28.1%
Total Operating Expenses	1,418.9	1,309.1	109.8	8.4%
Operating Loss	(595.5)	(529.1)	(66.4)	12.5%
Nonoperating Revenues (Expenses)				
State appropriation	356.9	343.0	13.9	4.1%
State debt service commitment for interest	77.3	70.7	6.6	9.3%
Federal and state financial aid	42.2	38.0	4.2	11.1%
Gifts and investment income	40.1	25.8	14.3	55.4%
Interest and other expenses, net	(72.0)	(68.6)	(3.4)	5.0%
Net Nonoperating Revenues	444.5	408.9	35.6	8.7%
Loss Before Other Changes in Net Position	(151.0)	(120.2)	(30.8)	25.6%
Other Changes in Net Position				
State debt service commitment for principal	154.4	187.3	(32.9)	(17.6)%
Capital grants and gifts	3.9	5.1	(1.2)	(23.5)%
Additions to permanent endowments	0.2	0.3	(0.1)	(33.3)%
Net Other Changes in Net Position	158.5	192.7	(34.2)	(17.7)%
Increase in Net Position	7.5	72.5	(65.0)	(89.7)%
Net Position – Beginning of Year	80.2	1,243.2	(1,163.0)	(93.5)%
Cumulative effect of applying GASB 75	-	(1,235.5)	1,235.5	(100.0)%
Prior period adjustment (Note 18)	11.2	-	11.2	100.0%
Net Position – Beginning of Year, As Restated	91.4	7.7	83.7	1087.0%
Net Position – End of Year	\$ 98.9	\$ 80.2	\$ 18.7	23.3%

- Grant revenue can fluctuate year over year depending on various factors including the availability of funding from sponsors, the timing of large grants, and when expenses are incurred. Total grants and contracts increased \$18.7 million. Of this amount, federal grants and contracts increased \$15.0 million, primarily due to an increase in funding from the U.S. Public Health Service, the National Institutes of Health, the National Science Foundation, and the U.S. Department of Defense. Nongovernmental grants increased \$5.2 million due to higher revenues from nonprofit and corporate grants in fiscal year 2019. These increases were partially offset by a decrease in state and local grants of \$1.5 million attributed to a reduction in revenues from the Connecticut Education Network program.
- Sales and services of auxiliary enterprises, net of scholarship allowances, increased less than \$0.1 million in fiscal year 2019. This change was due to an increase in room and board fees and bookstore revenues offset by decreases in athletic revenues. Room and board fees, net of scholarship allowances, were higher due to average rate increases and a slight rise in occupancy. Revenues related to athletic programs decreased due to lower athletic conference and sponsorship revenues combined with lower ticket sales in fiscal year 2019.
- Other operating revenues increased \$14.8 million. This increase was primarily due to an increase of \$16.2 million attributed to the UConn Health MOU accounting change in fiscal year 2019 (see Note 1) and higher renewable energy credits. These changes were partially offset by adjustments to bad debt provisions and decreases in revenues related to education abroad programs, pre-college summer programs, and library services.

Revenues under nonoperating and other changes in net position increased \$4.8 million based on the following:

- State appropriation was higher by \$13.9 million in fiscal year 2019 due to higher fringe benefit reimbursements. This increase was due to employees that transferred from the Alternate Retirement Plan (ARP) to the State Employees' Retirement System (SERS) in accordance with the State Employees' Bargaining Agent Coalition (SEBAC) grievance award. This increase was partially offset by appropriations related to the one-time bonus payouts that occurred in fiscal year 2018.
- The State commits to paying for interest incurred on general obligation bonds issued by the University for capital purposes and for UConn Health projects (see Note 6). Effectively, this revenue offsets a significant portion of interest expense each year, and the noted increase in revenue from interest corresponds with a related increase in interest expense. In addition, as general obligation bonds are issued, the State commits to the repayment of the future principal amounts. The decrease in revenue related to principal of \$32.9 million was mainly due to general obligations issued with a lower face value in the current year. This change was offset by a decrease in bond proceeds designated for UConn Health projects that are reported as a reduction to revenue.
- Federal and state financial aid was \$4.2 million higher in fiscal year 2019, mainly due to increases in the Federal Pell and the Supplemental Educational Opportunity Grants.

The following graph shows the University's total operating and nonoperating revenues by category, excluding other changes in net position:



- Gifts and investment income increased \$14.3 million. Gift revenue increased \$8.4 million due to an increase in reimbursement requests of eligible expenses from spendable resources held by the University of Connecticut Foundation (Foundation). Investment income increased \$5.9 million, mainly due to higher interest rates and larger average balances from unspent bond proceeds held in the State’s short-term investment fund.
- Capital grants and gifts decreased \$1.2 million. The University received more capital gifts in fiscal year 2018 than in the current year including several works of art for the Benton Museum and various one-time donations of equipment. This decrease was offset in part by capital gifts related to the Werth Hall of Fame received in fiscal year 2019.

Expenses

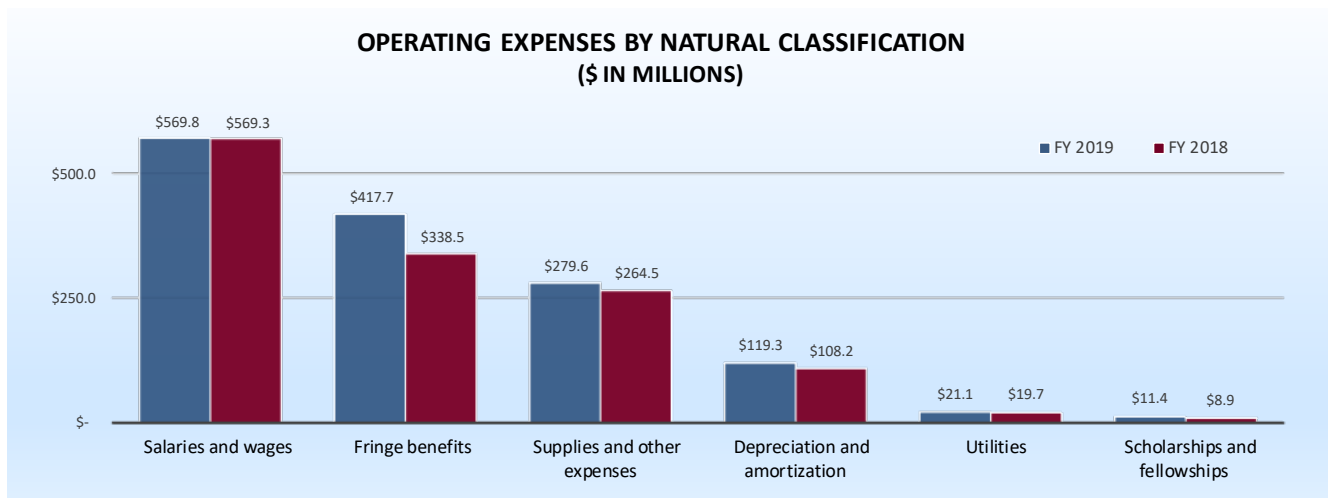
Total expenses increased \$113.2 million in fiscal year 2019 based on the following:

- Salaries and wages increased \$0.5 million, primarily due to a 1.4 percent increase in full-time equivalents and changes related to the UConn Health MOUs. Funding provided by UConn Health to cover salaries of \$3.1 million was recorded as a reduction to salary and wages in fiscal year 2018, whereas the same funding was recorded as revenue in fiscal year 2019 (see Note 1). In addition, the UConn Health public safety MOU covered a full year of services in fiscal year 2019 compared with a partial year covered in fiscal year 2018. These increases were offset by the one-time lump-sum bonuses awarded to employees in accordance with collective bargaining agreements in fiscal year 2018.
- Fringe benefits increased \$79.2 million. Pension expenses for defined benefit plans were higher by \$76.6 million, primarily due to one-time benefit

changes related to the SEBAC 2017 agreement that reduced expenses in fiscal year 2018. Fringe benefits also increased due to higher full-time equivalents, increases in other post-employment benefit expenses of \$1.7 million, and changes related to the UConn Health MOUs of \$2.6 million. These increases were partially offset by decreases related to the overstatement of compensated absences in fiscal year 2018 (see Note 18), and the one-time lump-sum bonuses accrued for in the prior fiscal year.

- Supplies and other expenses increased \$15.1 million. Of this amount, \$6.7 million related to the UConn Health MOU accounting change in fiscal year 2019. The remaining difference consisted of increases across various functions including research, public service, academic support, and institutional support. These changes were driven mainly by increases in sub-award agreements, software licenses, consulting and professional services, and electronic library purchases. Furthermore, these increases were offset in part by a decrease in non-capital expenses related to construction projects included in operations and maintenance of plant.
- Utilities expense increased \$1.4 million, mainly due to an increase in natural gas expenses offset in part by a decrease in oil costs. Natural gas was higher in fiscal year 2019 due to commodity cost increases, higher volume, and additional costs incurred to guarantee pipeline access. The decrease in oil costs was triggered by a lower usage of temporary boilers combined with the Cogeneration Facility switching from natural gas to oil for a shorter period in fiscal year 2019.
- Depreciation and amortization expense increased \$11.1 million, primarily due to a full year of depreciation recognized on buildings that were placed into service at the end of fiscal year 2018.

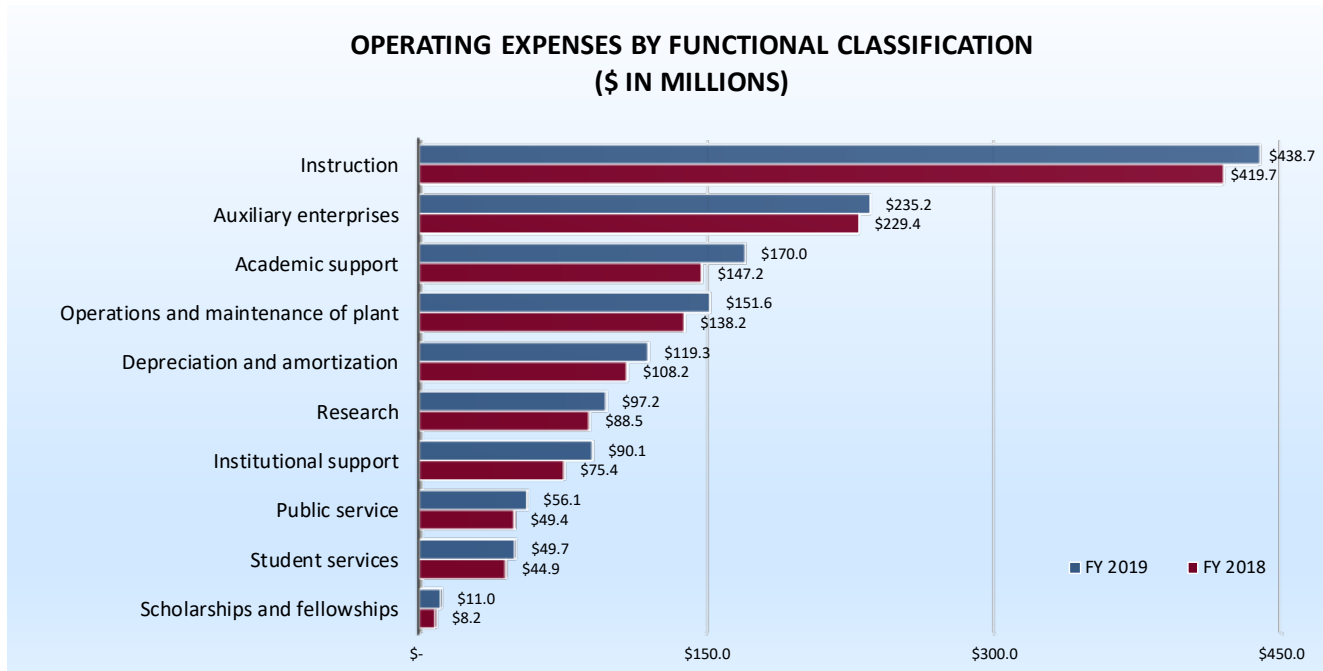
The following graph shows University’s operating expenses by natural classification:



- Scholarships and fellowships increased \$2.5 million, primarily due to increases in University aid, private scholarships, and Federal Pell Grants combined with higher tuition.
- Interest expense and other expenses, net, increased \$3.4 million. Interest expense was higher by \$5.8 million, mainly due to a full year of interest incurred on the 2018 Series A General Obligation Bonds and on new debt issued in fiscal year 2019. This change was

partially offset by a decrease of interest expense on remaining bonds due to lower principal balances. Net losses related to the disposal of property and equipment also increased \$0.8 million. Other nonoperating revenues (expenses), net, decreased \$3.2 million due to one-time litigation recoveries in fiscal year 2019 and lower bond issuance costs. Bond issuance costs decreased in fiscal year 2019 due to the 2018 Special Obligation Student Fee Revenue Bonds issued in the prior fiscal year.

The University’s operating expenses by functional classification are presented below:



STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement and is used as a measure of the financial condition of the University. This statement presents a snapshot concerning assets classified as current (those available for use within one year) and noncurrent (those available beyond one year), liabilities categorized as current (those maturing and due within one year) and noncurrent (those maturing and due after one year), and net position.

Assets represent what is owned by or what is owed to the University, including payments made to others before a service was received. Assets are recorded at their current

value except for property and equipment, which is recorded at historical cost, net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the University. A deferred outflow of resources represents the consumption of net assets by the University that is applicable to a future reporting period, whereas a deferred inflow of resources is an acquisition of net assets by the University that is applicable to a future reporting period.

The University’s net position is the residual value in assets and deferred outflows after liabilities and deferred inflows are deducted. Over time, an increase in net position is an indicator of the University’s improving financial strength.

The following table shows a Condensed Schedule of Net Position at June 30 (\$ in millions):

	2019	2018	\$ Change	% Change
Assets				
Current assets	\$ 972.0	\$ 995.9	\$ (23.9)	(2.4)%
Property and equipment, net	2,203.5	2,099.3	104.2	5.0%
Other noncurrent assets	1,591.6	1,557.5	34.1	2.2%
Total Assets	4,767.1	4,652.7	114.4	2.5%
Deferred Outflows of Resources	410.3	383.9	26.4	6.9%
Liabilities				
Current liabilities	464.7	497.0	(32.3)	(6.5)%
Noncurrent liabilities	4,514.8	4,392.0	122.8	2.8%
Total Liabilities	4,979.5	4,889.0	90.5	1.9%
Deferred Inflows of Resources	99.0	67.4	31.6	46.9%
Net Position				
Net investment in capital assets	1,681.7	1,682.3	(0.6)	(0.0)%
Restricted nonexpendable	15.0	15.0	-	0.0%
Restricted expendable	201.1	169.3	31.8	18.8%
Unrestricted	(1,798.9)	(1,786.4)	(12.5)	0.7%
Total Net Position	\$ 98.9	\$ 80.2	\$ 18.7	23.3%

Assets

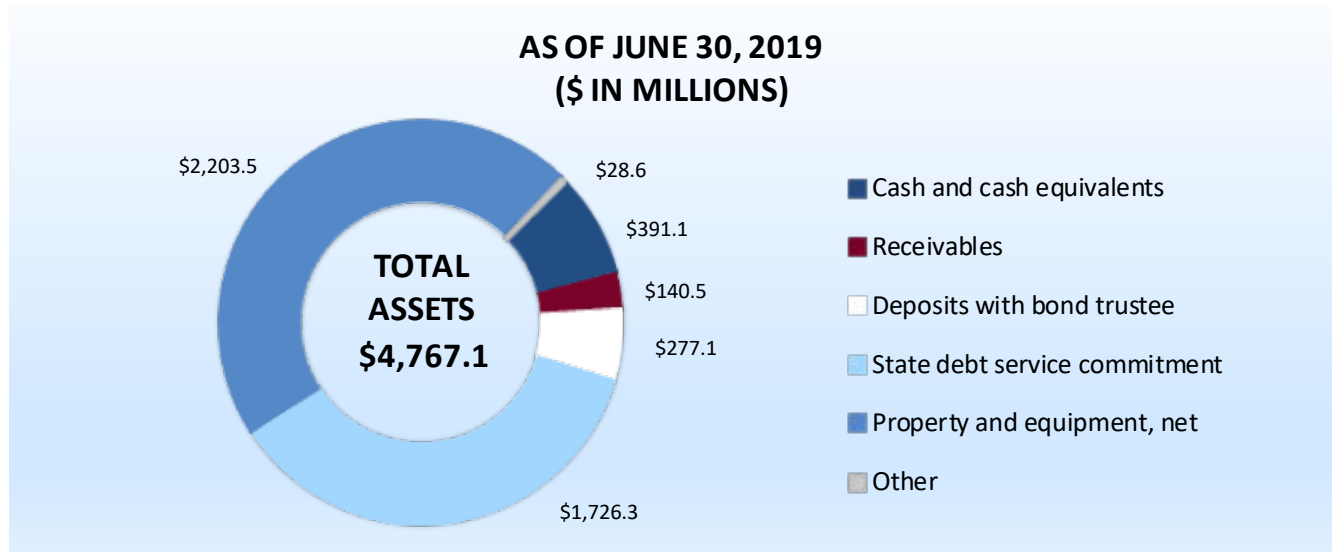
Total assets increased \$114.4 million in fiscal year 2019. Total current assets decreased \$23.9 million, net property and equipment increased \$104.2 million, and noncurrent assets increased \$34.1 million.

- Cash and cash equivalents increased \$43.8 million. This change was primarily due to a \$39.4 million transfer from bond proceeds held by the Trustee Bank to the University's operating cash for reimbursement of prior year capital project expenditures. Interest income received and significant property sales that occurred in fiscal year 2019 also contributed to the increase.
 - Accounts receivable increased \$13.7 million, mainly due to increases in gifts receivable from the Foundation at year-end combined with increases in grants and contracts.
 - Due from State decreased \$12.3 million, primarily a result of capital expenditures paid by State General Obligation Bonds for the Technology Park during fiscal year 2019, and a lower State appropriation receivable due to the one-time bonus payments accrued for General Fund employees in fiscal year 2018.
 - Due from affiliate (UConn Health) increased \$5.5 million, partially due to the timing of the branding and marketing MOU payments owed by UConn Health. Receivables related to the public safety MOU also increased in fiscal year 2019.
 - The current portion of the State debt service commitment increased \$1.4 million due to the issuance of the 2019 Series A General Obligation Bonds, partially offset by principal payments and refundings.
 - Deposits with bond trustee decreased \$80.8 million due to expenditures funded by bond proceeds in fiscal year 2019, partially offset by the addition of new general obligation bonds issued in the current fiscal year.
 - Prepaid expenses and other assets increased \$4.8 million, primarily due to \$5.1 million of revenue retained by the American Athletic Conference that will be applied to the exit fee in fiscal year 2020 (see Note 19). This change was offset in part by decreases due to the phase-out of the University's consumable inventory.
- The net increase in capital assets consists of \$238.9 million in additions, offset in part by \$119.3 million of depreciation and \$15.4 million of retirements. The large additions are mostly due to the University's active construction program.

- The change in noncurrent assets corresponds with the increase in the long-term portion of the State debt service commitment of \$36.1 million, partially offset

by a decrease in student loans receivable due to the closeout of the Federal Perkins Loan Program (see Note 7).

The following graph shows total assets by major category:



Liabilities

Total liabilities increased \$90.5 million in fiscal year 2019. Current liabilities decreased \$32.3 million and noncurrent liabilities increased \$122.8 million.

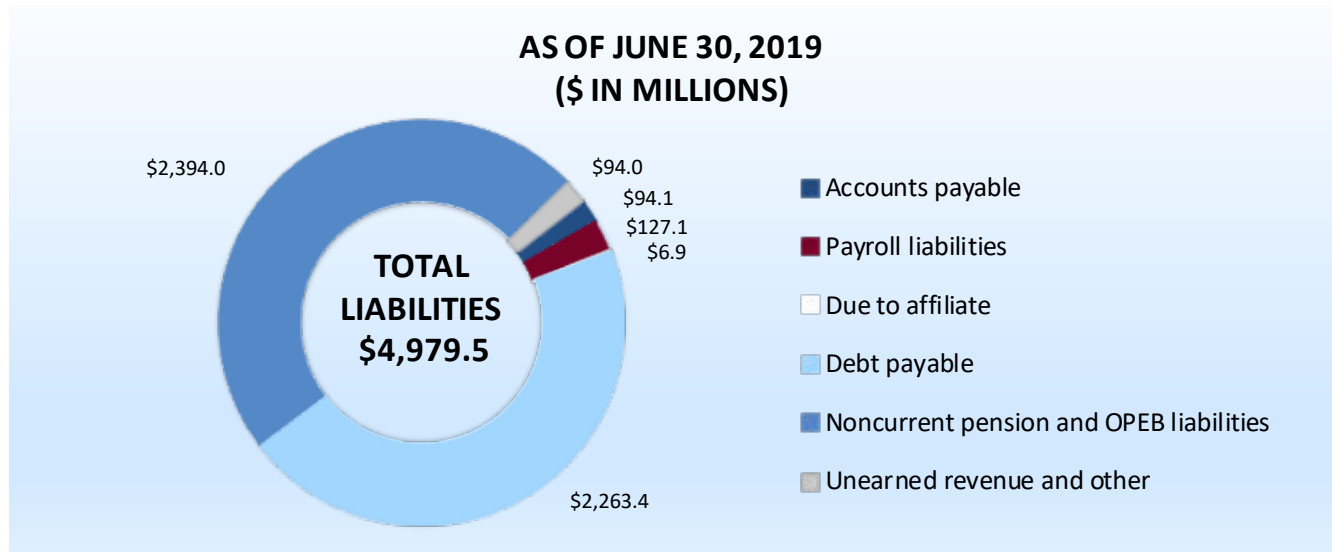
- The change in current liabilities was primarily attributed to the following:

- Wages payable and due to State reflected a combined decrease of \$9.2 million due to longevity payments, one-time lump-sum bonuses and the related fringe benefits reimbursed to the State that were accrued for in the prior fiscal year.
- The current portion of compensated absences also decreased \$4.8 million, mainly due to the prior period adjustment that reduced the liability's beginning balance in fiscal year 2019 (see Note 18).
- Due to affiliate decreased \$28.5 million. This decrease was primarily a result of current year expenditures of \$41.5 million for UConn Health capital projects, partially offset by the addition of \$13.0 million in general obligation bond proceeds allocated to UConn Health projects.
- The University's current portion of debt payable increased \$8.6 million. This was primarily due to new general obligation bonds issued during the year, partially offset by debt refundings.

- The change in noncurrent liabilities was primarily attributed to the following:

- Similar to the current portion, the long-term portion of compensated absences decreased \$7.0 million, mainly due to the overstatement of the liability in the prior year. Prior year balances included fringe benefits that were already accounted for within the net pension and net OPEB liabilities.
- Long-term debt increased \$38.6 million resulting from issuances of new debt and the addition of long-term software commitments, offset in part by refundings and repayments in fiscal year 2019.
- Net pension liabilities increased \$87.6 million, primarily due to an increase in the University's proportionate share combined with experience losses in the SERS pension plan.
- Net OPEB liability increased \$9.8 million, primarily due to an increase in the University's proportionate share offset by gains from actuarial assumption changes. The assumption changes were a result of a higher discount rate used to determine the net OPEB liability recorded for the fiscal year ended June 30, 2019.
- Other liabilities decreased \$4.2 million, mainly due to the reclassification of long-term software commitments to long-term debt in fiscal year 2019.

The following graph shows total liabilities by major category:



Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources increased \$26.4 million, mainly due to increases in contributions made subsequent to the measurement date and changes in proportions related to the net pension and net OPEB liabilities. The increase was partially offset by the amortization of deferrals.

Deferred inflows increased \$31.6 million, mainly due to actuarial assumption changes that were deferred in relation to the net OPEB liability recorded as of June 30, 2019, partially offset by the amortization of deferrals.

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, represents the University's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes and is included with investments in the University's Statement of Net Position. Expendable restricted net position is available for expenditure by the institution. However, it must be spent for purposes determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to the University for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

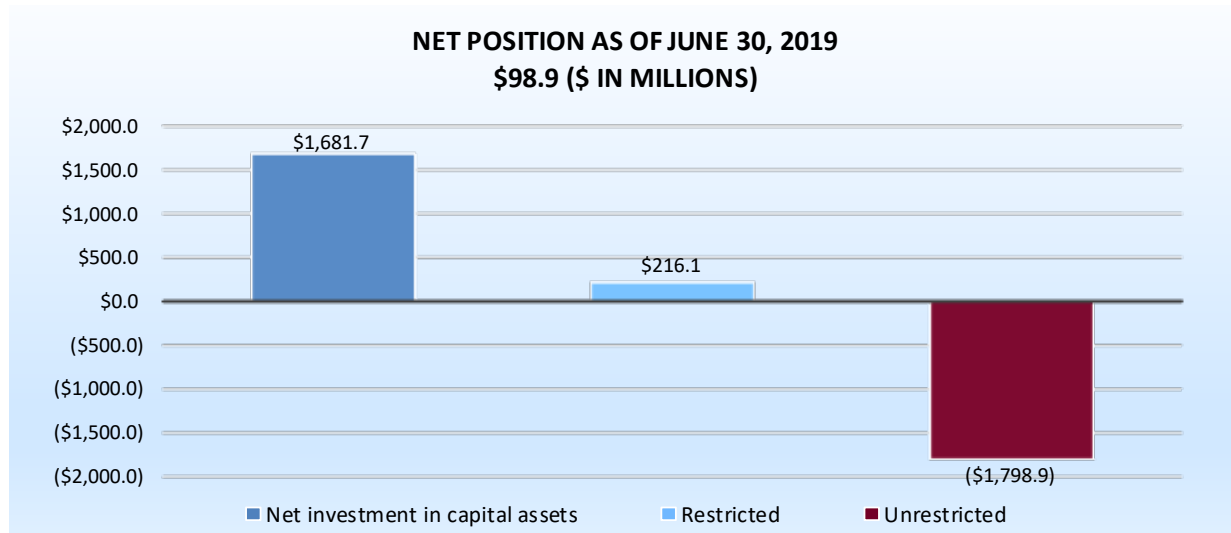
The increase in net position of \$18.7 million in fiscal year 2019 included the following changes:

- Net investment in capital assets decreased \$0.6 million. This change was due to a net increase in capital assets of \$104.2 million, reduced by a net increase of \$100.5 million in capital-related debt and the reclassification of \$4.3 million for long-term software commitments (see Note 18).
- Restricted nonexpendable had a decrease of less than \$0.1 million due to reductions of endowment investments offset by additions to permanent endowments received during fiscal year 2019.
- Restricted expendable increased \$31.8 million as follows:
 - Restricted expendable under capital projects increased \$42.4 million due to a higher amount of unspent general obligation bond proceeds at year-end than in the prior year combined with the addition of \$5.2 million related to the sale of the West Harford campus. These additions were partially offset by a decrease in State bond proceeds allocated for the Technology Park.
 - Restricted expendable related to research and scholarships decreased \$10.6 million, primarily due to a transfer to unrestricted funds related to differences in projected versus actual fringe benefit costs charged on grants. This decrease was partially offset by an increase in large private donations in fiscal year 2019.

- Unrestricted net position decreased \$12.5 million. This change was mainly due to OPEB and pension related expenses in fiscal year 2019 that were partially offset by the reimbursement of unrestricted funds from

general obligation and revenue bond proceeds, prior period adjustments (see Note 18), investment income, and transfers related to differences in projected versus actual fringe benefit costs.

The following graph shows net position by major category:



STATEMENT OF CASH FLOWS

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

The Statement of Cash Flows has four additional sections. The second section reflects cash flows from noncapital financing activities including State appropriation, debt transactions related to affiliate (UConn Health), financial aid, and gifts. The third section shows cash flows from capital and related financing activities, capital grants and gifts, and State debt service commitments for principal and interest. The fourth section consists of cash flows from investing activities showing the purchases, proceeds, and interest provided from investing activities. The final section is a reconciliation of the operating loss shown on the Statement of Revenues, Expenses, and Changes in Net Position to net cash used in operating activities.

CAPITAL ACTIVITIES

Property and equipment, net of accumulated depreciation and amortization, consisted of the following (\$ in millions):

	2019	2018	\$ Change	% Change
Land	\$ 20.1	\$ 20.7	\$ (0.6)	(2.9)%
Construction in progress	279.6	224.6	55.0	24.5%
Art and historical collections	56.4	56.0	0.4	0.7%
Non-structural improvements	260.3	153.2	107.1	69.9%
Buildings and improvements	1,465.7	1,522.3	(56.6)	(3.7)%
Intangible assets	21.6	20.2	1.4	6.9%
Library materials	5.8	6.6	(0.8)	(12.1)%
Equipment	94.0	95.7	(1.7)	(1.8)%
Total Property and Equipment, Net	\$ 2,203.5	\$ 2,099.3	\$ 104.2	5.0%

- Construction in progress increased approximately \$55.0 million as projects including Student Recreation Center, Fine Arts Phase 2 – Renovation and Improvements, Gant Building STEM Renovations, Central Campus Infrastructure Upgrades, Central Utility Plant Equipment Replacement and Pumping Project, University Athletic District Development, and other projects continued construction. Additions to Construction in progress also include net interest costs relating to projects financed by University funded debt. Additions were offset as projects including the North Eagleville Road Area Infrastructure Repair/Replacement and Upgrades – Phase 3, the Energy Services Performance Contract – Phase 1, the Northwest Science Quad Infrastructure – Phase 1, and other projects were completed and transferred from construction in progress to buildings and improvements and non-structural improvements.
- Art and historical collections increased by \$0.4 million, representing additions in fiscal year 2019.
- Non-structural improvements increased by \$107.1 million. Additions totaling \$118.0 million included North Eagleville Road Area Infrastructure Repair/Replacement and Upgrades – Phase 3, Energy Services Performance Contract – Phase 1, Northwest Science Quad Infrastructure – Phase 1, Southwest Campus Infrastructure Upgrade, and other projects. These additions were offset by depreciation expense of \$10.2 million and net retirements of \$0.7 million.
- Buildings and improvements decreased by \$56.6 million. Additions of \$41.2 million included Beach Hall Lab Renovations, additional costs relating to the Technology Quadrant Innovation Partnership Building and Engineering and Science Building, and other renovation projects. These additions were offset by depreciation expense of \$84.0 million and net disposals of \$13.8 million.
- Intangible assets increased by \$1.4 million. Additions of \$6.5 million included long-term software licensing commitments, costs associated with the Concur Travel and Expense project and other software implementations offset by amortization expense of \$5.1 million.
- Library materials decreased by \$0.8 million. Additions of approximately \$0.7 million were offset by \$1.5 million in depreciation expense.
- Equipment decreased by \$1.7 million. Additions of \$17.0 million were offset by depreciation expense and net asset disposals of \$18.7 million.
- In October 2018, the University sold the West Hartford campus property to a third-party buyer. As part of the purchase and sale agreement, the University

transferred buildings and real property (land, improvements, and easements) in exchange for \$5.2 million.

- In June 2019, the University sold the Nathan Hale Inn to a third-party buyer. As part of the purchase and sale agreement, the University transferred real property (hotel building and improvements and land improvements) and personal property in exchange for \$8.3 million.

See also Note 4 in the financial statements for details related to capital activities.

DEBT ACTIVITIES

The University issues general obligation bonds in its own name for a special capital improvement program (UCONN 2000) designed to modernize and expand the physical plant of the University. As amended, the program provides for a capital budget in three phases for the University and UConn Health, with an estimated total cost of \$4.6 billion.

The State has made a commitment to fund the University for all principal and interest payments due on UCONN 2000 general obligation debt. As the general obligation debt is incurred, the commitment from the State is recorded as a current and noncurrent receivable in the Statement of Net Position.

In fiscal year 2019, the University issued UCONN 2000 general obligation bonds with a combined face value of \$239.5 million, of which \$13.0 million was committed to UConn Health for its UCONN 2000 projects. This issuance included the refunding of the general obligation 2009 Series A bonds.

In addition to general obligation bonds, the University may issue special obligation bonds, also called Student Fee Revenue Bonds, which are secured by certain pledged revenues. There were no special obligation bonds issued or refunded in fiscal year 2019.

Subsequent to June 30, 2019, the University exercised its call option on the Special Obligation Student Fee Revenue Bonds 2010 Refunding Series and redeemed the entire \$16.7 million of outstanding principal on the bonds (see Note 19).

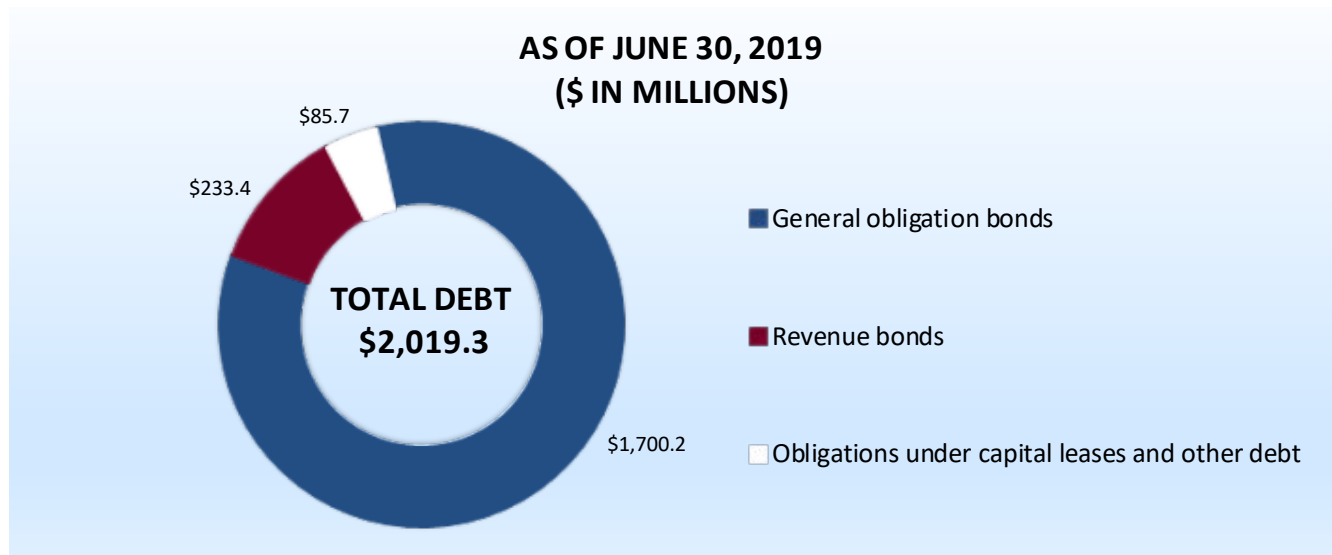
Obligations under capital leases include a lease purchase agreement to finance the UCONN 2000 Cogeneration Facility and a sublease agreement to provide student housing at the Stamford campus. There were no new capital lease obligations in fiscal year 2019.

In fiscal year 2019, the University reclassified the beginning balance of long-term software commitments from long-term liabilities to long-term debt and bonds

payable (see Note 18). In addition, in fiscal year 2019, the University entered into additional long-term software commitments totaling \$4.8 million.

See also Note 6 in the financial statements for details related to debt activities.

The following graph illustrates total debt by category, exclusive of premiums and discounts:



ECONOMIC OUTLOOK

In June 2019, the University's Board of Trustees approved an annual budget of \$1.5 billion that encompasses an initial projected deficit of \$19.6 million for fiscal year 2020. The \$19.6 million deficit is a direct result of costs associated with the unfunded pension and retiree health insurance liabilities allocated by the State. To balance the budget, the University will utilize additional salary savings from attrition and funds from unrestricted sources previously set aside for other initiatives.

Student tuition and fees budgeted in fiscal year 2020 represent about 41 percent of total revenues, greater than State support at about 26 percent. Per the agreement reached with the Governor and the General Assembly, State support budgeted in fiscal year 2020 includes a block grant of \$200.4 million and payment for fringe benefits and adjustments of \$171.1 million. Due to ongoing financial constraints on the State, the University is at risk for an additional 5 percent cut as part of the Governor's rescission authority in order to mitigate potential State deficits in fiscal year 2020.

Salary and fringe benefit costs have continued to grow at a significant pace, representing over 57 percent of the University's fiscal year 2020 budget. This is mainly due to mandatory raises for unionized employees and rising fringe benefit rates. Transfers from ARP to SERS as result of the SEBAC grievance award have also contributed to higher costs. To address shortfalls going forward, the University implemented strategic cuts to units across all campuses, created operational efficiencies including reorganization of various administrative areas,

and raised tuition in the final year of the four-year tuition plan.

In the midst of this difficult financial climate, the University continues its focus on protecting and enhancing academic excellence, and to deliver a high standard of service to the students and citizens of the State. According to the fiscal year 2020 budget plan, the University will increase financial aid support to \$194.7 million to assist students and to demonstrate the University's commitment to affordability.

In August 2019, the University completed construction of its four-story, 191,000 square foot Student Recreation Center located on the Storrs campus. Starting in the fall of 2019, all Storrs matriculated students pay a mandatory fee that supports the Student Recreation Center's operations and the University's debt service related to the facility. Undergraduate and graduate students pay \$250 and \$200 per semester, respectively.

Other significant events for fiscal year 2020 include the University's withdrawal from the American Athletic Conference (AAC). Based on the AAC separation agreement, the University will pay an exit fee of \$17.0 million, and the AAC will retain revenue distribution payments earned for the fiscal year ended June 30, 2019, and for the following fiscal year as partial payment. Furthermore, the University will pay a \$3.5 million entrance fee to the Big East Conference in fiscal year 2020. See Note 19 for additional details.

**UNIVERSITY OF CONNECTICUT
STATEMENT OF NET POSITION
As of June 30, 2019**

(\$ in thousands)

	2019
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 391,116
Accounts receivable, net	65,569
Student loans receivable, net	2,295
Due from State of Connecticut	52,342
Due from affiliate (Note 1)	13,829
State debt service commitment	157,354
Deposits with bond trustee	277,131
Prepaid expenses and other assets	12,373
Total Current Assets	972,009
Noncurrent Assets	
Investments	16,187
Student loans receivable, net	6,510
State debt service commitment	1,568,905
Property and equipment, net	2,203,537
Total Noncurrent Assets	3,795,139
Total Assets	4,767,148
DEFERRED OUTFLOWS OF RESOURCES	
	410,273
LIABILITIES	
Current Liabilities	
Accounts payable	94,158
Unearned revenue	38,712
Deposits held for others	1,937
Federal refundable loans	4,166
Wages payable	61,514
Compensated absences	18,284
Due to State of Connecticut	34,271
Due to affiliate (Note 1)	6,889
Current portion of long-term debt and bonds payable	167,319
Other current liabilities	37,445
Total Current Liabilities	464,695
Noncurrent Liabilities	
Compensated absences	13,015
Long-term debt and bonds payable	2,096,055
Federal refundable loans	7,754
Net pension liabilities	1,100,278
Net other post-employment benefits liability	1,293,696
Other liabilities	4,035
Total Noncurrent Liabilities	4,514,833
Total Liabilities	4,979,528
DEFERRED INFLOWS OF RESOURCES	
	99,033
NET POSITION	
Net investment in capital assets	1,681,657
Restricted nonexpendable	15,005
Restricted expendable	
Research, instruction, scholarships, and other	21,716
Loans	2,608
Capital projects and debt service	176,785
Unrestricted	(1,798,911)
Total Net Position	\$ 98,860

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2019

(\$ in thousands)

	2019
OPERATING REVENUES	
Student tuition and fees, net of scholarship allowances of \$172,581	\$ 396,780
Federal grants and contracts	121,593
State and local grants and contracts	17,959
Nongovernmental grants and contracts	23,577
Sales and services of educational departments	22,710
Sales and services of auxiliary enterprises, net of scholarship allowances of \$7,827	211,036
Other sources	29,750
Total Operating Revenues	823,405
OPERATING EXPENSES	
Salaries and wages	569,872
Fringe benefits	417,689
Supplies and other expenses	279,602
Utilities	21,063
Depreciation and amortization	119,346
Scholarships and fellowships	11,409
Total Operating Expenses	1,418,981
Operating Loss	(595,576)
NONOPERATING REVENUES (EXPENSES)	
State appropriation	356,898
State debt service commitment for interest	77,333
Federal and state financial aid	42,222
Gifts	28,185
Investment income	11,957
Interest expense	(70,460)
Disposal of property and equipment, net	(2,345)
Other nonoperating revenues, net	745
Net Nonoperating Revenues	444,535
Loss Before Other Changes in Net Position	(151,041)
OTHER CHANGES IN NET POSITION	
State debt service commitment for principal	154,405
Capital grants and gifts	3,907
Additions to permanent endowments	171
Net Other Changes in Net Position	158,483
Increase in Net Position	7,442
NET POSITION	
Net Position – Beginning of Year, As Restated (Note 18)	91,418
Net Position – End of Year	\$ 98,860

See accompanying notes to basic financial statements.

**UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019**

(\$ in thousands)

	2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 390,161
Grants and contracts	159,543
Sales and services of educational departments	22,653
Sales and services of auxiliary enterprises	206,808
Payments to employees	(577,592)
Payments for benefits	(314,031)
Payments to suppliers and others	(347,952)
Collections of loans to students	2,161
Loans issued to students	(68)
Other cash receipts	26,893
Other cash payments	(108)
Net Cash Used in Operating Activities	(431,532)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriation	359,481
State debt service commitment related to affiliate	65,287
Federal and state financial aid	42,067
Gifts	19,636
Proceeds from bonds related to affiliate	13,000
Principal paid on debt and bonds payable related to affiliate	(38,358)
Interest paid on debt and bonds payable related to affiliate	(26,929)
Net Cash Provided from Noncapital Financing Activities	434,184
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from bonds	187,000
State debt service commitment	141,953
Principal paid on debt and bonds payable	(105,951)
Interest paid on debt and bonds payable	(59,919)
Proceeds from sale of property and equipment	13,056
Purchases of property and equipment	(238,472)
Capital allocation	9,361
Capital grants and gifts	2,736
Net Cash Used in Capital and Related Financing Activities	(50,236)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments, net	(462)
Interest on investments	11,067
Deposit with bond trustee	80,783
Net Cash Provided from Investing Activities	91,388
 INCREASE IN CASH AND CASH EQUIVALENTS	 43,804
 BEGINNING CASH AND CASH EQUIVALENTS	 347,312
ENDING CASH AND CASH EQUIVALENTS	\$ 391,116

See accompanying notes to basic financial statements.

**UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2019**

(\$ in thousands)

	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	\$ (595,576)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided from Operating Activities:	
Depreciation and amortization expense	119,346
Investment	108
Property and equipment	4,800
In-kind workers' compensation	364
Other nonoperating revenues, net	745
Changes in Assets and Liabilities:	
Receivables, net	(3,233)
Deposits	231
Prepaid expenses and other assets	(4,794)
Accounts payable, wages payable, and compensated absences	(5,375)
Unearned revenue	258
Due from (to) State of Connecticut, net	(1,695)
Due from (to) affiliate, net	(49,947)
Deferred outflows (inflows)	1,806
Other liabilities	1,645
Federal refundable loans	2,460
Net pension and net other post-employment benefits liabilities	97,325
Net Cash Used in Operating Activities	\$ (431,532)

ACCOMPANYING SCHEDULE OF SIGNIFICANT NONCASH TRANSACTIONS

Proceeds from refunding bonds	\$ 72,813
Amortization of premiums, discounts, and net loss on debt refundings	16,460
Conference revenue retained by the American Athletic Conference	5,171
Acquisition of software licenses under long-term purchase contracts	4,846
Capital assets acquired through gifts	494
Unrealized loss on investment	(108)
Net loss on disposal of capital assets with an original cost of \$40,241, accumulated depreciation of \$24,840, and cash proceeds of \$13,056	(2,345)

See accompanying notes to basic financial statements.

Notes to Financial Statements For the Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Connecticut, a comprehensive institution for higher education governed by a 21-member Board of Trustees, serves as the flagship for higher education in the State of Connecticut (State). This institution is composed of programs based in Storrs and at the four regional campuses: Avery Point, Hartford, Stamford, and Waterbury. It also includes the School of Law, the School of Social Work, and the University of Connecticut Health Center (UConn Health). UConn Health is a fiscally independent branch, defined in State statute as a healthcare institution, that oversees clinical care, advanced biomedical research, and academic education in medicine. Separate for purposes of audit and financial reporting, UConn Health has its own Board of Directors to whom the Board of Trustees has delegated authority and by State statute is a separate entity for purposes of budgeting, maintaining operating funds, and receiving appropriations from the State. The transactions and balances of UConn Health are not included within this comprehensive annual financial report for the year ended June 30, 2019, and the University of Connecticut (University) is herein defined as all programs except for UConn Health.

In accordance with standards issued by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Legally separate and tax exempt entities shall be presented as component units of the reporting entity if they meet all of the following criteria: the economic resources of the organization are entirely or almost entirely for the direct benefit of the reporting unit; the reporting unit is entitled to access all or a majority of the economic resources received or held by the organization; and the economic resources received or held by the organization are significant to the reporting unit.

The financial operations of the University along with those of UConn Health are reported in the State's comprehensive annual report using the fund structure prescribed by GASB. The State includes the transactions and balances of the University within an enterprise fund under the major business-type activities of the government-wide financial statements, and has noted that State colleges and universities do not possess corporate

powers that would distinguish them as being legally separate.

The University of Connecticut Foundation, Inc. (Foundation) is a related, but independent, corporate entity that supports the mission of the University and is also included in the State's annual report. The Foundation raises funds to promote, encourage, and assist education and research at both the University and UConn Health. Although the Foundation materially supports the mission of both the University and UConn Health, displaying the Foundation's financial statements as a component unit of either entity individually would distort its actual contribution or economic benefit to that entity. Therefore, the Foundation is not included as a component unit in the accompanying financial statements, but is included as a component unit of the State.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with United States generally accepted accounting principles (GAAP), as prescribed by GASB. The University is considered a special-purpose government engaged in business-type activities, defined by GASB as those activities that are financed in whole or in part by fees charged to external parties for goods or services.

The University's financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, expenses are recognized when incurred, and all significant intra-agency transactions have been eliminated.

Adoption of New Accounting Standards

Effective for the University's fiscal year ended June 30, 2019, GASB issued the following statements that were adopted for this financial report:

- GASB Statement No. 83 (GASB 83), *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. ARO recognition occurs when a liability is both incurred and reasonably estimable. The measurement of an ARO is based on the best estimate of the current value of outlays expected to be incurred. A deferred outflow of resources associated with an ARO is also recognized at the amount of the corresponding liability upon initial measurement. As a

result of adopting GASB 83, the University recorded a long-term liability and a related deferred outflow for an ARO in the accompanying financial statements as of June 30, 2019. The cumulative effect of applying this standard was not recorded as it was immaterial to the financial statements. See Note 7 for additional disclosures related to AROs.

- GASB Statement No. 88 (GASB 88), *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, requires that additional essential information related to debt, including direct borrowings, direct placements, and unused lines of credit, be disclosed in the notes to the financial statements. GASB 88 also clarifies which liabilities should be included when disclosing information related to debt. As a result of adopting GASB 88, the University included long-term software commitments in its debt-related disclosures (see Note 6). In conjunction with implementing this standard, beginning balances related to long-term software commitments under other long-term liabilities were also reclassified to long-term debt and bonds payable in the accompanying Statement of Net Position. See also Note 18 regarding a prior period adjustment related to long-term software commitments.

Other Accounting Changes

In recent years, the University executed several memorandums of understanding (MOUs) with UConn Health to combine various operating activities such as public safety, branding, and other services in efforts to achieve cost-savings and efficiencies. These agreements require UConn Health to pay an agreed-upon amount to the University to cover the increase in personnel costs and other expenses incurred from managing these operations on UConn Health's behalf. In prior fiscal years, these transactions were treated as reimbursements and were recorded as reductions to expenses in the University's financial statements. Due to the significant increase of UConn Health MOU activity during fiscal year 2019, the University reassessed and changed its accounting method to report the related UConn Health payments as operating revenues under other sources in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019. This change is expected to further increase transparency and better reflect the University's operating activities. There was no cumulative effect of applying this change and, therefore, no adjustment to the beginning balance of net position as of June 30, 2019, was required. Furthermore, this change had no effect on the change in net position for the year ended June 30, 2019. See Note 15 for additional disclosures.

Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the State of Connecticut

Treasurer's Short-Term Investment Fund (STIF) are also considered cash equivalents, with the exception of those classified as restricted balances included in deposits with bond trustee.

Accounts and Student Loans Receivable

Accounts receivable consists of tuition, fees, auxiliary enterprises service fees, and amounts due from state and federal governments for grants and contracts. Student loans receivable consists primarily of amounts due from students under the Federal Perkins Loan Program, which are subject to significant restrictions. The receivable for student loans is classified as current and noncurrent based on the amount estimated to be collected from students within one year and beyond one year, respectively. Accounts and student loans receivable are recorded net of an estimated allowance for doubtful accounts.

Due From State and Due To State

Due from State includes an appropriation receivable from the General Fund of the State (General Fund) for payroll, as well as unspent State bond funds designated to the University by the State Bond Commission for specific capital projects.

The State administers employee benefit and retirement plans and charges the University based on an annual fringe benefit cost recovery rate that is applied to employee salaries. The amount due to State consists of fringe benefits accrued in relation to wages payable reported at the fiscal year-end.

Due From Affiliate and Due To Affiliate

Due from affiliate includes amounts owed by UConn Health resulting from various MOUs and other operating activities (see Note 15). Due to affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University. The proceeds are reported net of accruals for capital expenditures and retainage.

State Debt Service Commitment

The State has made a commitment to paying an annual amount of debt service on securities issued as general obligations of the University. As general obligation debt and related interest are incurred, the commitment from the State is recorded as revenue for principal and interest in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. A corresponding receivable is recorded in the accompanying Statement of Net Position and is classified as current and noncurrent based on debt service payments owed in one year and beyond one year, respectively.

Deposits with Bond Trustee

Tax-exempt bond proceeds are deposited to various accounts held by the Trustee Bank as required by certain trust indentures. The funds are invested and disbursed as

directed by the University. The University's bond proceeds investment policy is to balance an appropriate risk-return level heavily weighted towards safety of assets, as defined and permitted under the relative indentures and the General Statutes of Connecticut (State General Statutes).

The University has directed the Trustee Bank to invest UCONN 2000 indenture related construction fund proceeds in STIF. Similarly, the University has directed the Trustee Bank to invest other related funds in dedicated STIF accounts for debt service funds, capitalized interest, and cost of issuance for the Special Obligation Student Fee Revenue Bonds. Additionally, the University transfers unrestricted funds periodically to a dedicated STIF account in accordance with the Renewal and Replacement Fund Requirement (see Note 2). The Renewal and Replacement Fund Requirement is defined by the Special Obligation Indenture as an amount deemed necessary to maintain assets financed with bond proceeds in sound operating condition.

Investment earnings from UCONN 2000 General Obligation Bond proceeds are retained by the State Treasurer's Office and do not flow to the University or to the Trustee Bank. Investment earnings from Student Fee Revenue Bonds are part of pledged revenues and are directly retained by the Trustee Bank to pay debt service on the bonds or for other indenture permitted purposes. Earnings on the UCONN 2000 General Obligation Debt Service Commitment Refunding Bonds and the Special Obligation Student Fee Revenue Refunding Redemption Fund escrows form part of the irrevocable escrows that are used by the Trustee Bank to meet debt service payments on defeased bonds until called.

Inventories

Inventories classified as available for resale are included with prepaid expenses and other assets in the accompanying Statement of Net Position and are valued at cost as determined by the first-in, first-out method. Maintenance and custodial supplies, repair parts, and other general supplies used in daily operations are expensed when purchased.

Investments

The University accounts for its investments at fair value, categorized for disclosure purposes within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the investment. The three-level hierarchy of inputs is summarized as follows:

- Level 1 – Quoted prices for identical investments in an active market.
- Level 2 – Inputs other than Level 1 that are observable, such as quoted prices for similar investments in active

markets; quoted prices for identical or similar investments in markets that are not active; or inputs other than quoted prices that are observable such as interest rate and yield curves, volatilities, and credit spreads, among others.

- Level 3 – Inputs that are unobservable but supported by the University's or the Foundation's own assumptions, taking into consideration the assumptions that market participants would use in pricing the investment. These inputs are developed based on the best information available under the circumstances.

The net asset value (NAV), or its equivalent, is used to determine the fair value of all investments that do not have a readily determinable fair value. Since they are not readily determinable, the fair values of these investments may differ from the values that would have been used had a ready market existed for these investments.

Changes in the unrealized gain or loss on the carrying value of the University's investments are recorded as nonoperating revenues or expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Property and Equipment

Property and equipment are reported at cost at the date of acquisition or, in the case of gifts, at acquisition value. All land is capitalized regardless of cost. Capital projects greater than \$100,000 that significantly increase the value or useful life of an asset are capitalized. Routine repairs and maintenance costs are charged to operating expenses in the year incurred. Equipment with a value of \$5,000 or more and a useful life of more than one year is capitalized.

Depreciation and amortization expenses are recorded on a straight-line basis over the estimated useful lives of the respective assets:

Non-structural improvements	10 – 50 years
Buildings and building components	6 – 60 years
Intangible assets	3 – 10 years
Library materials	15 years
Equipment	3 – 30 years

Art and historical collections are recognized at their acquisition values and are not depreciated. The Thomas J. Dodd Research Center at the University maintains historical collections of original source materials used for research and serves as the University's official archive. New items are added to the collection if their acquisition value can be substantiated by an external appraisal.

The University does not include interest in the cost of constructed capital assets financed through general obligation bonds. The repayment of interest on these

bonds is funded by the State. Interest incurred during the construction phase on projects financed through University funded debt is capitalized, net of interest earned on the invested proceeds of the borrowing.

Unearned Revenue

Unearned revenue includes amounts received for services to be rendered in a future accounting period. This amount is composed primarily of student charges (tuition, fees, room, and board) received in advance of the applicable academic period and amounts received from sponsors related to certain restricted research grants that will not be included in revenue until the funds are expended. It also includes advance ticket sales for sporting events and commitments received in advance of the athletic season.

Compensated Absences

Employee vacation, holiday, compensatory, and sick leave are accrued at year-end for financial statement purposes. The liability is included as compensated absences in the accompanying Statement of Net Position and is classified as current and noncurrent based on the amount estimated to be paid to eligible employees in one year and beyond one year, respectively. The related expense is included as an operating expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Noncurrent Liabilities

Noncurrent liabilities include (1) the long-term portion of compensated absences, (2) principal payments due on bonds (net of unamortized premiums and discounts), loans and capital leases with a maturity of more than one year, (3) net pension and net other post-employment benefits (OPEB) liabilities, (4) the long-term portion of governmental advances for revolving student loan programs required to be returned to the federal government upon cessation of the program, and (5) other liabilities consisting of an ARO and the long-term portion of the University's bookstore service concession arrangement liability.

Net Pension and Net OPEB Liabilities

For purposes of measuring net pension and net OPEB liabilities, related deferred outflows of resources and deferred inflows of resources, and related expenses, information about the fiduciary net position as well as additions to and deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, plan member contributions are recognized in the period the contributions are due. Employer contributions are recognized in the period the contributions are appropriated. Benefits and refunds to pension plan members are both recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources

Changes in the net pension and net OPEB liabilities not included in pension or OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. The University's contributions to the pension and OPEB plans made subsequent to the measurement date of the net pension and net OPEB liabilities are reported as deferred outflows.

A deferred outflow recorded upon the initial measurement of an ARO is amortized over the useful life of the related asset. The difference between the reacquisition price and the net carrying amount of refunded bonds is classified as an accumulated net gain or loss in deferred inflows or deferred outflows of resources. Such amounts are amortized as a component of interest expense on a straight-line basis over the life of either the old debt or the new debt, whichever is shorter. The difference between assets and contractual liabilities recorded in connection with a service concession arrangement is also reported as a deferred inflow of resources to be amortized as revenue over the contract term.

Net Position

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

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and amortization, reduced by outstanding principal balances of bonds (net of State debt service commitment) and notes that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component.
- **Restricted nonexpendable:** Endowment and similar type assets for which donors or outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity. These assets are invested for the purpose of producing present and future income, which may be expended or reinvested in principal.
- **Restricted expendable:** Assets reduced by liabilities and deferred inflows of resources related to those assets that are expendable but where the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.
- **Unrestricted:** The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets". These

assets are not subject to externally imposed stipulations, but they may be subject to internal designations. For example, amounts classified as unrestricted may be assigned to specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. In general, all unrestricted amounts in net position are assigned to support academic and research programs, capital projects, retirement of indebtedness, and auxiliary enterprise activities.

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

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

Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- **Operating revenues and expenses:** Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities, auxiliary enterprises revenue, and other sources of revenue that generally have the characteristics of exchange transactions. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires recipients of government-

mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. Restricted grant revenue that does not meet the nonexchange transaction definition is also recognized to the extent expended or, in the case of fixed price contracts, when the contract terms are met or completed. Operating expenses include all expense transactions incurred other than those related to investing or financing, irrespective as to whether the revenues associated with those expenses are classified as operating or nonoperating. These expenses are reported using natural classification, comprehensive of expenses incurred under both educational and general programs and auxiliary enterprises. See also Note 17 for operating expenses presented by functional classification.

- **Nonoperating revenues and expenses:** All other revenues and expenses of the University are reported as nonoperating revenues and expenses including State appropriation, State debt service commitment for interest, federal and state financial aid, noncapital gifts, and investment income. Interest expense and disposal of property and equipment, net, are also reported as nonoperating.

Scholarship Discounts and Allowances

GASB requires that revenues be reported net of scholarship discounts and allowances, representing the difference between the stated charge for goods and services provided by the University and the amount that is ultimately paid by students or on their behalf. Any aid applied directly to student accounts in payment of tuition and fees, housing charges, and dining services is reflected as a scholarship allowance deducted from the University's operating revenues. Scholarships and fellowships expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position includes financial aid payments made directly to students.

NOTE 2. CASH AND CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS

The University's total cash and cash equivalents, deposits, and investments included the following as of June 30, 2019 (amounts in thousands):

	<u>2019</u>
<u>Cash and Cash Equivalents</u>	
Cash maintained by State Treasurer	\$ 363,837
Invested in STIF	17,283
Other deposits	<u>9,996</u>
Total Cash and Cash Equivalents	<u>391,116</u>
<u>Deposits with Bond Trustee</u>	
Invested in STIF	277,109
Cash	<u>22</u>
Total Deposits with Bond Trustee	<u>277,131</u>
<u>Investments</u>	
Foundation-managed endowments	15,005
POET Technologies, Inc.	459
UConn Innovations Fund, LLC	<u>723</u>
Total Investments	<u>16,187</u>
Total Cash and Cash Equivalents, Deposits, and Investments	<u>\$ 684,434</u>

Cash and Cash Equivalents

Collateralized deposits are protected by State General Statute. This statute requires that 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 mainly by the bank's financial condition, which is measured using ratios of leverage, net worth, and risk-based capital. 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 are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized. As a State agency, the University benefits from this protection, though the extent to which the deposits of an individual State agency such as the University are protected cannot be readily determined.

The University's cash management investment policy permits the University to invest in STIF, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, bankers' acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts.

STIF is a money market investment pool in which the State, municipal entities, and other 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. STIF had a Standard and Poor's rating of AAAM and a weighted average maturity of 43 days as of June 30, 2019.

Deposits with Bond Trustee

Deposits of the University include UCONN 2000 bond indenture related funds held by the Trustee Bank at the direction of the University. As of June 30, 2019, deposits with bond trustee included \$277.1 million invested in STIF. Of this amount, \$10.2 million related to the Renewal and Replacement Fund, an indenture defined account funded with non-bond proceeds. The Trustee Bank's FDIC deposit insurance covers the University's deposits up to \$250,000.

Foundation-Managed Endowments

The University designated the Foundation as the manager of the University's endowment funds. The Foundation makes spending allocation distributions to the University for each participating endowment. The distribution is spent by the University in accordance with the respective purposes of the endowments, the policies and procedures of the University and State General Statutes, and in accordance with the Foundation's endowment spending policy described below.

The endowment spending policy adopted by the Foundation's Board of Directors, in conjunction with a strategic asset allocation policy for the long-term pooled investment portfolio, is designed to provide reliable growth in annual spending allocation levels and to preserve or increase the real value of the endowment principal over time. To meet these objectives, the Foundation utilizes a total return investment approach, with total return consisting of interest and dividends as well as realized and unrealized gains and losses, net of management fees.

The Foundation's endowment spending allocation policy adheres to the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA considers prudence in maintaining an endowment fund in perpetuity. Therefore, spending can occur from an endowment fund whose fair value is below its historic value as long as the governing body has determined that its policies will continue the perpetual nature of the endowment over time.

An advancement fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the University. The endowment spending allocation and advancement fee taken together cannot exceed 6.75 percent or fall below 3 percent of the quarterly fair value of endowment funds. Should this occur, the calculated amounts will be decreased or increased, respectively, on a pro rata basis.

Over the long term, the Foundation expects the current spending allocation and advancement fee policies to allow endowments to grow on average at least at the annualized rate of inflation. This is consistent with the organization's objective of providing resources for the underlying purposes of its endowment assets over the life of the endowments, whether in perpetuity or for a specified term, as well as to provide additional growth through new gifts and investment return.

University endowment investments are managed by the Foundation in a pooled portfolio that is actively managed by professional investment managers as determined by the Investment Committee of the Foundation's Board of Directors. The Foundation has established asset allocation guidelines for the pooled investment portfolio, providing that the maximum exposure with any one manager would be 20 percent for actively managed liquid assets and 5 percent for illiquid assets. The Foundation's Board of Directors also established an asset allocation policy for the long-term pooled investment portfolio. The Foundation expects that portfolios will be invested in only the strategies described in the following table, and not above or below the individual strategy percentage and its total percentage by objective, unless otherwise specified by its Board of Directors.

Investment Objectives and Strategies	Allocation Range as Percentage of Market Value
<u>Growth</u>	
Public equity	10% – 60%
Private equity	5% – 45%
<u>Risk Minimizing</u>	
Global fixed income	5% – 30%
Hedge funds – non-directional	0% – 20%
<u>Inflation Hedging</u>	
Real assets	0% – 10%

The endowments invested with the Foundation are subject to risk due to the uncollateralized nature of most of its investments. Certain investments of the Foundation include external investment pools. The bond mutual funds had effective durations of 0.44 years and a Standard and Poor's rating of BBB totaling \$1.8 million and a rating of AAA totaling \$56,000. The University endowment's foreign publicly traded equities totaled \$2.9 million as of June 30, 2019. Private capital investments totaled approximately \$1.0 million as of June 30, 2019.

Other Investments

Certain investments are also held directly by the University. As of June 30, 2019, the University held 1.5 million shares in POET Technologies, Inc. (POET) that were received in previous years in connection with technology licensing and royalty-related transactions. In addition, the University held an ownership interest in UConn Innovation Fund, LLC as of June 30, 2019 (see Note 15).

The investment in POET is denominated in Canadian dollars and therefore is subject to foreign currency risk. Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuation in the value of the U.S. dollar relative to the foreign currencies.

Funds Held in Trust by Others

Certain other funds are held in trust for investment by outside trustees. The University is designated as the income beneficiary and the funds are not under the direct control of the University. Accordingly, the assets of these funds are not included in the accompanying financial statements. The fair value of these funds was \$15.9 million as of June 30, 2019. Investment income earned on these assets is transferred to the University in accordance with applicable trust agreements. Income received from those sources for the year ended June 30, 2019, was \$602,000.

Fair Value Measurement

Certain investments managed by the Foundation are measured at fair value pricing using NAV, or its equivalent. NAVs provided by third-parties have been utilized in determining fair value where there are significant unobservable inputs related to Level 3 assets, as all investments have been made through commingled fund structures with no direct ownership. The Foundation's investment managers utilize outside pricing services and administrators as well as their own internal valuation models in determining and verifying fair values.

The Foundation performs ongoing due diligence with its investment managers that includes evaluation of managers' operations and valuation procedures, site visits, investor calls, and review of manager filings and audited financial statements. The Investment Committee of the Foundation's Board of Directors monitors performance of investment managers and meets formally with managers on a periodic basis in addition to the ongoing due diligence performed by the Foundation investment staff.

The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the investment balance presented in the Statement of Net Position as of June 30, 2019 (amounts in thousands):

	2019				Total
	Level 1	Level 2	Level 3	NAV	
<u>Foundation-Managed Investments</u>					
Cash and cash equivalents	\$ 353	\$ -	\$ -	\$ -	\$ 353
Fixed income securities					
Corporate investment grade	1,837	-	-	-	1,837
Equity securities					
Domestic	10,404	-	-	-	10,404
Foreign	11	-	-	-	11
Private capital					
Buyout and venture capital	-	-	-	379	379
Debt	-	-	-	131	131
Royalties	-	-	-	521	521
Long and short equities	-	-	-	1	1
Private real estate	-	-	-	24	24
Private natural resources	-	-	-	419	419
Relative value	-	-	-	925	925
Total Foundation-Managed Investments	<u>12,605</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>15,005</u>
<u>University-Held Investments</u>					
Equity securities – foreign	459	-	-	-	459
Other	-	-	-	723	723
Total University-Held Investments	<u>459</u>	<u>-</u>	<u>-</u>	<u>723</u>	<u>1,182</u>
Total Investments	<u>\$ 13,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,123</u>	<u>\$ 16,187</u>

The Foundation has agreements with external investment managers that include certain redemption terms and restrictions as noted in the following table as of the fiscal year ended June 30, 2019 (amounts in thousands):

Investment Strategy	2019				Redemption Terms	Redemption Restrictions
	Fair Value	Unfunded Commitments	Remaining Life			
Private capital partnerships including venture, buyout, and debt in the U.S. and international, and other	\$ 1,031	\$ 78	Less than 1 to 8 years		Not applicable	Not redeemable
Private real estate partnerships in commercial, residential, office, and industrial properties	24	39	1 to 3 years		Not applicable	Not redeemable
Natural resource partnerships in energy and timber	419	76	1 to 5 years		Not applicable	Not redeemable
Total	<u>\$ 1,474</u>	<u>\$ 193</u>				

NOTE 3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following (amounts in thousands):

	<u>2019</u>
Grants and contracts	\$ 38,736
Student and general	32,187
Investment income	2,285
Allowance for doubtful accounts	<u>(7,639)</u>
Total Accounts Receivable, Net	<u>\$ 65,569</u>

The University participated in the U.S. Department of Education Federal Direct Lending Program during fiscal year 2019 and distributed student loans through this

program of \$169.1 million. These distributions and related funding are not reflected as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements. The excess of direct loans distributed over funding received from the U.S. Department of Education as of June 30, 2019, was \$349,000; this amount was included as a receivable under grants and contracts.

The University reported student loans receivable of \$8.8 million for the fiscal year ended June 30, 2019. Student loans receivable are substantially composed of amounts owed from students under the U.S. Department of Education Federal Perkins Loan Program and are reported separately from accounts receivable in the accompanying Statement of Net Position. The 2019 amount is reported net of an allowance for doubtful accounts of \$1.0 million at June 30, 2019. See Note 7 for information regarding the closeout of the Federal Perkins Loan Program.

NOTE 4. PROPERTY AND EQUIPMENT

The following table describes the changes in property and equipment for the year ended June 30, 2019 (amounts in thousands):

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 20,678	\$ -	\$ (568)	\$ -	\$ 20,110
Construction in progress	224,571	138,897	-	(83,839)	279,629
Art and historical collections	56,011	424	(68)	-	56,367
Total Capital Assets Not Being Depreciated	<u>301,260</u>	<u>139,321</u>	<u>(636)</u>	<u>(83,839)</u>	<u>356,106</u>
<u>Depreciable Capital Assets</u>					
Non-structural improvements	312,733	40,855	(1,409)	77,164	429,343
Buildings and improvements	2,576,316	34,549	(24,767)	6,675	2,592,773
Intangible assets	45,158	6,476	(641)	-	50,993
Library materials	54,231	740	-	-	54,971
Equipment	278,728	17,027	(12,787)	-	282,968
Total Depreciable Capital Assets	<u>3,267,166</u>	<u>99,647</u>	<u>(39,604)</u>	<u>83,839</u>	<u>3,411,048</u>
<u>Less Accumulated Depreciation</u>					
Non-structural improvements	159,579	10,178	(698)	-	169,059
Buildings and improvements	1,054,046	83,979	(10,949)	-	1,127,076
Intangible assets	24,880	5,114	(641)	-	29,353
Library materials	47,577	1,536	-	-	49,113
Equipment	183,028	18,539	(12,551)	-	189,016
Total Accumulated Depreciation	<u>1,469,110</u>	<u>119,346</u>	<u>(24,839)</u>	<u>-</u>	<u>1,563,617</u>
<u>Depreciable Capital Assets, Net</u>	<u>1,798,056</u>	<u>(19,699)</u>	<u>(14,765)</u>	<u>83,839</u>	<u>1,847,431</u>
<u>Property and Equipment, Net</u>	<u>\$ 2,099,316</u>	<u>\$ 119,622</u>	<u>\$ (15,401)</u>	<u>\$ -</u>	<u>\$ 2,203,537</u>

In October 2018, the University sold the West Hartford campus property to a third-party buyer. As part of the purchase and sale agreement, the University transferred buildings and real property (land, improvements, and easements) in exchange for \$5.2 million. In addition, the State and the University are released from any claims relating to the physical or environmental conditions of the property. For the year ended June 30, 2019, the University recognized a loss on the sale of \$1.7 million, which is included in disposal of property and equipment, net, in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

In June 2019, the University sold the Nathan Hale Inn to a third-party buyer. As part of the purchase and sale agreement, the University transferred real property (hotel building and improvements and land improvements) and personal property in exchange for \$8.3 million. As part of a ground lease agreement, the University will lease the land on which the hotel is situated to the buyer for \$1 per year for 98 years. For the year ended June 30, 2019, the University recognized a gain on the sale of \$250,000, which is included in disposal of property and equipment, net. Operating revenues and expenses reported from the Nathan Hale Inn operations during fiscal year 2019, were \$1.9 million and \$900,000, respectively. These amounts were included under the corresponding operating categories for auxiliary enterprises in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

The University capitalized \$4.8 million of net interest cost for the year ended June 30, 2019.

NOTE 5. UNEARNED REVENUE

As of June 30, 2019, unearned revenue included the following (amounts in thousands):

	<u>2019</u>
Tuition, fees, and other student charges	\$ 20,970
Amounts received from grant sponsors	12,958
Athletic tickets, commitments, and other	4,784
Total Unearned Revenue	<u>\$ 38,712</u>

NOTE 6. LONG-TERM DEBT AND BONDS PAYABLE

The UConn 2000 Infrastructure Improvement Program (UCONN 2000) established by The University of Connecticut 2000 Act (Act) is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a 32-year capital budget program in three phases, estimated to cost \$4,619.3 million. The Act was originally adopted in 1995 to

authorize and finance the UCONN 2000 Phase I Projects and the UCONN 2000 Phase II Projects at University campuses not including UConn Health. The Act was amended in 2002 by the 21st Century UConn Act to add the authorization and financing of UCONN 2000 Phase III Projects that included projects at UConn Health.

In 2010, the General Assembly enacted and the Governor signed Public Act (PA) 10-104 that increased the cost of certain UConn Health projects, authorized additional projects for UConn Health, and extended UCONN 2000 for an additional two fiscal years to 2018. In 2011, the General Assembly enacted and the Governor signed PA 11-75 that increased the estimated cost of two UConn Health projects. In 2013, the General Assembly enacted and the Governor signed PA 13-233, Next Generation Connecticut, that authorized additional projects, increased the cost of certain projects, increased the authorized funding amount for bonds secured by the State debt service commitment, and extended UCONN 2000 for an additional six fiscal years to 2024.

In 2017, the General Assembly enacted and the Governor signed PA 17-2 that extended UCONN 2000 for an additional three fiscal years to 2027, but did not increase the total amount that may be authorized by the Board of Trustees for the UCONN 2000 projects.

UCONN 2000 is to be funded in part by the issuance of \$4,282.9 million of general obligation bonds of the University secured by the State debt service commitment. The balance of the estimated cost of UCONN 2000 projects that is not to be financed by the University's bonds secured by the State debt service commitment may be funded by the issuance of the University's special obligation bonds, other University debt obligations, State general obligation bonds, from gifts, and other revenue or borrowing resources of the University.

The University has also issued several series of general obligation refunding bonds, providing debt service savings for bonds refunded in advance of maturity. Sufficient proceeds are deposited into irrevocable escrow accounts held by the Trustee Bank to meet all obligations on the refunded debt. 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 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 revenues for the payment of these bonds. Under the Master Indenture, the University expects to issue additional bonds to finance UCONN 2000 projects secured by the State debt service commitment.

In May 2019, the University issued general obligation bonds at a face value of \$239.5 million, comprising \$174.8 million of 2019 Series A bonds and \$64.7 million of 2019 Refunding Series A bonds. The total bonds were issued at a premium of \$34.9 million. Total net proceeds realized from the 2019 Series A bonds were \$200.0 million after the payment of issuance costs and underwriter fees. Of this amount, \$13.0 million was allocated to finance projects at UConn Health.

Net proceeds realized from the 2019 Refunding Series A bonds were used to refund \$72.1 million of the previously issued 2009 Series A General Obligation Bonds in advance of maturity. This reduced the general obligation debt service in future years by \$9.6 million and resulted in an economic gain (present value of the savings) of \$7.9 million. The difference between the reacquisition price and the net carrying amount of the old debt totaled \$3.1 million. This difference was reported within deferred outflows of resources in the accompanying Statement of Net Position and is amortized to interest expense through fiscal year 2029 using the straight-line method.

As general obligation bonds are issued, nonoperating revenue for State debt service commitment for principal is recognized at face value less any refunded debt and amounts set aside to finance UConn Health projects. For the year ended June 30, 2019, total State debt service commitment for principal recognized was \$154.4 million. The portion of proceeds allocated to UConn Health is recorded as due to affiliate in the accompanying Statement of Net Position. As of June 30, 2019, the unspent portion of this balance was \$6.9 million. In addition, nonoperating revenue for State debt service commitment for interest on general obligation bonds of \$77.3 million was recognized for the year ended June 30, 2019, of which approximately \$26.4 million was associated with UConn Health projects. As of June 30, 2019, approximately \$619.4 million of the total general obligation bonds outstanding, net of premiums and discounts, pertained to proceeds used to finance UConn Health projects.

In addition to general obligation bonds, the University may issue special obligation bonds, also called Student Fee Revenue Bonds, which are backed by certain pledged revenues of the University. There were no special obligation bonds issued or refunded in fiscal year 2019.

Special obligation bonds are secured by certain pledged revenues as defined in the indenture. In fiscal year 2019, this consisted of gross and net revenue amounts of approximately \$100.4 million. Gross pledged revenues include the Infrastructure Maintenance Fee, the General University Fee, and other revenue. Other revenue consists of the FIT (Facilities Investment Together) surcharge on athletic ticket sales plus investment income on the bond accounts held by the Trustee Bank. Net pledged revenues include the residential life room fee, student apartment rentals, Greek housing fee, board (dining) fee, and parking and transportation fees, after providing for the cost of maintaining, repairing, insuring, and operating the facilities for which the fees are imposed and before depreciation expense is deducted. In addition to securing revenue bonds, the gross and net pledged revenues available are pledged toward certain other debt. The University has covenanted to collect, in each fiscal year, fees representing pledged revenues so that the sum of gross and net revenue amounts is no less than 1.25 times the debt service requirements in each respective fiscal year for its special obligation bonds.

The total principal and interest remaining to be paid on all special obligation bonds as of June 30, 2019, was \$383.7 million. The total amount of \$7.5 million for the principal and \$6.9 million for the interest was paid on this debt from pledged revenues in fiscal year 2019.

Unamortized premiums and discounts are recorded as additions or reductions to the face value of bonds payable. These amounts are amortized using the straight-line basis over the life of the bonds, reducing interest expense for premiums and increasing it for discounts.

Long-term debt activity for the year ended June 30, 2019, was as follows (amounts in thousands):

	(Restated)			Balance June 30, 2019	Current Portion
	Balance July 1, 2018	Additions	Retirements		
General obligation bonds	\$ 1,661,785	\$ 239,465	\$ (201,070)	\$ 1,700,180	\$ 131,275
Revenue bonds	240,980	-	(7,535)	233,445	10,045
Installment loans	62	-	(37)	25	25
Obligations under capital leases					
Cogeneration Facility	38,195	-	(4,729)	33,466	4,834
Stamford residential facility	46,004	-	(955)	45,049	932
Long-term software commitments	4,330	4,846	(2,044)	7,132	1,735
Total Long-Term Debt	1,991,356	244,311	(216,370)	2,019,297	148,846
Premiums and discounts	229,155	34,853	(19,931)	244,077	18,473
Total Long-Term Debt, Net	\$ 2,220,511	\$ 279,164	\$ (236,301)	\$ 2,263,374	\$ 167,319

Long-term debt outstanding as of June 30, 2019, consisted of the following (amounts in thousands):

Type of Debt and Issue Date	Original Amount	Maturity Dates Through Fiscal Year	Interest Rate*	2019 Balance
<u>Bonds</u>				
GO 2010 Series A	\$ 97,115	2030	3.0-5.0%	\$ 53,400
GO 2010 Refunding Series A	36,095	2021	2.25-5.0%	6,095
GO 2011 Series A	179,730	2031	3.515-5.0%	107,820
GO 2011 Refunding Series A	31,905	2023	2.0-5.0%	14,520
GO 2013 Series A	172,660	2034	2.0-5.0%	129,490
GO 2013 Refunding Series A	51,250	2024	2.0-5.0%	34,295
GO 2014 Series A	109,050	2034	2.0-5.0%	81,780
GO 2014 Refunding Series A	92,940	2025	2.0-5.0%	9,675
GO 2015 Series A	220,165	2035	1.0-5.0%	176,135
GO 2015 Refunding Series A	34,625	2026	4.0-5.0%	24,135
GO 2016 Series A	261,510	2036	3.0-5.0%	222,275
GO 2016 Refunding Series A	80,425	2027	4.0-5.0%	31,855
GO 2017 Series A	311,200	2037	2.5-5.0%	280,080
GO 2017 Refunding Series A	33,950	2022	2.5-5.0%	26,885
GO 2018 Series A	276,075	2038	3.0-5.0%	262,275
GO 2019 Series A	174,785	2038	3.0-5.0%	174,785
GO 2019 Refunding Series A	64,680	2028	5.0%	64,680
Total General Obligation Bonds	<u>2,228,160</u>			<u>1,700,180</u>
Rev 2010 Refunding Series A	47,545	2028	3.0-5.0%	21,310
Rev 2012 Refunding Series A	87,980	2030	1.5-5.0%	71,135
Rev 2018 Series A	141,725	2047	3.0-5.25%	141,000
Total Revenue Bonds	<u>277,250</u>			<u>233,445</u>
Total Bonds	<u>2,505,410</u>			<u>1,933,625</u>
<u>Loans and Other Debt</u>				
Installment loans	246	various	1.31-1.40%	25
Obligations under capital leases				
Cogeneration Facility	81,900	2026	2.22%	33,466
Stamford residential facility	47,000	2042	2.62%	45,049
Long-term software commitments	9,997	various	4.94%	7,132
Total Loans and Other Debt	<u>139,143</u>			<u>85,672</u>
Total Bonds, Loans, and Other Debt	<u>\$2,644,553</u>			<u>2,019,297</u>
Add: premiums and discounts				244,077
Total Bonds, Loans, and Installment Purchases, Net				2,263,374
Less: current portion, net				167,319
Total Noncurrent Portion, Net				<u>\$2,096,055</u>

*For bonds, the weighted average coupon rates are averaged by year of redemption.

Other debt obligations of the University include long-term software commitments and obligations under capital leases. Long-term software commitments represent the University's obligations to make payments to various vendors in accordance with contract terms in exchange for the right to use certain software applications. In fiscal year 2019, the University incurred new commitments totaling \$4.8 million.

Obligations under capital leases include a long-term UCONN 2000 Governmental Lease Purchase Agreement to finance the UCONN 2000 Cogeneration Facility (see Note 8). In addition, in August 2017, the University entered into an agreement to sublease a residential facility for student housing at the Stamford campus (see Note 8).

Long-term debt, including general obligation bonds, revenue bonds, and other obligations, is scheduled to mature in the following fiscal years as of June 30 (amounts in thousands):

Year(s)	General Obligation Bonds			Long-Term Debt Other Than General Obligation Bonds			Total Obligations		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 131,275	\$ 80,792	\$ 212,067	\$ 17,571	\$ 13,249	\$ 30,820	\$ 148,846	\$ 94,041	\$ 242,887
2021	126,220	74,869	201,089	17,928	12,675	30,603	144,148	87,544	231,692
2022	120,970	68,880	189,850	17,874	11,981	29,855	138,844	80,861	219,705
2023	117,155	63,040	180,195	17,685	11,302	28,987	134,840	74,342	209,182
2024	112,765	57,313	170,078	17,956	10,583	28,539	130,721	67,896	198,617
2025-2029	504,920	207,440	712,360	77,054	42,374	119,428	581,974	249,814	831,788
2030-2034	404,155	94,244	498,399	39,440	29,000	68,440	443,595	123,244	566,839
2035-2039	182,720	17,372	200,092	38,509	21,880	60,389	221,229	39,252	260,481
2040-2044	-	-	-	42,100	13,320	55,420	42,100	13,320	55,420
2045-2049	-	-	-	33,000	3,579	36,579	33,000	3,579	36,579
Total	\$ 1,700,180	\$ 663,950	\$ 2,364,130	\$ 319,117	\$ 169,943	\$ 489,060	\$ 2,019,297	\$ 833,893	\$ 2,853,190

NOTE 7. OTHER LONG-TERM LIABILITIES

Long-term liability activity other than debt and bonds payable for the year ended June 30, 2019, was as follows (amounts in thousands):

	(Restated) Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion
Compensated absences	\$ 31,919	\$ 3,031	\$ (3,651)	\$ 31,299	\$ 18,284
Federal refundable loans	11,835	107	(22)	11,920	4,166
Net pension liabilities	1,012,709	163,494	(75,925)	1,100,278	-
Net OPEB liability	1,283,941	114,096	(104,341)	1,293,696	-
Other liabilities					
Service concession arrangement	5,426	-	(784)	4,642	751
Asset retirement obligation	-	144	-	144	-
Total Other Long-Term Liabilities	\$ 2,345,830	\$ 280,872	\$ (184,723)	\$ 2,441,979	\$ 23,201

Beginning balances as of July 1, 2018, shown in the table above, were restated due to prior period adjustments related to compensated absences and long-term software commitments (see Note 18).

The federal refundable loans include the federal liability for the Federal Perkins Loan Program that expired September 30, 2017. No new disbursements were permitted under the program after June 30, 2018. As part of the closeout of the Federal Perkins Loan Program, the

University opted to continue to service outstanding loans, assign defaulted loans, and return the federal portion of the program's total cash on hand as required by the U.S. Department of Education.

An asset retirement obligation (ARO) in the amount of \$144,000 was recorded in other long-term liabilities relating to the University's 90-day storage facility for hazardous waste. The closure of these facilities is subject to State regulations as defined by the Connecticut

Department of Energy and Environmental Protection. In fiscal year 2015, the University paid \$144,000 to close its former 90-day storage facility. The University considers this a reasonable estimate to close the new facility, which has a 40-year useful life beginning January 1, 2017.

The University has an ARO relating to the closure of its Wastewater Treatment Facility that is not yet recognized because it is not reasonably estimable.

NOTE 8. LEASES

Capital Leases

In December 2003, the University entered into a 20-year lease purchase agreement for a project to provide on-site generation of electricity, steam, and chilled water for heating and cooling at the University's Storrs campus. The project initially assumed a total cost of \$75.0 million and included construction of a building and the engineering, design, and installation of certain equipment to establish the Cogeneration Facility. The lease was amended in August 2005 as a result of an increase in the total anticipated cost to \$81.9 million. After another amendment, the remaining monthly payments decreased from \$517,000 to \$482,000 beginning August 2013 and the original lease term did not change. In November 2016, the lease was amended again to reflect a new nominal rate, decreasing monthly payments to \$462,000 beginning January 2017. Amounts advanced by the lessor include capitalized interest during construction and are reflected as long-term debt in the accompanying Statement of Net Position. At the completion of the lease term, the University has an option to purchase the project assets for \$1. The historical cost and accumulated depreciation of the Cogeneration Facility were \$82.6 million and \$46.6 million, respectively, as of June 30, 2019.

On August 1, 2017, the University entered into a 25-year master sublease agreement for 116 apartment units at 900 Washington Boulevard in Stamford. The apartments serve as the University's residential facility for the Stamford campus. The University will have options to purchase the property on each tenth anniversary of the term, and a right of first refusal if the lessor receives a bona-fide offer to buy the property. Lease payments for the first year of the master sublease total \$2.7 million, and increase by 1.9% annually. The historical cost and accumulated depreciation of the Stamford residential facility were \$47.1 million and \$2.8 million, respectively, as of June 30, 2019.

Equipment financed by capital leases had a historical cost and accumulated depreciation of \$98,000 and \$27,000, respectively, as of June 30, 2019.

All assets subject to capital lease agreements are included in property and equipment in the accompanying Statement

of Net Position, and depreciation on these assets is included in depreciation and amortization expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position (see Note 4). Loans related to these capital lease agreements are included in long-term debt and bonds payable in the accompanying Statement of Net Position (see Note 6).

Operating Leases

The University has leases related to equipment and building space that expire at various dates. Future minimum rental payments at June 30, 2019, under non-cancellable operating leases that exceeded \$500,000 each were as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Payments</u>
2020	\$ 3,848
2021	3,891
2022	3,878
2023	3,368
2024	3,100
Thereafter	<u>12,475</u>
Total	<u>\$ 30,560</u>

Expenses related to operating lease commitments in excess of \$500,000 each were approximately \$4.3 million for the fiscal year ended June 30, 2019.

NOTE 9. RETIREMENT PLANS

State Retirement Systems

The University sponsors two defined benefit plans administered through the State: the State Employees' Retirement System (SERS) and the Connecticut Teachers' Retirement System (TRS). SERS and TRS do not issue stand-alone financial reports but are reported as fiduciary funds within the State's Comprehensive Annual Financial Report (CAFR). Financial reports are available on the website of the Office of the State Comptroller at www.osc.ct.gov.

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

Plan descriptions. SERS is a single-employer defined benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State

sponsored retirement plan. SERS consists of Tier I, Tier II, Tier IIA, Tier III, Tier IV, and the Hybrid Plan, which are administered by the State Comptroller's Retirement Division under the direction of the State Employees' Retirement Commission.

The percentage of the University's eligible employees participating in SERS was approximately 50 percent in fiscal year 2018 and 62 percent in fiscal year 2019. Individuals actively employed and participating in the State Alternate Retirement Program (ARP) on September 22, 2010, were eligible to participate in the SEBAC ARP Grievance (SAG) Award. The SAG Award provided participants in ARP a one-time irrevocable opportunity to elect to transfer to SERS Tier II or Tier IIA (based on hire date) or to remain an ARP member. Accordingly, 567 University employees transferred to SERS from ARP during fiscal year 2019. The closing date for this one-time election was December 14, 2018.

TRS is a cost-sharing multiple-employer defined benefit plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with the University and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State legislature, and is administered by the Teachers' Retirement Board.

Benefits provided. SERS provides retirement, disability, and death benefits along with COLAs to plan members and their beneficiaries. A brief summary of benefit terms for each SERS plan is presented below.

Deferred Vesting - SERS

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

Generally, the monthly pension benefit is calculated in accordance with a basic formula that takes into consideration average salary, credited service, and age at retirement. The details on plan benefits for the Tier IV Plan, revised COLAs for plan members retiring on or after July 1, 2022, and revised disability retirement requirements are described in the SEBAC 2017 agreement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192x of the State General Statutes.

TRS also provides retirement, disability, and death benefits along with annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member's age, service, and the average of the highest 3 years of paid salaries. Members are 100 percent vested after 10 or more years of credited service. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ss of the State General Statutes.

Contributions. SERS contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2019 were:

- Tier I Hazardous – 5.5 percent of earnings up to Social Security Taxable Wage Base plus 6.5 percent of earnings above that level
- Tier I Plan B – 3.5 percent of earnings up to Social Security Taxable Base plus 6.5 percent of earnings above that level
- Tier I Plan C – 6.5 percent of earnings
- Tier II Hazardous – 5.5 percent of earnings
- Tier II (all others) – none
- Tier IIA and III Hazardous – 6.5 percent of earnings
- Tier IIA and III (all others) – 3.5 percent of earnings
- Tier IV Hazardous – 8 percent of earnings
- Tier IV (all others) – 5 percent of earnings

Contributions may vary for anyone electing to maintain retirement eligibility.

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

Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for the ARP, were also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA,

and III, but requires employee contributions 3 percent higher than the contribution required from the applicable Tier II, IIA, or III Plan.

TRS contribution requirements are also established and may be amended by the State legislature. Plan members are required to contribute 7 percent of their annual salary. Employer contributions are funded by the State on behalf of the participating municipal employers, which is considered to be a special funding situation. However, this special funding situation does not apply to the University, an agency of the State, because there is not a separate non-employer contributing entity.

The University contributes to both plans on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. The rates of actual University contributions as a percentage of covered payroll during fiscal year 2019 were 41.4 percent and 39.4 percent for SERS and TRS, respectively. These amounts are expected to finance the costs of benefits earned by employees during the year and any unfunded accrued liability. The University's contributions for fiscal year 2019 were \$94.4 million and \$452,000 for SERS and TRS, respectively.

Proportionate share of collective net pension liability (NPL) and collective pension expense. The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2018. The University's proportion of the collective NPL was based on the University's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, the University's proportion was 5.05 percent and 0.04 percent for SERS and TRS, respectively, at the measurement date of June 30, 2018. SERS increased 0.27 of a percentage point from its proportion measured as of June 30, 2017, and TRS increased by 0.01 of a percentage point from the same measurement date.

The University's proportionate share of the collective NPL at June 30, 2019, and related pension expense for fiscal year 2019 consisted of the following (amounts in thousands):

	SERS	TRS	Total
Proportionate share of collective NPL	\$1,095,530	\$ 4,748	\$1,100,278
Proportionate share of collective pension expense	\$ 172,346	\$ 357	\$ 172,703

Due to the SAG Award transfers in fiscal year 2019, the University's proportionate share of the SERS collective NPL and pension expense is expected to increase significantly for the fiscal year ending June 30, 2020.

However, the extent of this change cannot be estimated at the date of this report.

Actuarial assumptions. The TPL was determined based on the actuarial experience study for the period July 1, 2011 – June 30, 2015 for SERS and for the period July 1, 2010 – June 30, 2015 for TRS, using the following key actuarial assumptions:

	SERS	TRS
Inflation	2.50%	2.75%
Salary increases, including inflation	3.50% – 19.50%	3.25% – 6.50%
Investment rate of return, net of pension plan investment expense, including inflation	6.90%	8.00%

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

TRS mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5 percent for females and 8 percent for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2018 measurement date are summarized in the following table for each plan:

Asset Class	SERS		TRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%	9.0%	8.3%
Real estate	7.0%	5.1%	7.0%	5.1%
Private equity	11.0%	7.6%	11.0%	7.6%
Alternative investment	8.0%	4.1%	8.0%	4.1%
Fixed income (core)	8.0%	1.3%	7.0%	1.3%
High yield bonds	5.0%	3.9%	5.0%	3.9%
Emerging market bond	4.0%	3.7%	5.0%	3.7%
Inflation linked bonds	5.0%	1.0%	3.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%
Total	100.0%		100.0%	

Discount rate. The discount rate used to measure the TPL was 6.9 percent and 8.0 percent for SERS and TRS, respectively. The projection of cash flows used to determine the discount rates assumed that employee contributions would be made at the current contribution rates and that employer contributions would be made according to actuarially determined amounts in future years. Based on those assumptions, the SERS and TRS pension plans' fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity analysis. The following table presents the University's proportionate share of the collective NPL calculated using the discount rate of 6.9 percent and 8.0 percent for SERS and TRS, respectively. The table also

shows what the University's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (amounts in thousands).

	1% Decrease	Current Discount	1% Increase
SERS	\$ 1,307,306	\$ 1,095,530	\$ 918,826
TRS	\$ 6,001	\$ 4,748	\$ 3,689

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS and TRS pension plans are available in the State's CAFR for the fiscal year ended June 30, 2018.

Deferred Outflows and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Changes in assumptions	\$119,371	\$ 446	\$119,817
Changes in proportion and differences between University contributions and proportionate share of contributions	73,989	11	74,000
Net differences between projected and actual earnings on pension plan investments	-	88	88
University contributions subsequent to the measurement date	94,410	452	94,862
Difference between expected and actual experience	38,668	-	38,668
Total Deferred Outflows	<u>\$326,438</u>	<u>\$ 997</u>	<u>\$327,435</u>
<u>Deferred Inflows of Resources</u>			
Changes in proportion and differences between University contributions and proportionate share of contributions	\$ 13,726	\$ 571	\$ 14,297
Net differences between projected and actual earnings on pension plan investments	3,435	-	3,435
Difference between expected and actual experience	-	197	197
Total Deferred Inflows	<u>\$ 17,161</u>	<u>\$ 768</u>	<u>\$ 17,929</u>

The \$94.9 million in deferred outflows relating to University contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>SERS</u>	<u>TRS</u>	<u>Total</u>
2020	\$ 91,365	\$ 1	\$ 91,366
2021	68,074	(51)	68,023
2022	37,824	(95)	37,729
2023	9,553	(33)	9,520
2024	8,050	(36)	8,014
Thereafter	-	(8)	(8)
Total	<u>\$ 214,866</u>	<u>\$ (222)</u>	<u>\$ 214,644</u>

At June 30, 2019, the University reported a payable of \$10.2 million within due to State in the accompanying Statement of Net Position for the outstanding amount of SERS and TRS pension contributions required for the fiscal year ended June 30, 2019.

Alternate Retirement Plan

The University also sponsors the State Alternate Retirement Plan (ARP), a defined contribution plan administered through a third-party administrator, Prudential Financial, Inc. The Connecticut State

Employees Retirement Commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

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

ARP contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. In accordance with the SEBAC 2017 agreement, employer contribution rates for participants hired prior to July 1, 2017, will decrease by 1 percent to 7 percent over a three-year period. Employer contribution rates decreased by 0.75 of a percent effective July 1, 2017, with a commensurate increase in employee contributions and decreased by another 0.25 of a percent effective July 1, 2019, with a commensurate increase in employee contributions. Except for participants who elected the one-time option to remain at the previous employee contribution rate of 5 percent, participants hired prior to July 1, 2017, must contribute 5.75 percent of their eligible compensation and their employer must contribute 7.25 percent of eligible compensation. Participants hired on or after July 1, 2017, have the option to contribute 6.5

percent or 5 percent of their eligible compensation and their employer must contribute 6.5 percent of eligible compensation. There is no minimum vesting period for ARP. Other ARP provisions are described in Chapter 66 of the State General Statutes, *State Employees Retirement Act*.

The University contributes to the plan on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages of each ARP participant. The University's ARP pension expense for fiscal year 2019 was \$16.9 million. At June 30, 2019, the University reported a payable of \$1.8 million within due to State in the accompanying Statement of Net Position for the outstanding amount of ARP contributions required for the fiscal year ended June 30, 2019.

Department of Dining Services

The University's Department of Dining Services (DDS) employs 481 full-time staff, of which 63 participate in either SERS or ARP. The remaining 418 are eligible to participate in two other defined contribution plans: the University of Connecticut, Department of Dining Services Money Purchase Pension Plan (MPPP) or the University of Connecticut, Department of Dining Services 403(b) Retirement Plan (403(b) Retirement Plan). Both plans are administered through a third-party administrator, Pension Consultants, Inc. The fiduciary of the plans has the authority to supervise and control the operation of the plans including the authority to make and amend rules and regulations relating to the administration of the plans.

Under the provisions of MPPP, all employees of DDS with at least 700 hours of service and 12 months of service are eligible to participate. DDS is required to contribute 6 percent or 8 percent of covered compensation for eligible employees, dependent upon hire date, and its employees do not make any contributions to MPPP. Employees are vested after three years of credited service. Any amounts forfeited are used to reduce DDS's contribution. Upon separation of service in accordance with plan provisions, a participant or designated beneficiary can withdraw a lump sum payment or receive annuity payments. Other plan provisions can be found in the MPPP document.

Under the provisions of the 403(b) Retirement Plan, all employees who perform services for DDS as common law employees are eligible to participate. For any participant employed on September 1, 1994, or terminated and rehired prior to September 1, 1995, and who has at least 700 hours of service, DDS is required to match 50 percent of the first 4 percent of the employee's contributions. Participants hired after August 31, 1994, do not receive a DDS match. Participant and State matches are both 100 percent vested. Upon separation of service in accordance with plan provisions, a participant or designated beneficiary can withdraw a lump sum payment or receive

annuity payments. Other plan provisions can be found in the 403(b) Retirement Plan document.

For the fiscal year ended 2019, pension expense was \$773,000, net of forfeitures of \$7,000, for MPPP, and \$15,000 for the 403(b) retirement plan. At June 30, 2019, the University recorded payables for outstanding contributions of \$387,000 and \$8,000, for MPPP and the 403(b) retirement, respectively, within other current liabilities in the accompanying Statement of Net Position.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The State provides OPEB benefits to University employees through the State Employee OPEB Plan (SEOPEBP). SEOPEBP does not issue stand-alone financial reports but is reported as a fiduciary fund within the State's CAFR. Financial reports are available on the website of the Office of the State Comptroller.

Plan description. SEOPEBP is a single-employer defined benefit OPEB plan that covers employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is administered by the State Comptroller's Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

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

Contributions. SEOPEBP is primarily funded on a pay-as-you-go basis. The contribution requirements of the plan members and the State are established and may be

amended by the State legislature, or by agreement between the State and employee unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3 percent of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3 percent of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing the required years of service.

Similar to pension, the University contributes to SEOPEBP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. The University's rate of actual contributions as a percentage of covered payroll was 15.3 percent and the total amount contributed to the plan was \$68.1 million for the fiscal year ended June 30, 2019.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The total OPEB liability (TOL) used to calculate the NOL was determined based on an actuarial valuation report as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2017, were due to an increase in the discount rate.

At June 30, 2019, the University reported a liability of \$1,293.7 million for its proportionate share of the collective NOL. The University's proportion of the collective NOL was based on the University's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, the University's proportion was 7.49 percent, which was an increase of 0.10 of a percentage point from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized OPEB expense of \$90.4 million. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	<u>SEOPEBP</u>
<u>Deferred Outflows of Resources</u>	
University contributions subsequent to the measurement date	\$ 68,115
Changes in proportion	14,306
Total Deferred Outflows	<u>\$ 82,421</u>
<u>Deferred Inflows of Resources</u>	
Changes in assumptions	\$ 68,403
Changes in proportion	6,183
Net differences between projected and actual earnings on OPEB plan investments	520
Total Deferred Inflows	<u>\$ 75,106</u>

The \$68.1 million in deferred outflows for contributions subsequent to the measurement date will be included as a reduction of the collective NOL in the reporting year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>SEOPEBP</u>
2020	\$ (15,867)
2021	(15,867)
2022	(15,867)
2023	(10,354)
2024	(2,845)
Thereafter	-
Total	<u>\$ (60,800)</u>

At June 30, 2019, the University reported a payable of \$8.4 million within due to State in the accompanying Statement of Net Position for the outstanding amount of SEOPEBP contributions required for the year ended June 30, 2019.

Actuarial assumptions. The TOL was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

SEOEBP	
Payroll growth rate	3.50%
Salary increases	3.25% – 19.50%
Discount rate	3.95% as of June 30, 2018
Healthcare cost trend rates	
Medical ¹	6.50% graded to 4.50% over 4 years
Prescription drug ¹	8.00% graded to 4.50% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

¹Short-term rates were altered to reflect changes from the SEBAC 2017 agreement.

Demographic assumptions used to determine TOL are the same as those used in the most recent actuarial pension valuations and experience studies included in Note 9 disclosures for defined benefit pension plans.

The same long-term expected rate of return of 6.9 percent used in the SERS pension valuation was also used in the SEOPEBP valuation. See Note 9, under SERS, for the target allocation and projected arithmetic real return for each major asset class used in the derivation of the long-term expected investment rate of return.

Discount rate. The discount rate changed from 3.68 percent as of June 30, 2017, to 3.95 percent as of June 30, 2018. The projection of cash flows used in calculating the discount rate included employer contributions actuarially determined in accordance with GASB 75 and employee contributions made in accordance with the current SEBAC agreements. The discount rate used is a blend of the long-term expected rate of return on OPEB trust assets and the municipal bond rate. The municipal bond rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.87 percent as of June 30, 2018). The blending is based on sufficiency of projected assets to make projected benefits.

Sensitivity analysis. The following presents the University's proportionate share of the collective NOL and what it would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (amounts in thousands):

Sensitivity of Discount Rate		
1%	Current	1%
Decrease	Discount	Increase

SEOEBP \$1,500,593 \$1,293,696 \$1,125,683

Also, shown is the University's proportionate share of the collective NOL and what it would be using healthcare cost

trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates (amounts in thousands):

Sensitivity of Healthcare Cost Trends

	1%	Current	1%
	Decrease	Trend Rates	Increase

SEOEBP \$1,101,930 \$1,293,696 \$1,536,693

OPEB plan fiduciary net position. Detailed information about SEOPEBP's fiduciary net position is available in the State's CAFR for the fiscal year ended June 30, 2018.

NOTE 11. SERVICE CONCESSION ARRANGEMENT

In June 2016, the University contracted with Barnes & Noble Booksellers, Inc. (Barnes & Noble) to manage the University's bookstore facilities for the next 10 years. The University recorded an execution payment for \$1.5 million that is amortized over the 10-year period. In March 2017, the contract was amended to include an additional location at the new downtown Hartford campus. The University is obligated to provide bookstore facilities and utilities, including amounts related to the leased locations in Storrs Center and Hartford. Barnes & Noble invested \$4.0 million to improve and furnish the bookstore facilities.

At June 30, 2019, the University reported bookstore facilities as capital assets with a carrying amount of \$7.7 million and a receivable of \$1.0 million, representing June 2019 income. The University also reported a liability of \$4.6 million, representing the present value of the lease obligations and utilities, and a deferred inflow of resources of \$6.0 million that will be amortized as revenue over the contract term.

NOTE 12. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2019 (amounts in thousands):

	<u>2019</u>
<u>Deferred Outflows of Resources</u>	
Accumulated loss on debt refundings, net	\$ 282
Amounts related to net pension liabilities	327,435
Amounts related to net OPEB liability	82,421
Amounts related to ARO	135
Total Deferred Outflows of Resources	<u>\$ 410,273</u>
<u>Deferred Inflows of Resources</u>	
Amounts related to service concession arrangement	\$ 5,998
Amounts related to net pension liabilities	17,929
Amounts related to net OPEB liability	75,106
Total Deferred Inflows of Resources	<u>\$ 99,033</u>

NOTE 13. COMMITMENTS

The University had outstanding commitments, in excess of \$500,000 each, of \$181.2 million as of June 30, 2019. This amount included \$165.1 million related to capital projects for the University and \$5.5 million related to UCONN 2000 capital projects that are administered by the University for UConn Health. UCONN 2000 expenditures made on behalf of UConn Health offset the due to affiliate liability in the accompanying Statement of Net Position (see Note 6). In addition to the amounts related to capital outlay, approximately \$10.6 million in outstanding commitments related to operating expenses. A portion of the total amount of outstanding commitments was also included within accounts payable in the accompanying Statement of Net Position as of June 30, 2019. See Note 8 for amounts related to operating leases.

NOTE 14. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is also required by collective bargaining agreements to waive tuition for certain employees and their dependents. The University has included the portion of waived tuition related to employees and their dependents as a fringe benefit cost and the same amount as tuition revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. This increased tuition and fee revenues and operating expenses by \$5.3 million for the

fiscal year ended June 30, 2019. The total amount of waivers not reflected in the accompanying financial statements was \$65.5 million in fiscal year 2019. Approximately 87 percent of this amount was provided to graduate assistants.

NOTE 15. RELATED PARTY TRANSACTIONS

Transactions with related parties occur in the normal course of the University's operations. The following related party transactions were deemed significant and material in nature:

UConn Health

The University manages certain operating activities for UConn Health in exchange for payment. This includes operations related to public safety, branding, library services, technology commercialization, and other miscellaneous services. The terms of these arrangements are set forth in formal MOUs that are reviewed and agreed upon by both parties on an annual basis. Payments from UConn Health are recorded as operating revenues and the expenses incurred for services provided are reported as operating expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. For the fiscal year ended June 30, 2019, the University recorded \$16.2 million in other sources of operating revenue related to these MOUs. In fiscal year 2018, \$12.4 million was previously reported as a reduction to operating expenses for the same agreements (see Note 1).

In addition to the MOU activity noted above, UConn Health paid approximately \$4.0 million to the University in fiscal year 2019. These amounts consisted mainly of grants and contracts, sales and services of educational departments, other miscellaneous revenues, and expense reimbursements.

The University is also responsible for the management of UCONN 2000 bond funds for UConn Health's construction projects. The unspent portion of these funds was recorded under due to affiliate in the accompanying Statement of Net Position (see Note 6).

The Foundation

The Foundation is a tax-exempt organization supporting the University and UConn Health (see Note 1). The University entered into a written agreement with the Foundation whereby the University agreed to provide financial support to the Foundation through a guaranteed contractual amount and the Foundation agreed to reimburse the University for certain operating expenses incurred on the Foundation's behalf. The terms of the agreement also stipulate that goals, objectives, and financial arrangements are reviewed and agreed upon by both parties on an annual basis.

The following transactions occurred between the University and the Foundation as of and for the year ended June 30, 2019 (amounts in thousands):

	<u>2019</u>
Total expenses incurred for guaranteed contractual services provided by the Foundation	\$ 10,222
Reimbursements from the Foundation for operating expenses	\$ 477
Accrued capital and noncapital gift and grant revenue from the Foundation	\$ 26,942
Amount receivable from the Foundation*	\$ 14,350
<i>*Included in accounts receivable, net, in the accompanying Statement of Net Position.</i>	

The Foundation also has the primary responsibility for alumni engagement activities for the University. The University has granted the Foundation rights to use the Alumni Center building, which is owned by the University, at an annual rental amount of \$1.

In accordance with the terms of a ground lease between the University and the Foundation, approximately 1.58 acres on which the Foundation building was constructed is leased to the Foundation at an annual rental amount of \$1. The initial term of the ground lease is 99 years and the Foundation has the right to extend the term of the ground lease for another 99 years. The ground lease provides that, at its expiration or earlier termination, the Foundation shall surrender the premises and title to the building will be transferred to the University.

The State

The University receives funding from the State for debt service on capital projects via UCONN 2000 (see Note 6). In addition, the State supports the University's mission through State appropriation and the provision of payments for fringe benefits. State appropriation represents amounts appropriated to the University from the General Fund. Payments for fringe benefits are made by the State for reimbursements related to salaries expensed from the General Fund.

State appropriation and the provision of payments for fringe benefits for the year ended June 30, 2019, consisted of the following (amounts in thousands):

	<u>2019</u>
General Fund appropriation received from the State	\$ 192,469
Payments for fringe benefits received from the State	167,583
Decrease of General Fund payroll receivable	<u>(3,154)</u>
Total Appropriation and Payments for Fringe Benefits from the State	<u>\$ 356,898</u>

The State may also issue general obligation bonds to fund capital projects at the University. Pursuant to various public or special bond acts, the General Assembly empowers the State Bond Commission to allocate and approve the issuance of bonds for a variety of projects or purposes. PA No. 11-57, as amended by PA 14-98, authorized \$169.5 million of State General Obligation Bonds to create a technology park on the Storrs campus. The State Bond Commission allocated the total \$169.5 million to finance the initial design, development costs, equipment purchases, and construction related to the technology park. These bonds are an obligation of the State and therefore are not recorded as a liability by the University. The unspent portion related to these bonds was \$10.4 million as of June 30, 2019, and was included as part of due from State in the accompanying Statement of Net Position.

UConn Innovation Fund, LLC

On April 14, 2016, the University entered into an agreement with Connecticut Innovations, Inc. and Webster Bank, N.A. to create an investment fund for the purpose of making investments in early stage technology companies affiliated with the University. The original agreement required each member to commit to contribute \$500,000 to the fund during the commitment period that extended to April 2018. In fiscal year 2019, an amendment to the agreement was executed requiring all parties to contribute an additional \$250,000. In fiscal year 2019, the University paid \$250,000 as part of the amended agreement.

Mansfield Downtown Partnership, Inc.

The Mansfield Downtown Partnership, Inc. (MDP) is a not-for-profit corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and is composed of the Town of Mansfield, the University, and individual business members and residents. MDP is responsible for organizing the enhancement and revitalization of three of the Town of Mansfield's commercial areas: Downtown Storrs, King Hill Road, and Four Corners. In accordance with its governing by-laws, members are required to submit annual dues, as determined by the Board of Directors, in lieu of financial support. In fiscal year 2019, the University paid \$132,000 in annual membership dues to MDP.

Fraunhofer Center

In September 2018, the University, Fraunhofer USA, and the Connecticut Department of Economic and Community Development (DECD) entered into two inter-related agreements to support the re-launch of the Fraunhofer Center for Energy Innovation (Center) located on the University campus. The Center, which is legally part of Fraunhofer USA, takes part in the development of advanced technologies related to energy storage, fuel cells, in-steam hydro, and power management and distribution through contract research. Under the

agreements, Fraunhofer USA has committed \$903,000 and DECD has committed up to \$1.2 million through May 31, 2020, and the University has committed to provide at least \$903,000 of in-kind contributions to the Center. For the fiscal year ended June 30, 2019, the University recorded \$350,000 of grant revenue received from DECD and a corresponding expense of \$350,000 for the disbursement of the grant funds to Fraunhofer USA as the grant subrecipient, per the agreement. In addition, the University provided \$489,000 of in-kind contributions to the Center.

NOTE 16. CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. Although it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters of potential individual significance. Any damages paid in connection

with those claims would largely be paid through the State's fleet insurance policy and/or the State's General Fund.

Hazardous environmental conditions in excess of the U.S. Environmental Protection Agency thresholds were identified in certain properties abutting the former Stamford parking garage. As of June 30, 2019, a liability in the amount of \$2.5 million was recorded under current liabilities in the accompanying Statement of Net Position for remediation efforts of 11 residential properties and investigative procedures for an additional location. The University does not expect the remediation costs for the residential properties to exceed the recorded liability; however, an estimate for the additional location is not yet established.

The University also participates in federal, state and local government programs that are subject to final audit by the granting agencies. Management believes any adjustment of costs resulting from such audits would not have a material effect on the University's financial statements.

NOTE 17. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The table below details the University's operating expenses by functional classification for the year ended June 30, 2019 (amounts in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 246,543	\$ 159,030	\$ 33,057	\$ -	\$ -	\$ 72	\$ 438,702
Research	48,362	19,109	29,206	-	-	581	97,258
Public service	25,055	18,862	11,999	-	-	165	56,081
Academic support	67,982	56,813	45,351	-	-	(96)	170,050
Student services	23,339	18,357	8,032	2	-	-	49,730
Institutional support	33,993	31,510	24,583	-	-	-	90,086
Operations and maintenance	31,881	53,287	50,524	15,897	-	-	151,589
Depreciation and amortization	-	-	-	-	119,346	-	119,346
Scholarships and fellowships	68	21	346	-	-	10,544	10,979
Auxiliary enterprises	92,649	60,700	76,504	5,164	-	143	235,160
Total	\$ 569,872	\$ 417,689	\$ 279,602	\$ 21,063	\$ 119,346	\$ 11,409	\$ 1,418,981

NOTE 18. ADJUSTMENTS TO NET POSITION

Beginning net position was restated for the fiscal year ended June 30, 2019, to reflect the following adjustments (amounts in thousands):

	<u>Net Position</u>
Balance as of June 30, 2018 (As Reported)	\$ 80,228
<u>Compensated Absences Liability</u>	
Increase in beginning net position as of June 30, 2018	8,426
Decrease in fringe benefit expenses	2,764
Total Impact on the Change in Net Position	<u>11,190</u>
<u>Long-term Software Commitments</u>	
Decrease in net investment in capital assets	(4,330)
Increase in unrestricted net position	4,330
Total Impact on the Change in Net Position	<u>-</u>
Total Prior Period Adjustment	<u>11,190</u>
Balance as of July 1, 2018 (As Restated)	<u>\$ 91,418</u>

The compensated absences liability reported as of June 30, 2018, was overstated by \$11.2 million. This amount included fringe benefit costs for defined benefit plans that were also included in net pension and net OPEB liabilities upon implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The University implemented these standards in fiscal years 2015 and 2018, respectively.

During fiscal year 2019, it was determined that long-term software commitments were not reported within the correct net position category as of June 30, 2018. Corresponding increases and decreases were also reflected in fiscal year 2019 beginning balances of long-term debt and bonds payable and other long-term liabilities, respectively. This reclassification had no impact on the change in net position.

NOTE 19. SUBSEQUENT EVENTS

On July 1, 2019, the University notified the American Athletics Conference (AAC) that it had accepted an invitation to become a member of the Big East Conference (Big East) and will be exiting the AAC. The University and the AAC have mutually agreed that the withdrawal from the AAC will be effective June 30, 2020, and that the University will pay a \$17.0 million exit fee. The University's share of AAC revenues for fiscal years 2019 and 2020 will be applied to the exit fee with the remaining amount to be paid in six equal annual installments

commencing on July 1, 2021. The University has the discretion to pay the remainder of the exit fee in full at any time. In addition, pursuant to the agreement with the Big East, the University will pay a \$3.5 million entrance fee prior to the entrance date to the conference of July 1, 2020.

On November 15, 2019, pursuant to the Student Fee Revenue Bonds Special Obligation Indenture of Trust, dated January 1, 1997, as amended, the University exercised its call option on the Special Obligation Student Fee Revenue Bonds, 2010 Refunding Series. The University wired \$16.7 million to the Trustee bank to immediately call and redeem the entire \$16.7 million outstanding principal of the bonds.

Required Supplementary Information
State Employees' Retirement System (SERS)

Schedule of University's Proportionate Share of Collective Net Pension Liability (NPL)

(\$ in thousands)

Fiscal Year Ended June 30	SERS				
	2019	2018	2017	2016	2015
Proportion of the collective NPL	5.05%	4.78%	4.91%	4.88%	4.51%
Proportionate share of the collective NPL	\$ 1,095,530	\$ 1,007,992	\$ 1,126,394	\$ 805,629	\$ 722,009
University's covered payroll	\$ 198,089	\$ 195,810	\$ 200,845	\$ 189,903	\$ 165,841
Proportionate share of the collective NPL as a percentage of covered payroll	553.05%	514.78%	560.83%	424.23%	435.36%
Plan fiduciary net position as a percentage of the total pension liability	36.62%	36.25%	31.69%	39.23%	39.54%

Schedule of University Pension Contributions

(\$ in thousands)

Fiscal Year Ended June 30	SERS				
	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 94,410	\$ 72,898	\$ 73,781	\$ 73,668	\$ 66,875
Actual University contributions	94,410	72,898	73,781	73,668	66,875
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 227,836	\$ 198,089	\$ 195,810	\$ 200,845	\$ 189,903
Actual University contributions as a percentage of covered payroll	41.44%	36.80%	37.68%	36.68%	35.22%

NOTES TO REQUIRED SCHEDULES

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

Changes in Benefit Terms

2018 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Plan.

Required Supplementary Information Teachers' Retirement System (TRS)

Schedule of University's Proportionate Share of Collective Net Pension Liability (NPL)

(\$ in thousands)

Fiscal Year Ended June 30	TRS				
	2019	2018	2017	2016	2015
Proportion of the collective NPL	0.04%	0.03%	0.03%	0.04%	0.04%
Proportionate share of the collective NPL	\$ 4,748	\$ 4,717	\$ 4,976	\$ 4,430	\$ 4,090
University's covered payroll	\$ 1,196	\$ 1,364	\$ 1,372	\$ 1,214	\$ 1,191
Proportionate share of the collective NPL as a percentage of covered payroll	397.07%	345.82%	362.68%	364.91%	343.41%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

Schedule of University Pension Contributions

(\$ in thousands)

Fiscal Year Ended June 30	TRS				
	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 452	\$ 304	\$ 135	\$ 426	\$ 425
Actual University contributions	452	304	135	426	425
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 1,148	\$ 1,196	\$ 1,364	\$ 1,372	\$ 1,214
Actual University contributions as a percentage of covered payroll	39.37%	25.42%	9.90%	31.05%	35.01%

NOTES TO REQUIRED SCHEDULES

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

Changes in Benefit Terms

2019 – Beginning January 1, 2018, TRS member contributions increased from 6 percent to 7 percent of salary.

2017 – Amounts reported reflect adjustments to rates of withdrawal, disability, retirement, mortality and assumed rates of salary to more closely reflect actual and anticipated experience.

Required Supplementary Information
State Employee Other Post-Employment Benefits (OPEB) Plan

Schedule of University's Proportionate Share of Collective Net OPEB Liability (NOL)
(\$ in thousands)

Fiscal Year Ended June 30	<u>2019</u>	<u>2018</u>
Proportion of the collective NOL	7.49%	7.39%
Proportionate share of the collective NOL	\$ 1,293,696	\$ 1,283,941
University's covered payroll	\$ 448,931	\$ 435,196
Proportionate share of the collective NOL as a percentage of covered payroll	288.17%	295.03%
Plan fiduciary net position as a percentage of the total OPEB liability	4.69%	3.03%

Schedule of University OPEB Contributions
(\$ in thousands)

Fiscal Year Ended June 30	<u>2019</u>	<u>2018</u>
Contractually required employer contribution	\$ 68,115	\$ 60,089
Actual University contributions	68,115	60,089
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 446,237	\$ 448,931
Actual University contributions as a percentage of covered payroll	15.26%	13.38%

NOTES TO REQUIRED SCHEDULES

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

Changes in Assumptions

2019 – The discount rate was updated in accordance with GASB 75 to 3.95 percent as of June 30, 2018.

2018 – The discount rate was updated in accordance with GASB 75 to 3.68 percent as of June 30, 2017. In addition, demographic assumptions, per capita health costs, administrative costs, and contributions were updated to better reflect actual experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

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STATISTICAL SECTION

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- Schedule of Long-Term Debt
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These schedules contain service and capital asset data to help the reader understand how the information in the University's financial report relates to the activities it performs.

- Admissions and Enrollment
- Academic Year Tuition and Mandatory Fees and Degrees Conferred
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- Demographic and Economic Statistics
- Top Ten Nongovernmental Employers

SCHEDULE OF REVENUES BY SOURCE

Last Ten Fiscal Years

(\$ in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Student tuition and fees, net of scholarship allowances	\$ 396,780	\$ 386,921	\$ 367,351	\$ 341,809	\$ 308,174	\$ 279,577	\$ 261,641	\$ 251,017	\$ 233,881	\$ 223,766
Federal grants and contracts	121,593	106,561	100,397	104,725	93,807	95,187	96,528	102,814	101,090	91,212
State and local grants and contracts	17,959	19,441	16,931	21,200	20,823	20,170	16,629	11,566	14,497	12,978
Nongovernmental grants and contracts	23,577	18,386	28,005	19,490	20,535	14,619	15,212	13,141	11,367	11,075
Sales and services of educational departments	22,710	23,708	20,325	20,543	21,028	19,280	15,814	17,348	16,161	15,204
Sales and services of auxiliary enterprises, net of scholarship allowances	211,036	210,990	209,851	210,455	201,066	195,525	185,240	181,974	178,494	161,780
Other sources	29,750	14,009	11,909	10,758	12,263	10,168	8,114	6,229	6,447	10,855
Total Operating Revenues	<u>823,405</u>	<u>780,016</u>	<u>754,769</u>	<u>728,980</u>	<u>677,696</u>	<u>634,526</u>	<u>599,178</u>	<u>584,089</u>	<u>561,937</u>	<u>526,870</u>
State appropriation	356,898	342,987	374,113	384,747	350,699	308,069	288,456	282,370	328,951	325,462
State debt service commitment for interest	77,333	70,740	64,757	53,092	46,635	42,091	40,571	39,755	39,978	38,557
Federal and state financial aid	42,222	37,986	34,800	38,968	35,684	32,647	31,456	32,176	37,601	31,918
Gifts	28,185	19,732	23,628	25,380	23,828	21,703	19,996	24,377	21,168	18,081
Investment income	11,957	6,059	2,996	1,448	889	799	859	898	1,020	1,313
Other nonoperating revenues, net	745	-	-	-	-	-	352	-	-	-
Total Nonoperating Revenues	<u>517,340</u>	<u>477,504</u>	<u>500,294</u>	<u>503,635</u>	<u>457,735</u>	<u>405,309</u>	<u>381,690</u>	<u>379,576</u>	<u>428,718</u>	<u>415,331</u>
	<u>\$ 1,340,745</u>	<u>\$ 1,257,520</u>	<u>\$ 1,255,063</u>	<u>\$ 1,232,615</u>	<u>\$ 1,135,431</u>	<u>\$ 1,039,835</u>	<u>\$ 980,868</u>	<u>\$ 963,665</u>	<u>\$ 990,655</u>	<u>\$ 942,201</u>

(% of total revenues)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Student tuition and fees, net of scholarship allowances	29.6%	30.8%	29.3%	27.7%	27.1%	26.9%	26.8%	26.1%	23.7%	23.7%
Federal grants and contracts	9.1%	8.5%	8.0%	8.5%	8.3%	9.2%	9.8%	10.7%	10.2%	9.7%
State and local grants and contracts	1.3%	1.5%	1.3%	1.6%	1.8%	1.9%	1.7%	1.2%	1.5%	1.4%
Nongovernmental grants and contracts	1.8%	1.4%	2.2%	1.6%	1.8%	1.4%	1.6%	1.4%	1.1%	1.2%
Sales and services of educational departments	1.7%	1.9%	1.6%	1.7%	1.9%	1.9%	1.6%	1.8%	1.6%	1.6%
Sales and services of auxiliary enterprises, net of scholarship allowances	15.7%	16.8%	16.7%	17.1%	17.7%	18.8%	18.9%	18.9%	18.0%	17.2%
Other sources	2.2%	1.1%	0.9%	0.9%	1.1%	1.0%	0.8%	0.6%	0.7%	1.2%
Total Operating Revenues	<u>61.4%</u>	<u>62.0%</u>	<u>60.0%</u>	<u>59.1%</u>	<u>59.7%</u>	<u>61.1%</u>	<u>61.2%</u>	<u>60.7%</u>	<u>56.8%</u>	<u>56.0%</u>
State appropriation	26.6%	27.3%	29.9%	31.2%	30.9%	29.6%	29.4%	29.3%	33.2%	34.5%
State debt service commitment for interest	5.8%	5.6%	5.2%	4.3%	4.1%	4.0%	4.1%	4.1%	4.0%	4.1%
Federal and state financial aid	3.1%	3.0%	2.8%	3.2%	3.1%	3.1%	3.2%	3.3%	3.8%	3.4%
Gifts	2.1%	1.6%	1.9%	2.1%	2.1%	2.1%	2.0%	2.5%	2.1%	1.9%
Investment income	0.9%	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other nonoperating revenues, net	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Nonoperating Revenues	<u>38.6%</u>	<u>38.0%</u>	<u>40.0%</u>	<u>40.9%</u>	<u>40.3%</u>	<u>38.9%</u>	<u>38.8%</u>	<u>39.3%</u>	<u>43.2%</u>	<u>44.0%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Federal and state financial aid prior to fiscal year 2018 were reclassified from operating to nonoperating categories in order to provide comparison among years.

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Last Ten Fiscal Years

(\$ in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Salaries and wages	\$ 569,872	\$ 569,359	\$ 556,411	\$ 557,497	\$ 542,082	\$ 521,076	\$ 482,685	\$ 474,385	\$ 472,725	\$ 444,481
Fringe benefits	417,689	338,545	349,328	287,553	271,164	237,715	190,549	172,765	168,133	157,746
Supplies and other expenses	279,602	264,456	245,357	245,871	217,413	211,654	205,774	190,442	208,789	192,793
Utilities	21,063	19,655	19,039	19,737	23,212	20,963	19,725	21,684	26,506	27,810
Depreciation and amortization	119,346	108,185	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039
Scholarships and fellowships	11,409	8,870	11,791	12,437	10,713	10,953	8,070	9,039	9,910	9,151
Total Operating Expenses	<u>1,418,981</u>	<u>1,309,070</u>	<u>1,286,733</u>	<u>1,221,862</u>	<u>1,160,574</u>	<u>1,097,738</u>	<u>998,516</u>	<u>956,793</u>	<u>976,398</u>	<u>922,020</u>
Interest expense	70,460	64,672	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558
Transfers to State General Fund	-	-	-	-	-	-	-	-	15,000	8,000
Disposal of property and equipment, net	2,345	1,524	1,418	8,486	473	1,043	(103)	540	618	727
Other nonoperating expenses, net	-	2,475	1,776	3,893	1,540	1,873	-	1,635	297	1,957
Total Nonoperating Expenses	<u>72,805</u>	<u>68,671</u>	<u>62,323</u>	<u>63,712</u>	<u>48,433</u>	<u>48,871</u>	<u>46,858</u>	<u>49,292</u>	<u>64,739</u>	<u>59,242</u>
	<u>\$ 1,491,786</u>	<u>\$ 1,377,741</u>	<u>\$ 1,349,056</u>	<u>\$ 1,285,574</u>	<u>\$ 1,209,007</u>	<u>\$ 1,146,609</u>	<u>\$ 1,045,374</u>	<u>\$ 1,006,085</u>	<u>\$ 1,041,137</u>	<u>\$ 981,262</u>

(% of total expenses)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Salaries and wages	38.2%	41.3%	41.2%	43.3%	44.8%	45.4%	46.1%	47.1%	45.5%	45.4%
Fringe benefits	28.0%	24.6%	25.9%	22.4%	22.5%	20.7%	18.2%	17.2%	16.1%	16.1%
Supplies and other expenses	18.7%	19.2%	18.2%	19.1%	18.1%	18.5%	19.7%	18.8%	20.0%	19.6%
Utilities	1.4%	1.4%	1.4%	1.5%	1.9%	1.8%	1.9%	2.2%	2.5%	2.8%
Depreciation and amortization	8.0%	7.9%	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%
Scholarships and fellowships	0.8%	0.6%	0.9%	1.0%	0.9%	1.0%	0.8%	0.9%	1.0%	0.9%
Total Operating Expenses	<u>95.1%</u>	<u>95.0%</u>	<u>95.4%</u>	<u>95.0%</u>	<u>96.1%</u>	<u>95.7%</u>	<u>95.5%</u>	<u>95.0%</u>	<u>93.8%</u>	<u>94.0%</u>
Interest expense	4.7%	4.7%	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	4.9%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%
Disposal of property and equipment, net	0.2%	0.1%	0.1%	0.7%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%
Other nonoperating expenses, net	0.0%	0.2%	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%
Total Nonoperating Expenses	<u>4.9%</u>	<u>5.0%</u>	<u>4.6%</u>	<u>5.0%</u>	<u>3.9%</u>	<u>4.3%</u>	<u>4.5%</u>	<u>5.0%</u>	<u>6.2%</u>	<u>6.0%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

SCHEDULE OF EXPENSES BY FUNCTION
Last Ten Fiscal Years

(\$ in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction	\$ 438,702	\$ 419,691	\$ 419,251	\$ 390,364	\$ 382,256	\$ 353,251	\$ 302,202	\$ 291,370	\$ 292,203	\$ 271,939
Research	97,258	88,469	80,953	80,070	73,596	79,484	74,948	73,509	74,481	72,286
Public service	56,081	49,417	53,116	53,903	48,884	41,919	39,068	35,478	41,470	35,623
Academic support	170,050	147,264	138,912	139,643	131,914	125,557	117,679	108,340	98,393	90,593
Student services	49,730	44,856	40,087	38,916	36,955	36,787	33,315	35,256	39,755	37,063
Institutional support	90,086	75,357	74,226	66,580	57,330	54,484	51,358	53,465	84,744	83,175
Operations and maintenance of plant	151,589	138,184	137,259	122,034	114,889	105,148	94,961	100,402	71,365	66,742
Depreciation and amortization	119,346	108,185	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039
Student aid	10,979	8,232	10,306	9,748	9,127	8,796	7,154	6,107	5,490	4,638
Auxiliary enterprises	235,160	229,415	227,816	221,837	209,633	196,935	186,118	164,388	158,422	145,414
Other operating expenses	-	-	-	-	-	-	-	-	19,740	24,508
Interest expense	70,460	64,672	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558
Transfers to State General Fund	-	-	-	-	-	-	-	-	15,000	8,000
Disposal of property and equipment, net	2,345	1,524	1,418	8,486	473	1,043	(103)	540	618	727
Other nonoperating expenses, net	-	2,475	1,776	3,893	1,540	1,873	-	1,635	297	1,957
	\$ 1,491,786	\$ 1,377,741	\$ 1,349,056	\$ 1,285,574	\$ 1,209,007	\$ 1,146,609	\$ 1,045,374	\$ 1,006,085	\$ 1,041,137	\$ 981,262

(% of total expenses)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction	29.4%	30.5%	31.1%	30.3%	31.7%	30.7%	28.8%	28.9%	28.1%	27.7%
Research	6.5%	6.4%	6.0%	6.2%	6.1%	6.9%	7.2%	7.3%	7.2%	7.4%
Public service	3.8%	3.6%	3.9%	4.2%	4.0%	3.7%	3.7%	3.5%	4.0%	3.6%
Academic support	11.4%	10.7%	10.2%	10.8%	10.9%	10.9%	11.3%	10.8%	9.4%	9.2%
Student services	3.3%	3.3%	3.0%	3.0%	3.1%	3.2%	3.2%	3.5%	3.8%	3.8%
Institutional support	6.0%	5.5%	5.5%	5.2%	4.7%	4.8%	4.9%	5.3%	8.1%	8.5%
Operations and maintenance of plant	10.2%	10.0%	10.2%	9.5%	9.5%	9.2%	9.1%	10.0%	6.9%	6.8%
Depreciation and amortization	8.0%	7.8%	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%
Student aid	0.7%	0.6%	0.8%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.5%
Auxiliary enterprises	15.8%	16.6%	16.9%	17.3%	17.4%	17.2%	17.8%	16.3%	15.2%	14.8%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	2.5%
Interest expense	4.7%	4.7%	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	4.9%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%
Disposal of property and equipment, net	0.2%	0.1%	0.1%	0.7%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%
Other nonoperating expenses, net	0.0%	0.2%	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

Last Ten Fiscal Years

	(\$ in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total revenues	\$ 1,340,745	\$ 1,257,520	\$ 1,255,063	\$ 1,232,615	\$ 1,135,431	\$ 1,039,835	\$ 980,868	\$ 963,665	\$ 990,655	\$ 942,201
Total expenses	1,491,786	1,377,741	1,349,056	1,285,574	1,209,007	1,146,609	1,045,374	1,006,085	1,041,137	981,262
Loss Before Other Changes in Net Position	<u>(151,041)</u>	<u>(120,221)</u>	<u>(93,993)</u>	<u>(52,959)</u>	<u>(73,576)</u>	<u>(106,774)</u>	<u>(64,506)</u>	<u>(42,420)</u>	<u>(50,482)</u>	<u>(39,061)</u>
State debt service commitment for principal	154,405	187,269	281,576	103,400	56,430	80,346	-	115,400	-	61,714
Capital allocation	-	-	-	-	131,500	(20)	20,000	18,000	(479)	-
Capital grants and gifts	3,907	5,099	1,388	5,071	25,412	21,643	6,675	2,768	1,989	2,396
Additions to permanent endowments	171	338	1,149	14	66	743	13	-	-	33
Total Changes in Net Position	<u>7,442</u>	<u>72,485</u>	<u>190,120</u>	<u>55,526</u>	<u>139,832</u>	<u>(4,062)</u>	<u>(37,818)</u>	<u>93,748</u>	<u>(48,972)</u>	<u>25,082</u>
Net position, beginning	80,228	1,243,245	1,053,125	997,599	1,435,360	1,439,422	1,477,240	1,395,355	1,444,327	1,419,245
Prior period adjustment	11,190 (1)	(1,235,502) (2)	-	-	(577,593) (3)	-	-	(11,863) (4)	-	-
Net Position, Ending	<u>\$ 98,860</u>	<u>\$ 80,228</u>	<u>\$ 1,243,245</u>	<u>\$ 1,053,125</u>	<u>\$ 997,599</u>	<u>\$ 1,435,360</u>	<u>\$ 1,439,422</u>	<u>\$ 1,477,240</u>	<u>\$ 1,395,355</u>	<u>\$ 1,444,327</u>
Net investment in capital assets	\$ 1,681,657	\$ 1,682,317	\$ 1,557,469	\$ 1,365,918	\$ 1,207,892	\$ 1,187,602	\$ 1,217,408	\$ 1,160,216	\$ 1,144,923	\$ 1,131,885
Restricted nonexpendable	15,005	15,044	14,483	12,593	13,091	13,546	11,902	11,574	11,892	11,122
Restricted expendable										
Research, instruction, scholarships and other	21,716	32,273	34,058	24,455	19,334	15,465	20,602	19,535	17,915	15,748
Loans	2,608	2,566	2,543	2,520	2,533	2,482	2,469	2,426	2,818	3,945
Capital projects and debt service	176,785	134,453	89,146	49,637	184,023	85,447	33,551	115,315	42,433	118,820
Unrestricted	<u>(1,798,911)</u>	<u>(1,786,425)</u>	<u>(454,454)</u>	<u>(401,998)</u>	<u>(429,274)</u>	<u>130,818</u>	<u>153,490</u>	<u>168,174</u>	<u>175,374</u>	<u>162,807</u>
Total Net Position	<u>\$ 98,860</u>	<u>\$ 80,228</u>	<u>\$ 1,243,245</u>	<u>\$ 1,053,125</u>	<u>\$ 997,599</u>	<u>\$ 1,435,360</u>	<u>\$ 1,439,422</u>	<u>\$ 1,477,240</u>	<u>\$ 1,395,355</u>	<u>\$ 1,444,327</u>

(1) Correction of an error related to compensated absences

(2) Implementation of GASB 75, Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions

(3) Implementation of GASB 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27

(4) Implementation of GASB 65, Items Previously Reported as Assets and Liabilities

SCHEDULE OF LONG-TERM DEBT

Last Ten Fiscal Years

(\$ in thousands, except for outstanding debt per student)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General obligation bonds	\$ 1,700,180	\$ 1,661,785	\$ 1,504,995	\$ 1,303,870	\$ 1,147,985	\$ 1,023,985	\$ 828,795	\$ 903,550	\$ 804,310	\$ 877,492
Revenue bonds	233,445	240,980	105,955	112,410	118,625	124,615	130,415	154,170	159,290	164,375
Self-liquidating bonds	-	-	-	275	349	551	1,050	2,171	2,953	3,793
Capital lease obligations	78,515	84,199	42,818	47,229	51,398	55,437	59,320	62,785	66,098	69,267
Long-term software commitments	7,132	-	-	-	-	-	-	-	-	-
Installment loans and other	25	62	117	5,487	671	1,027	1,319	1,727	150	253
	2,019,297	1,987,026	1,653,885	1,469,271	1,319,028	1,205,615	1,020,899	1,124,403	1,032,801	1,115,180
Premiums and discounts	244,077	229,155	201,858	172,757	134,213	107,074	82,980	46,320	25,849	27,956
Total Long-Term Debt	2,263,374	2,216,181	1,855,743	1,642,028	1,453,241	1,312,689	1,103,879	1,170,723	1,058,650	1,143,136
Less: State debt service commitment for general obligation bonds	(1,700,180)	(1,661,785)	(1,504,995)	(1,303,870)	(1,147,985)	(1,023,985)	(828,795)	(903,550)	(804,310)	(877,492)
Total Long-Term Debt, Net	\$ 563,194	\$ 554,396	\$ 350,748	\$ 338,158	\$ 305,256	\$ 288,704	\$ 275,084	\$ 267,173	\$ 254,340	\$ 265,644
Full-time equivalent students*	28,646	29,424	29,220	28,832	28,134	27,461	27,036	27,240	26,686	26,705
Outstanding debt per student	\$ 19,660	\$ 18,842	\$ 12,004	\$ 11,729	\$ 10,850	\$ 10,513	\$ 10,175	\$ 9,808	\$ 9,531	\$ 9,947

*Source: IPEDS (Integrated Postsecondary Education Data System) 12-month Instructional Activity surveys for fiscal years 2010 to 2019, including Storrs and Regional Campuses.

SCHEDULE OF DEBT COVERAGE - REVENUE BONDS

Last Ten Fiscal Years

(\$ in thousands)

	<u>Gross Revenues (1)</u>	<u>Pledged Revenues (2)</u>	<u>Expenses (3)</u>	<u>Net Revenues Available</u>	<u>Total Gross and Net Revenues Available for Debt Service</u>	<u>Debt Service</u>	<u>Coverage Ratio</u>
2019	\$ 53,672	\$ 178,576	\$ (131,889)	\$ 46,687	\$ 100,359	\$ (19,017)	5.28
2018	52,429	173,951	(131,743)	42,208	94,637	(12,432)	7.61
2017	51,486	172,444	(132,742)	39,702	91,188	(11,554)	7.89
2016	50,650	174,991	(134,492)	40,499	91,149	(11,557)	7.89
2015	50,506	168,047	(132,863)	35,184	85,690	(11,552)	7.42
2014	48,515	162,160	(125,014)	37,146	85,661	(11,548)	7.42
2013	45,355	151,766	(120,021)	31,745	77,100	(12,011)	6.42
2012	44,410	150,726	(118,434)	32,292	76,702	(12,667)	6.06
2011	42,022	144,790	(113,620)	31,170	73,192	(12,664)	5.78
2010	39,342	133,554	(102,113)	31,441	70,783	(13,211)	5.36

(1) Gross revenues include the infrastructure maintenance fee, the general university fee, and investment income.

(2) Pledged revenues include the residential life room fee, student apartment rentals, the Greek housing fee, the board (dining) fee, and the parking and transportation fees.

Beginning in fiscal year 2019, pledged revenues also includes the FIT (Facilities Investment Together) surcharge.

(3) Expenses include the cost of maintaining, repairing, insuring, and operating the facilities for which the fees in (2) are imposed, before depreciation.

ADMISSIONS AND ENROLLMENT
Last Ten Fiscal Years

FRESHMEN ADMISSIONS (STORRS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Applications	34,886	34,198	35,980	34,978	31,280	27,479	29,966	27,247	22,142	21,999
Offers of admission	17,015	16,360	17,560	18,598	15,629	14,745	13,397	12,894	11,949	10,931
Percent admitted	49%	48%	49%	53%	50%	54%	45%	47%	54%	50%
Enrolled	3,749	3,683	3,822	3,774	3,588	3,755	3,114	3,327	3,339	3,221
Yield (enrolled/offers)	22%	23%	22%	20%	23%	25%	23%	26%	28%	29%
Total average SAT	1,306	1,294	1,233	1,233	1,234	1,233	1,226	1,216	1,221	1,212

ENROLLMENT

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Non-Resident Alien										
Male	2,110	2,001	1,890	1,773	1,532	1,301	1,163	1,018	924	872
Female	1,917	1,847	1,665	1,462	1,277	1,077	1,012	892	787	725
Black or African American										
Male	944	885	874	813	756	722	723	756	709	673
Female	1,211	1,153	1,098	1,053	1,010	981	1,017	1,007	963	977
American Indian or Alaska Native										
Male	22	16	19	18	18	25	25	28	33	43
Female	25	27	25	28	27	29	31	40	41	38
Asian										
Male	1,500	1,497	1,475	1,372	1,315	1,213	1,194	1,159	1,119	1,062
Female	1,606	1,556	1,467	1,419	1,333	1,189	1,106	1,108	1,060	1,038
Hispanic/Latino										
Male	1,568	1,477	1,386	1,293	1,233	1,132	1,059	1,006	889	790
Female	2,014	1,800	1,616	1,468	1,393	1,315	1,206	1,149	1,095	983
Native Hawaiian or Other Pacific Islander										
Male	8	10	8	8	10	8	12	14	11	*
Female	11	13	12	13	13	16	17	14	11	*
Two or More Races										
Male	430	394	364	330	301	258	238	170	96	*
Female	476	464	442	412	408	381	300	197	90	*
White										
Male	8,821	9,089	9,518	9,809	9,916	10,183	10,416	10,795	10,913	10,860
Female	8,983	9,361	9,581	9,789	10,022	10,102	10,209	10,641	10,763	10,940
Total Head Count	31,646	31,590	31,440	31,060	30,564	29,932	29,728	29,994	29,504	29,001
Percent female	51.3%	51.3%	50.6%	50.4%	50.7%	50.4%	50.1%	50.2%	50.2%	50.7%
Percent minority	31.0%	29.4%	27.9%	26.5%	25.6%	24.3%	23.3%	22.2%	20.7%	19.3%
Percent non-resident alien	12.7%	12.2%	11.3%	10.4%	9.2%	7.9%	7.3%	6.4%	5.8%	5.5%

White includes other/unknown.

**Beginning Fall 2010, new race/ethnic categories are required for federal reporting.*

Includes all undergraduate, graduate, and professional school enrollments at all campuses; excludes Schools of Dentistry and Medicine; includes full-time and part-time students, and degree and non-degree students.

Source: University of Connecticut Office of Institutional Research and Effectiveness

ACADEMIC YEAR TUITION AND MANDATORY FEES

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Undergraduate resident	\$ 15,730	\$ 14,880	\$ 14,066	\$ 13,366	\$ 12,700	\$ 12,022	\$ 11,242	\$ 10,670	\$ 10,416	\$ 9,886
Undergraduate non-resident	\$ 38,098	\$ 36,948	\$ 35,858	\$ 34,908	\$ 32,880	\$ 30,970	\$ 29,074	\$ 27,566	\$ 26,880	\$ 25,486
Graduate resident	\$ 17,660	\$ 16,810	\$ 15,996	\$ 15,296	\$ 14,472	\$ 13,662	\$ 12,786	\$ 12,130	\$ 11,828	\$ 11,226
Graduate non-resident	\$ 39,272	\$ 38,122	\$ 37,032	\$ 36,082	\$ 33,944	\$ 31,946	\$ 29,994	\$ 28,438	\$ 27,740	\$ 26,310

DEGREES CONFERRED

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Associate	16	21	30	24	20	21	26	25	29	26
Bachelor's	5,520	5,618	5,530	5,197	5,320	5,200	5,122	5,149	4,747	4,606
Post-baccalaureate	392	299	251	229	167	172	140	141	102	134
Master's	1,895	2,048	1,904	1,750	1,713	1,636	1,527	1,573	1,475	1,438
Sixth-year education	54	51	62	66	69	45	56	79	67	69
Ph.D.	642	384	411	379	372	342	340	341	322	309
J.D.	108	89	155	151	156	190	178	204	172	222
LL.M.	57	42	43	44	31	35	30	30	29	27
Pharm D.	92	98	101	99	95	97	94	94	103	100
Total	8,776	8,650	8,487	7,939	7,943	7,738	7,513	7,636	7,046	6,931

Includes May graduates of the current calendar year, and August and December graduates of the previous calendar year.

Source: University of Connecticut Office of Institutional Research and Effectiveness

FACULTY AND STAFF
Fall Employment
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
FACULTY										
Full-time	1,540	1,545	1,518	1,489	1,517	1,485	1,377	1,330	1,304	1,286
Part-time	51	53	32	30	33	34	39	43	43	35
Total Faculty	1,591	1,598	1,550	1,519	1,550	1,519	1,416	1,373	1,347	1,321
Tenured	858	854	841	848	877	874	848	841	815	777
Percentage tenured	54%	53%	54%	56%	57%	58%	60%	61%	61%	59%
STAFF										
Full-time	3,228	3,109	3,198	3,115	3,080	3,063	3,028	2,956	3,017	2,879
Part-time	150	150	82	158	186	175	180	181	222	210
Total Staff	3,378	3,259	3,280	3,273	3,266	3,238	3,208	3,137	3,239	3,089
Total Faculty and Staff	4,969	4,857	4,830	4,792	4,816	4,757	4,624	4,510	4,586	4,410
Student to faculty ratio*	16 to 1	16 to 1	16 to 1	17 to 1	16 to 1	16 to 1	17 to 1	18 to 1	18 to 1	18 to 1
Full-time and part-time faculty										
Female	42%	41%	41%	41%	39%	39%	40%	40%	39%	38%
Minority	20%	21%	23%	23%	22%	22%	22%	21%	20%	20%
Full-time and part-time staff										
Female	57%	57%	57%	57%	58%	57%	58%	58%	58%	58%
Minority	14%	15%	17%	17%	17%	17%	17%	17%	15%	15%
Staff covered by collective bargaining agreements	90%	90%	90%	90%	91%	91%	90%	91%	92%	91%
Adjunct lecturers	732	709	690	679	708	696	686	692	691	648

*Full-time equivalent students to full-time instructional faculty, Storrs and regional campuses.
Source: University of Connecticut Office of Institutional Research and Effectiveness

SCHEDULE OF CAPITAL ASSET INFORMATION
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Academic Buildings										
Net assignable square feet (in thousands)	2,876	2,847	2,654	2,753	2,753	2,736	2,684	2,604	2,604	2,604
Number of buildings	160	170	168	171	171	171	171	172	172	172
Auxiliary and Independent Operations Buildings										
Net assignable square feet (in thousands)	3,638	3,859	3,753	3,277	3,336	3,279	3,279	3,396	3,430	3,430
Number of buildings	185	190	189	193	209	213	213	217	220	220
Administrative and Support Buildings										
Net assignable square feet (in thousands)	887	832	852	964	949	949	949	948	948	948
Number of buildings	83	83	88	97	96	96	96	95	95	95
Total Net Assignable Square Feet (in thousands)	7,401	7,538	7,259	6,994	7,038	6,964	6,912	6,948	6,982	6,982
Total Number of Buildings	428	443	445	461	476	480	480	484	487	487

Source: University of Connecticut Office of Cost Analysis and Office of University Planning, Design and Construction

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Residential halls*	101	100	101	115	115	116	117	116	114	114
Residential hall occupancy	12,712	12,597	12,699	12,723	12,711	12,668	12,469	12,716	12,546	12,378
Percentage of main campus undergraduates in campus housing	65%	66%	67%	70%	71%	72%	72%	73%	74%	73%

*Residential halls include houses owned by the University and used for student housing. Beginning in 2018, residential halls and occupancy includes Stamford campus.

Source: Office of Residential Life

DEMOGRAPHIC AND ECONOMIC STATISTICS

State of Connecticut

Last Ten Fiscal Years

	Personal Income as of June 30 (a)	Population at July 1 (a)	Per Capita Personal Income	Average Annual Unemployment Rate (b)
2019	284,136,600,000	3,570,160	79,587	3.8%
2018	265,636,709,000	3,588,236	74,030	4.5%
2017	251,389,254,000	3,568,714	70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%
2011	215,220,960,000	3,589,072	59,966	9.1%
2010	205,145,596,000	3,576,676	57,356	8.8%

(a) Source: U.S. Department of Commerce

(b) Source: Connecticut Department of Labor

TOP TEN NONGOVERNMENTAL EMPLOYERS

State of Connecticut

Current Year and Ten Years Ago

<u>NAME</u>	2019		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
Yale New Haven Health Sys	19,416	1.1%	1
Hartford HealthCare	18,652	1.0%	2
United Technologies Corp. UTC	18,000	1.0%	3 (1)
Yale University	14,440	0.8%	4
General Dynamics / Electric Boat	11,862	0.7%	5
Wal-Mart Stores Inc.	8,835	0.5%	6
Sikorsky Air / Lockheed Martin Co.	7,900	0.4%	7
The Travelers Cos Inc.	7,400	0.4%	8
Mohegan Sun Casino	7,150	0.4%	9
The Hartford	6,800	0.4%	10
Total	120,455	6.7%	

	2010		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
United Technologies Corp. UTC	27,050	1.6%	1 (1)
Yale University	18,004	1.0%	2
Stop & Shop Cos., Inc.	13,574	0.8%	3
Hartford Financial Services	11,300	0.7%	4
Wal-Mart Stores Inc.	9,204	0.5%	5
Mohegan Sun Casino	8,800	0.5%	6
General Dynamics / Electric Boat	8,200	0.5%	7
Yale New Haven Hospital	8,092	0.5%	8
Foxwoods Resort Casino	7,672	0.4%	9
Aetna, Inc.	7,231	0.4%	10
Total	119,127	6.9%	

Source: *Hartford Business Journal (HBJ)*

(1) For 2019, includes UTC Aerospace and Pratt & Whitney - Business units of UTC. For 2010, also includes Sikorsky Aircraft. For 2019, the HBJ changed their publication date from August to December. The 2019 values are unchanged from the 2018 schedule.



UCONN HEALTH

Financial Report
For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

Unaudited

Letter of Transmittal

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

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

While the University’s operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans, operating and capital budgets approved by the University Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight over all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to

augment the University’s internal audit capacity and the work performed by state auditors. An important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors’ Report on the financial statements of UConn Health. They are responsible for auditing its financial operations and their opinion appears in this report.

UConn Health is an academic medical center composed of the School of Medicine, the School of Dental Medicine and their associated Education Clinics, John Dempsey Hospital, the UConn Medical Group, and the University of Connecticut Finance Corporation (Finance Corporation). Established in 1961, UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. In this quest, UConn Health will continuously enable students, professionals and agencies in promoting the health of Connecticut’s citizens. UConn Health will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

With approximately 4,400 full time employees (FTE’s), UConn Health is one of Connecticut’s largest employers and an important contributor to the local and regional economy. UConn Health’s campus in Farmington is situated on 209 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University’s main campus is in Storrs, about 30 miles east of Hartford.) UConn Health’s campus includes 26 buildings totaling close to 2.8 million square feet.

Educational Programs

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

M.D./Ph.D., D.M.D./Ph.D., Dental Clinical Specialty/Ph.D. and M.D./M.P.H. are also offered.

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

Each year at UConn Health, approximately 400 students work toward the medical doctor's degree and 180 toward the doctor of medical dentistry degree. Admission to each school is highly competitive; both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards. In the years since UConn Health graduated its first students in 1972, 2,960 men and women have received the D.M.D. degree; 5,118 the M.D. degree.

In the fall of 2019, UConn School of Medicine and School of Dental Medicine welcomed its largest class ever of 110 students and 52 students, respectively. The School of Medicine was recently named by U.S. & News Report as one of the top 10 medical schools in the nation for diversity of its student body. The School of Medicine's population of underrepresented individuals in medicine has steadily grown to nearly 23%. Of this, African American medical students represent approximately 12% of the student body, well above the national average of 6%.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 600 newly graduated D.M.D. and M.D.s each year. These physicians come from all over the country to acquire advanced skills in fields such as the surgical specialties, internal medicine, and primary care. Some of the residency training occurs on UConn

Health's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending UConn Health's positive impact on the region.

Research Programs

Since UConn Health's inception, high-quality research programs have been part of the institution's fabric. This history has enabled UConn Health to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only twenty two such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of ten. In recent years, UConn Health has also become a leader in stem cell research. Clinical research is facilitated by the Lowell Weicker General Clinical Research Center and the Clinical Trials Unit. Research awards were over \$106.7 million in fiscal 2019. In 2020 research spending is expected to increase by 3%. Plus, UConn Health's Technology Incubation Program (TIP), dedicated to developing promising biotechnology breakthroughs into businesses, now has 30 startup companies located at UConn Health.

Health Care Services

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

While the hospital and faculty practice continue to have strong volume, the challenges of the health care marketplace (recruitment, increased competition, malpractice costs, and low reimbursement) are a continuing challenge. John Dempsey Hospital's financial health is also

directly affected by its size, bed distribution, low reimbursement rate for services provided as part of its public mission, and cost factors resulting from its status as a state entity.

Connecticut Health

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

Economic Condition

Connecticut's expenses exceed revenues at the State level, causing large and continuing overall budget deficits. The growth in expenses is largely due to the State's unfunded pension liability, debt service, and growth in other services. In June 2019, the State's biennial budget for fiscal years 2020 and 2021 were approved by the State legislature and signed into law by the Governor. The State's \$43.4 billion biennial budget addresses the projected \$3.7 billion budget deficit for the period. For UConn Health specifically, the approved appropriations were \$128.2 million and \$135.9 million for fiscal years 2020 and 2021, respectively. These amounts are comparable to the amounts UConn Health requested in the budget submission for September 2018. In June, a cut of \$625,926 was made to the fiscal year 2020 allotment associated with the \$29 million statewide unallocated lapse.

For the fiscal year 2020, General Assembly HB7424 includes a one-time funding from the Comptroller to pay a portion of the State's unfunded accrued liabilities assigned to UConn Health. This was previously funded by UConn Health's non-state funds. The one-time funding for 2020 is not to exceed \$33.2 million.

UConn Health will continue to focus on protecting academic excellence, delivering strong student support, providing excellent patient care, and supporting the research mission.

Awards and Acknowledgements

At the intersection of its teaching, research and patient care mission, UConn Health continues to show innovative leadership through medical breakthroughs that create new standards in patient care, teaching and research. UConn Health is Connecticut's only public academic medical center and comprises UConn School of Medicine, School of Dental Medicine and John Dempsey Hospital on its 209-acre campus in Farmington. There are an additional seven clinical care community locations throughout the state.

The new hospital tower at UConn John Dempsey Hospital, funded by Bioscience CT and UConn Health investments, celebrated its three-year anniversary in May 2019. UConn Health continues to increase patient volumes, revenues, and market share. Its clinical care has grown to more than 720,000 outpatient appointments, 10,300 inpatients, 36,100 emergency room visits and more than 145,000 additional patient visits conducted at our community sites.

One of the many clinical breakthroughs by UConn Health staff included Dr. Omar Ibrahim and UConn Health being the first in New England and among the first in the nation to offer robotic bronchoscopy for the early diagnosis of lung cancer on the Monarch platform from Auris Health. It allows UConn Health lung cancer experts to quickly diagnose lesions detected through low-dose CT scans, including those that are small or in hard-to-reach parts of the lung.

Dr. David Weinstein and his team administered the world's first investigational gene therapy for potentially deadly glycogen storage disease (GSD). The novel gene therapy holds promise to treat the rare childhood disorder GSD that impacts the liver's storage and release of sugar. It was successfully given to the first human patient in late July 2018 through a one-time, 30-minute infusion at UConn John Dempsey Hospital. The clinical trial one-year later is showing remarkable results in the first study patient.

Dr. Justin Radolf, professor of medicine and pediatrics, will be leading a new international, multi-university center to strike out syphilis. He is receiving up to \$11 million from the NIH to develop a vaccine for this centuries-old disease

that has defied conventional public health strategies for prevention and control.

In addition, the Alcohol Research Center (ARC) at UConn Health is in its fifth decade with an unprecedented continuation of NIH funding. It just received \$7.5 million from the NIH's National Institute of Alcohol Abuse and Alcoholism (NIAAA) to extend the program first founded in the Department of Psychiatry in 1978. It's the eighth successful competitive renewal, continuing funding for years 41 through 45. The program's longevity is unmatched, both within

UConn Health and among all NIAAA-funded alcohol centers.

Respectfully Submitted,



Scott Jordan
Executive Vice President for Administration &
Chief Financial Officer
University of Connecticut



Jeffrey P. Geoghegan
Chief Financial Officer
UConn Health

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June 30, 2019**

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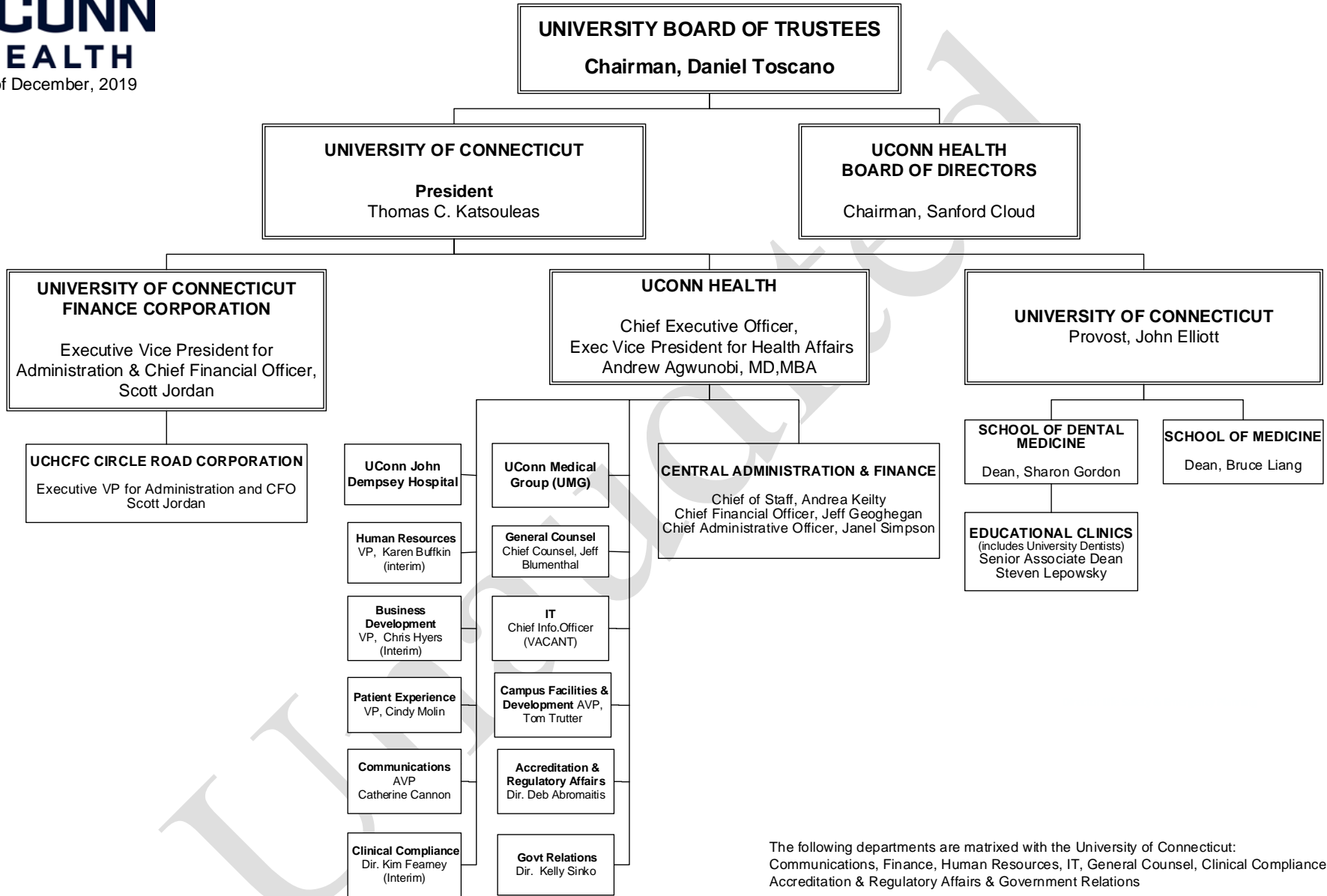
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Jeffrey P. Geoghegan, UConn Health Chief Financial Officer
Chad A. Bianchi, UConn Health Controller



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**FINANCIAL
SECTION**

Unaudited

Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Connecticut Health Center ("UConn Health") for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

The financial statements presented here represent the transactions and balances of UConn Health only. UConn Health offers medical and dentistry degrees as well as operating a physician/dentist practice and a teaching and research hospital. UConn Health's component parts are the School of Medicine, the School of Dental Medicine (and its associated Educational Clinics), UConn Medical Group (UMG), the Finance Corporation, and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2019 was 425 students in the School of Medicine, 185 in the School of Dental Medicine, and 319 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal year 2019 with 4,376 FTE's. John Dempsey Hospital (JDH) has 186 staffed acute care beds. In fiscal year 2019, adjusted patient days (a measure of total hospital volume) were 119,659, a 2.8% increase from the prior year. During 2019, UMG had 719,760 unique patient visits, a 7.9% increase.

The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by GASB. This discussion,

which is unaudited, includes an analysis of the financial condition and results of activities of UConn Health for the fiscal year ended June 30, 2019, based on currently known facts, decisions, and conditions. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of Management's Discussion and Analysis and the financial statements. The basic financial statements (statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows) present the financial position of UConn Health at June 30, 2019, and the results of operations and financial activities for the year then ended. These statements report information about UConn Health using accounting methods similar to those used by private-sector companies. The statement of net position includes all of UConn Health's assets and liabilities. The statement of revenues, expenses and changes in net position reflects the year's activities on the accrual basis of accounting, i.e., when services are provided or obligations are incurred, not when cash is received or paid. This statement reports UConn Health's net assets and how they have changed. Net position (the difference between assets and liabilities) is one way to measure financial health or position. The statement of cash flows provides relevant information about each year's cash receipts and cash payments and classifies them as to operating, investing, noncapital financing and capital and related financing activities. The financial statements include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

UConn Health's financial position at June 30, 2019, consisted of assets of \$1.2 billion and liabilities of \$2.2 billion. Net assets, which represent the residual

interest in UConn Health's assets after liabilities are deducted, decreased \$112.4 million in fiscal year 2019 after capital appropriations, other changes in net position and cumulative effect of accounting changes and error corrections.

The financial statements contained herein show an operating loss of \$324.9 million for the year ending June 30, 2019 (fiscal year 2019). The measure more indicative of normal and recurring activities is Net Income (Loss) Before Other Changes in Net Position, which includes revenue from State Appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the state and issuance of UCONN 2000 bond funds (included in the Other Changes in Net Position above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income (loss), so a loss under this measurement is expected. UConn Health experienced a loss before Other Changes in Net Position of \$78.1 million in fiscal year 2019.

Some sources of recurring operating and non-operating revenues increased in 2019, including contract and other operating revenue. The decrease in patient services is attributed to ending the Correctional Managed Health Care program in June 2018. State support, including state funded capital appropriations, decreased 10.3% in fiscal year 2019. Decreases in state appropriations are expected in the upcoming fiscal year due to ongoing efforts by the state to reduce expected budget shortfalls. The appropriations of \$128.2 million for fiscal year 2020 and \$135.9 million for fiscal year 2021 are comparable to the amounts UConn Health requested in their budget submission in September of 2018. In June, a minor cut of \$625,926 was made to the fiscal year 2020 allotment associated with the \$29.0M statewide unallocated lapse. In addition,, the Comptroller agreed to allocate \$33.2 million to UConn Health's portion of the unfunded pension liability.

STATEMENTS OF NET POSITION

The summary statements of net position below present the financial position of UConn Health at the end of the fiscal years 2019 and 2018; it includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of UConn Health. Net position represents assets plus deferred outflows, less liabilities and deferred

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

The total assets of UConn Health decreased by \$94.6 million, or 7.3%, over the restated prior year. The decrease was primarily attributable to decreases in Capital and intangible assets by \$43.0 million, which is the result of depreciating capitalized projects. This year depreciation increased approximately \$19.9 million from 2018.

Due from affiliates decreased by \$28.5 million from 2018. This change occurs as UConn Health continues spending on construction related to UConn 2000 construction initiatives. All allotted funds under the UConn 2000 program have been awarded and currently UConn Health does not anticipate any additional funding from the UCONN 2000 program.

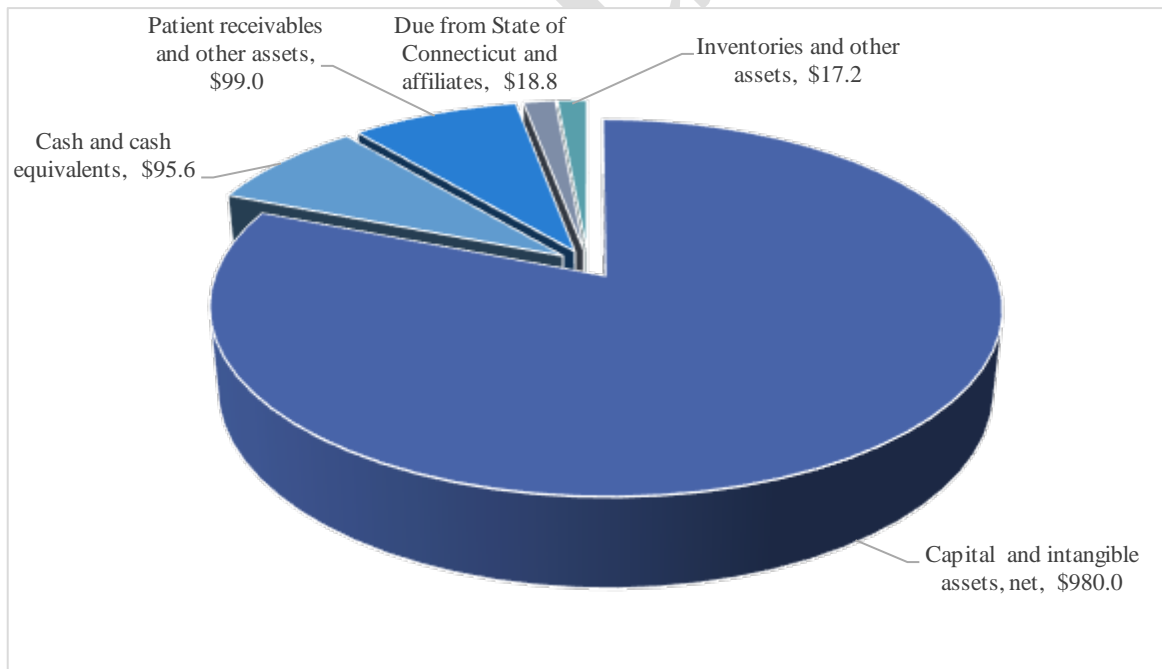
Total liabilities decreased by \$564.8 million from 2018. The driver of the decrease was the \$546.5 million in decreases related to Pension and OPEB liabilities.

Deferred outflows of resources decreased \$69.9 million and deferred inflows of resources increased \$467.3 million mainly due to pension and OPEB related adjustments, including increases from differences between expected versus actual experience, and investment losses offset by a decrease of amortization of changes in proportion as well as the change in proportion share as a result of the Correctional Managed Health Care program ending in June 2018.

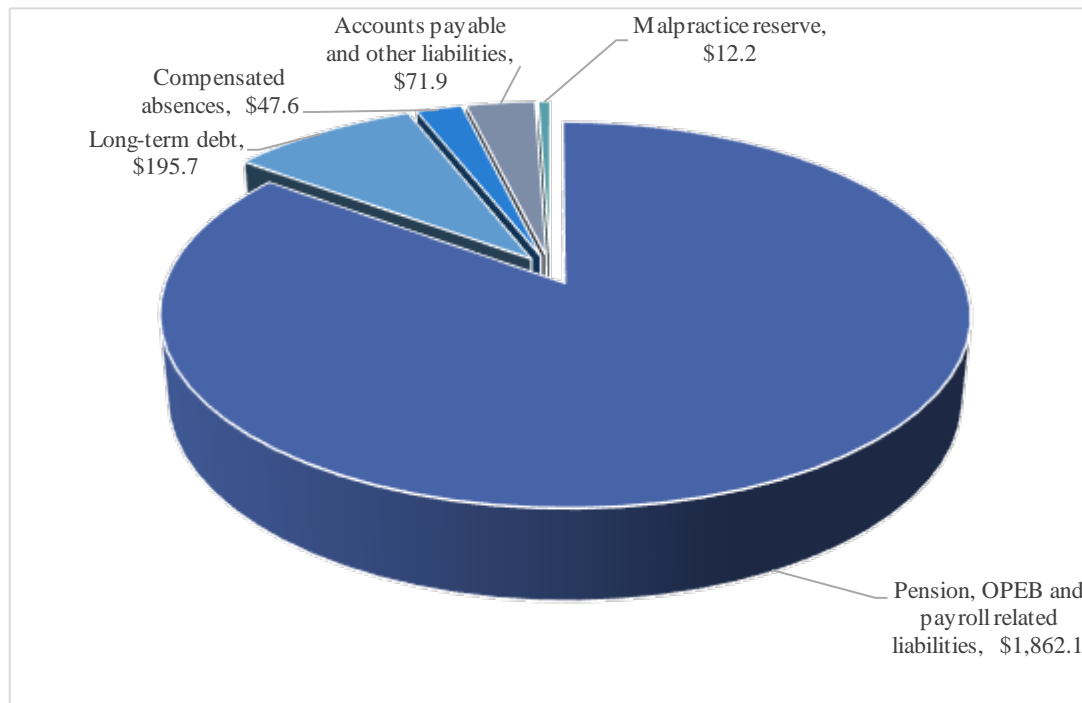
The following table shows a Condensed Schedule of Net Position at June 30 (\$ in millions):

	2019	2018	\$ Change	% Change
Assets:				
Current assets	\$ 225.4	\$ 276.2	\$ (50.8)	-18.4%
Capital and intangible assets, net (as restated)	980.0	1,023.0	(43.0)	-4.2%
Other noncurrent assets	5.2	6.0	(0.8)	-13.3%
Total assets	<u>1,210.6</u>	<u>1,305.2</u>	<u>(94.6)</u>	<u>-7.3%</u>
Deferred outflows of resources	<u>359.4</u>	<u>429.3</u>	<u>(69.9)</u>	<u>-16.3%</u>
Liabilities:				
Current Liabilities	138.5	148.0	(9.5)	-6.4%
Noncurrent liabilities	2,051.0	2,606.3	(555.3)	-21.3%
Total liabilities	<u>2,189.5</u>	<u>2,754.3</u>	<u>(564.8)</u>	<u>-20.5%</u>
Deferred inflows of resources	<u>507.9</u>	<u>40.6</u>	<u>467.3</u>	<u>1151.1%</u>
Net position:				
Net investment in capital assets (as restated)	784.3	822.5	(38.2)	-4.6%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	10.0	38.0	(28.0)	-73.7%
Unrestricted	(1,921.8)	(1,921.0)	(0.8)	0.0%
Total net position	<u>\$ (1,127.4)</u>	<u>\$ (1,060.4)</u>	<u>\$ (67.0)</u>	<u>6.3%</u>

The following graph shows total assets of \$1.2 billion by major category as of June 30, 2019 (\$ in millions):



The following graph shows total liabilities of \$2.2 billion by major category as of June 30, 2019 (\$ in millions):



Net Position

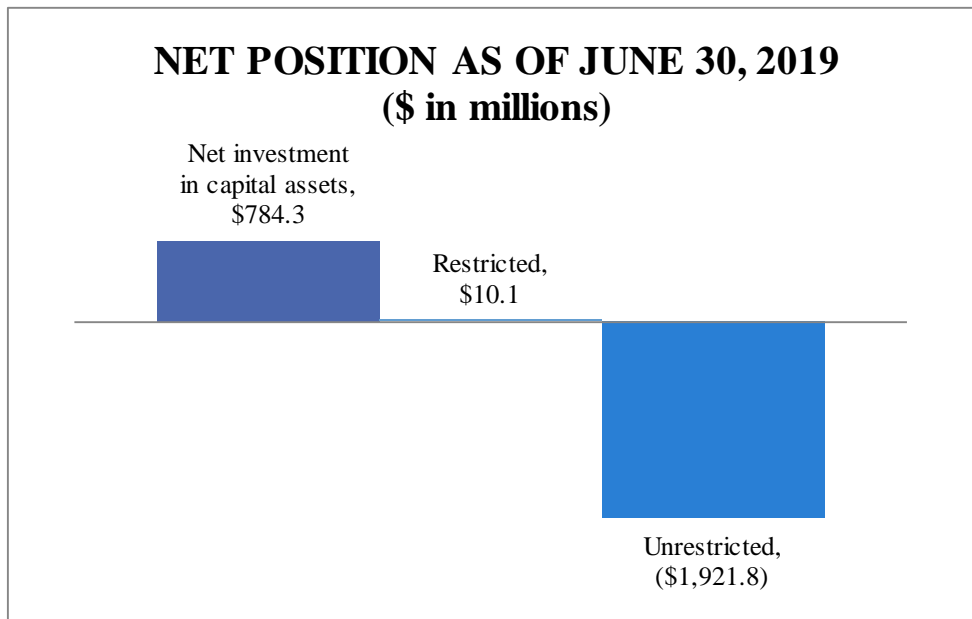
Net position is divided into three major categories. The first category, net investment in capital assets, represents UConn Health's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable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

assets, classified as current (expected to be available for use within one year) and noncurrent (expected to be available beyond one year), liabilities, categorized as current (expected to mature and due within one year), and noncurrent (expected to mature and due after one year), and net position.

Assets represent what is owned by or what is owed to UConn Health, including payments made to others before a service was received. Assets are recorded at their current value except for property and equipment, which is recorded at historical cost net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by UConn Health. A deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, whereas, a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period.

UConn Health's net position is the residual value in UConn Health's assets and deferred outflows after liabilities and deferred inflows are deducted. Changes in net position over time are a relative indicator of UConn Health's financial ability.

The following graph shows net position by major category:



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

difference between operating revenues and expenses is the operating income or loss.

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

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

The statements of revenues, expenses and changes in net position present UConn Health's results of operating and non-operating activities. A summary of UConn Health's revenues, expenses and changes in net assets for the years ended June 30, 2019 and 2018 is presented below:

Operating revenues:	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
	(\$ in millions)			
Student tuition and fees (net of scholarship allowances)	\$ 20.7	\$ 18.6	\$ 2.1	11.3%
Patient services	534.5	580.7	(46.2)	-8.0%
Federal grants and contracts	58.2	50.8	7.4	14.5%
Nonfederal grants and contracts	30.0	29.3	0.7	2.3%
Contract and other operating revenues	159.7	127.2	32.5	25.5%
Total operating revenues	<u>803.1</u>	<u>806.6</u>	<u>(3.5)</u>	<u>-0.4%</u>
Operating expenses:				
Instruction	157.7	180.0	(22.3)	-12.4%
Research	52.9	56.1	(3.2)	-5.7%
Patient services	664.6	747.6	(83.0)	-11.1%
Academic support	15.2	19.4	(4.2)	-21.6%
Institutional support	127.3	112.1	15.2	13.6%
Operations and maintenance of plant	37.7	38.2	(0.5)	-1.3%
Depreciation and amortization	72.5	52.6	19.9	37.9%
Student aid	0.1	0.4	(0.3)	-79.9%
Total operating expenses	<u>1,128.0</u>	<u>1,206.4</u>	<u>(78.4)</u>	<u>-6.5%</u>
Operating Loss	<u>(324.9)</u>	<u>(399.8)</u>	<u>74.9</u>	<u>-18.7%</u>
Nonoperating revenues (expenses):				
State appropriations	250.9	279.5	(28.6)	-10.2%
Transfer from/(to) State and outside programs	(2.0)	-	(2.0)	0.0%
Gifts	6.1	5.7	0.4	7.2%
Investment income (net of investment expense)	1.4	0.7	0.7	100.0%
Interest on capital asset - related debt	(9.6)	(9.9)	0.3	-3.0%
Net nonoperating revenues	<u>246.8</u>	<u>276.0</u>	<u>(29.2)</u>	<u>-10.6%</u>
Loss before other changes in net position	<u>(78.1)</u>	<u>(123.8)</u>	<u>45.7</u>	<u>-36.9%</u>
Other changes in net position:				
Capital appropriations	13.0	88.8	(75.8)	-85.4%
Loss on disposal	(1.9)	(3.1)	1.2	-38.6%
Net other changes in net position	<u>11.1</u>	<u>85.7</u>	<u>(74.6)</u>	<u>-87.0%</u>
Increase in net position	<u>(67.0)</u>	<u>(38.1)</u>	<u>(28.9)</u>	<u>75.7%</u>
Net position-beginning of year (as previously stated)	(1,015.0)	126.3	(1,141.3)	-903.4%
Cumulative effect of implementing GASB 75	-	(1,103.2)	1,103.2	-100.0%
Cumulative effect of accounting changes and error corrections	(45.4)	-	(45.4)	0.0%
Net position-beginning of year	<u>(1,060.4)</u>	<u>(976.9)</u>	<u>(83.5)</u>	<u>8.5%</u>
Net position-end of year	<u>\$ (1,127.4)</u>	<u>\$ (1,015.0)</u>	<u>\$ (112.4)</u>	<u>11.1%</u>

Revenue

Revenue highlights for the year ending June 30, 2019, including operating and non-operating revenues, presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

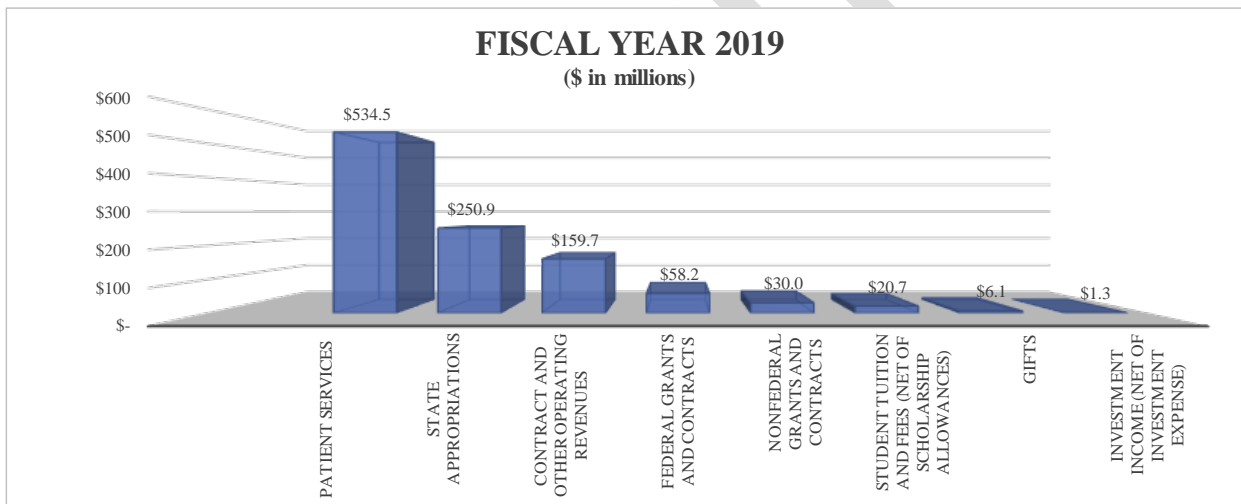
The largest source of revenue was patient service revenue. UConn Health’s overall net patient service revenue decreased \$46.2 million or 8.0% from the prior year. Approximately \$79.7 million of the decrease was a result of ending the Correctional Managed Health Care Program. John Dempsey Hospital’s net patient service revenue increased by \$7.3 million. Increases in John Dempsey Hospital reflect higher surgical and outpatient volumes and strategic rate increases throughout the Hospital’s lines of service. The UConn Medical Group’s net revenue increased \$17.1 million.

UMG’s increases reflect changes in patient mix and UMG’s focus on contracted rates. In fiscal year 2019 UMG also received \$10.0 million in supplemental payments from the Department of Social Services (DSS), which has been recorded as net patient service revenue. More detailed information about UConn Health’s patient revenue is presented in note 4 of the financial statements.

In fiscal year 2019 UConn Health began providing pharmaceuticals to the Department of Corrections (DOC). That new program accounted for approximately \$28.8 million of increased contract revenue prior to associated expenses.

The State Appropriation (including In Kind Fringe Benefits), which is included in non-operating revenues, totaled \$250.9 million. This represents a 10.2% decrease from the prior year.

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



Expenses

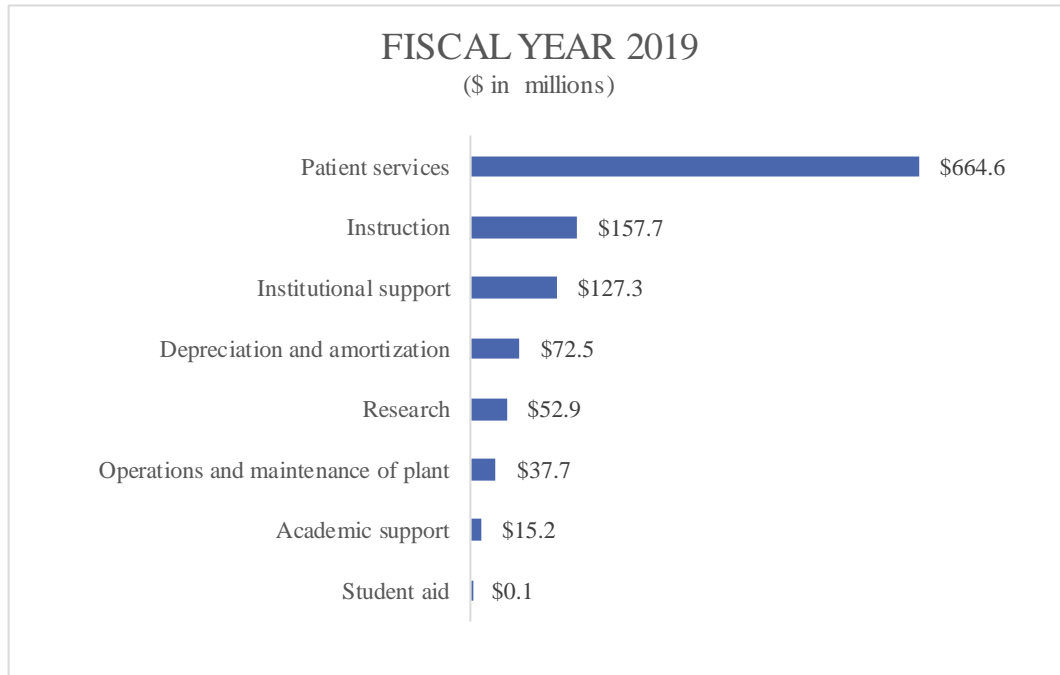
Highlights of expenses including operating and non-operating expenses presented on the Statements of Revenues, Expenses and Changes in Net Position are as follows:

Patient service expense is the largest expense category for UConn Health; it accounts for 58.9% of total operating expenses. It decreased by \$83.0 million or 11.1% from the prior year. The decrease was driven primarily by the ending of the

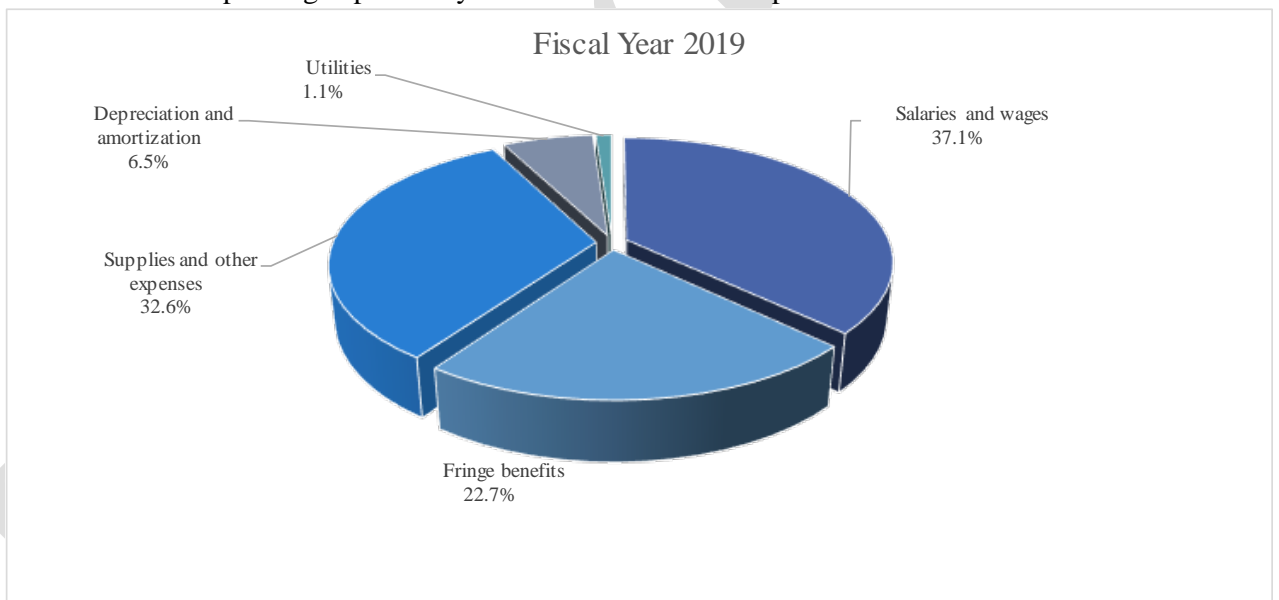
Correctional Managed Health Care Program in June 2018.

Depreciation and amortization expenses, which comprise about 6.5% of total expenses, grew to \$72.5 million from \$52.6 million reported in fiscal year 2018. The increase was primarily due to increases in depreciable assets, including the academic rotunda, main building renovations, and the componentization for research facilities along with the continued depreciation of the Outpatient Pavilion (OP) and the Electronic Medical Record (EMR) system.

The following graph shows the functional expenses of UConn Health:



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



STATEMENTS OF CASH FLOWS

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

The Statement of Cash Flows has four additional sections. The second section consists of cash flows from investing activities showing the purchases,

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

The Statements of Cash Flows below provides additional information about UConn Health's financial results by reporting the major sources and uses of cash. A summary of the Statements of Cash Flows for the years ended June 30, 2019 and 2018, is as follows:

	(\$ in millions)			
	2019	2018	\$ Change	% Change
Cash received from operations	\$ 803.9	\$ 804.0	\$ (0.1)	0.0%
Cash expended for operations	(965.7)	(902.3)	(63.4)	7.0%
Net cash used in operating activities	(161.8)	(98.3)	(63.5)	64.6%
Net cash provided by investing activities	1.4	0.7	0.7	100.0%
Net cash provided by noncapital financing activities	141.9	136.9	5.0	3.7%
Net cash used in capital and related financing activities	(5.2)	(25.7)	20.5	-79.8%
Net increase/(decrease) in cash and cash equivalents	(23.7)	13.6	(37.3)	-274.3%
Cash and cash equivalents, beginning of the year	119.3	105.7	13.6	12.9%
Cash and cash equivalents, end of the year	\$ 95.6	\$ 119.3	\$ (23.7)	-19.9%

CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets, net of accumulated depreciation, consisted of the following (\$ in millions):

	2019	2018	\$ Change	% Change
		(as restated)		
Land	\$ 13.5	\$ 13.5	\$ (0.0)	0.0%
Construction in Progress	23.7	104.2	(80.5)	-77.3%
Fine art	1.3	1.2	0.1	8.3%
Buildings and Building Improvements	1,234.0	1,145.7	88.3	7.7%
Equipment	264.2	260.6	3.6	1.4%
Computer Software	81.6	92.4	(10.8)	-11.7%
Capital Leases	16.3	14.1	2.2	15.6%
Less Accumulated Depreciation	(654.6)	(608.7)	(45.9)	7.5%
Capital assets, net	\$ 980.0	\$ 1,023.0	\$ (43.0)	-4.2%

Construction in progress decreased approximately \$80.5 million driven by continued progress on UCONN 2000 construction initiatives and the capitalization of the Clinic Building Renovations.

As mentioned above, the UConn 2000 program has had a dramatic impact on our campus. This is the third phase of the program also known as 21st Century UCONN, which provides for improvements to facilities at the University and UConn Health. UConn Health has received \$825.9 million over the life of this program. UConn Health received \$13.0 million capital appropriations during 2019 from the UCONN 2000 bond issuance representing the final amounts to be received under the program.

UConn Health's fiscal year 2020 capital funding requests will be considered for funding by the senior executive committee of UConn Health on an individual basis.

DEBT ACTIVITIES

UConn Health entered into a new capital lease agreement for a da Vinci surgical robot in 2019 for approximately \$2.2 million. Scheduled lease payments began in 2019. More detailed information about UConn Health's capital assets and debt activities are presented in notes 9 and 10 of the financial statements.

BIOSCIENCE CONNECTICUT

All construction work related to the Bioscience Connecticut and the Clinical Building Renovations has been completed for the year ending June 30, 2019.

FISCAL YEAR 2020 OUTLOOK

As we look forward to fiscal year 2020, UConn Health is poised to capitalize on the transformation of its campus and the growth of its faculty to continue competing aggressively to be the provider of choice not only in the Farmington Valley, but throughout Connecticut.

Research, education, and patient care remain the cornerstones of UConn Health's mission. Each of these areas contain their own unique challenges.

They also share in the uncertainty surrounding both local and national government and funding opportunities.

The competition for researchers and grants is increasingly active. Even with UConn Health's collaboration with Jackson Laboratories, attracting top talent, and the funding opportunities that come with them, can be difficult and expensive.

Clinically, healthcare reform and shifting regional and national dynamics continue to change the way hospitals serve their communities. In response, UConn Health will actively explore the possibility of public private partnerships that may be beneficial to the finances and operations of the Hospital. UConn Health's patient volumes continue to grow as its programs and tactics adapt to changing population demographics, needs and treatment demands. Management believes that their best in market campus, strong and growing medical staff and consistent marketing voice in the community provide UConn Health with the advantages it needs to compete effectively in the marketplace.

Throughout fiscal year 2019, UConn Health had focused much of its information technology attention and resources on training and implementing a state-of-the-art electronic health system, EPIC. On April 28, 2018, EPIC successfully went live and UConn Health officially converted all of the medical records from the prior system to EPIC. The installation resulted in a new medical records system throughout UConn Health, linking patients via a single electronic health record (EHR) and positions JDH for compliance with the third stage of meaningful use requirements. This EHR allows for sharing and receiving of the latest medical history of patients being cared for both at UConn Health and at other institutions, while providing its clinicians, researchers and educators with a clinical platform to support their ongoing missions. This endeavor creates additional opportunities to improve revenue cycle related operations, and as a result we anticipate a reevaluation of clinical business office functions and other potential operational changes to best leverage this tool and UConn Health's investment in the technology. This is particularly crucial to prevent any disruption to billing or cash flow from the transition period.

Continued economic pressures within the State of Connecticut are not expected to improve and may still worsen causing some instability in the

predictability of State support across UConn Health. Leadership remains diligent on continued cost reduction work while protecting quality. Additional cuts in State support, beyond those in the original passed budget, are likely depending on how the State plans to balance its budget and address its current economic crisis. This is a prominent driving factor in the exploration of public private partnership.

On July 31, 2017, the State Legislature approved the State Employees Bargaining Agent Coalition (SEBAC) 2017 agreement that was ratified by union membership. In addition, contracts were ratified for all of UConn Health bargaining units participating in SEBAC. The SEBAC 2017 agreement includes changes to employee healthcare benefits, retirement plans, and future wage adjustments, resulting in cost-savings for fiscal year 2019, that are expected to offset ongoing increases to fringe benefit costs. The

agreement also provides for certain employment protection for bargaining unit employees through June 30, 2021. The full impact of this agreement is unknown at this time.

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

CONTACTING UCONN HEALTH'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

Unaudited

UCONN HEALTH
STATEMENT OF NET POSITION
As of June 30, 2019

	2019
	(\$ in thousands)
ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	\$ 95,154
Patient receivables, net	61,877
Contract and other receivables	23,068
Construction escrow account	32
Due from Affiliates (Note 12)	6,889
Due from State of Connecticut	7,448
Due from Department of Correction	3,525
Inventories	13,454
Prepaid expenses	14,002
Total current assets	225,449
Noncurrent Assets	
Restricted cash and cash equivalents (Note 2)	463
Other assets	3,733
Due from State of Connecticut	961
Capital and intangible assets, net (Note 9)	979,967
Total noncurrent assets	985,124
Total assets	\$ 1,210,573
Deferred outflows of resources pension (Note 11)	\$ 247,336
Deferred outflows of resources OPEB (Note 11)	\$ 112,107

UCONN HEALTH
STATEMENT OF NET POSITION (continued)
As of June 30, 2019

	2019
	(\$ in thousands)
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 39,059
Due to State of Connecticut	10,096
Accrued salaries	28,212
Compensated absences - current portion (Note 10)	17,533
Due to third party payors	17,940
Due to Affiliates (Note 14)	13,829
Unearned revenues	1,132
Malpractice reserve (Note 10)	3,062
Long-term debt - current portion (Note 10)	7,593
Total current liabilities	138,456
Noncurrent Liabilities	
Malpractice reserve (Note 10)	9,096
Compensated absences - net of current portion (Note 10)	30,060
Pension Liability (Note 11)	787,470
OPEB Liability (Note 11)	1,036,300
Long-term debt - net of current portion (Note 10)	188,094
Total noncurrent liabilities	2,051,020
Total liabilities	\$ 2,189,476
Deferred inflows of resources pension	\$ 288,512
Deferred inflows of resources OPEB	\$ 219,436
NET POSITION	
Net investment in capital assets	\$ 784,280
Restricted for	
Nonexpendable	
Scholarships	61
Expendable	
Research	1,588
Loans	589
Capital projects	7,881
Unrestricted	(1,921,807)
Total net position	\$ (1,127,408)

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

UCONN HEALTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2019

	2019
	(\$ in thousands)
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$6,786)	\$ 20,655
Patient services (net of charity care of \$396)	534,494
Federal grants and contracts	58,196
Nonfederal grants and contracts	30,016
Contract and other operating revenues	159,745
Total operating revenues	803,106
OPERATING EXPENSES	
Educational and General	
Instruction	157,696
Research	52,869
Patient services	664,608
Academic support	15,224
Institutional support	127,327
Operations and maintenance of plant	37,655
Depreciation and amortization	72,575
Student aid	73
Total operating expenses	1,128,027
Operating loss	(324,921)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	250,846
Transfer to State and outside programs	(1,991)
Gifts	6,146
Investment income	1,385
Interest on capital asset - related debt	(9,619)
Net nonoperating revenues	246,767
Loss before other changes in net position	(78,154)
OTHER CHANGES IN NET POSITION	
Capital appropriations	13,000
Loss on Disposal	(1,898)
Net other changes in net position	11,102
Decrease in net position	(67,052)
NET POSITION	
Net position-beginning of year (as previously stated)	(1,014,953)
Cumulative effect of accounting changes and error corrections	(45,403)
Net position-beginning of year as restated	(1,060,356)
Net position-end of year	\$ (1,127,408)

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	2019
	(\$ in thousands)
Cash flows from operating activities:	
Cash received from patients and third-party payors	\$ 525,537
Cash received from tuition and fees	20,655
Cash received from grants, contracts and other revenue	257,712
Cash paid to employees for personal services and fringe benefits	(562,218)
Cash paid for other than personal services	(403,522)
Net cash used in operating activities	(161,836)
Cash flows from investing activities:	
Interest received	1,385
Net cash provided by investing activities	1,385
Cash flows from noncapital financing activities:	
State appropriations	135,802
Gifts	6,146
Net cash provided by noncapital financing activities	141,948
Cash flows from capital and related financing activities:	
Additions to property and equipment	(29,295)
Transfer from State and outside programs	(1,988)
Capital appropriations	42,281
Interest paid	(9,624)
Net repayment from long-term debt	(6,520)
Net cash used in capital and related financing activities	(5,146)
Net decrease in cash and cash equivalents	(23,649)
Cash and cash equivalents at beginning of year	119,266
Cash and cash equivalents at end of year	\$ 95,617

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2019

	2019
	(\$ in thousands)
Operating loss	\$ (324,921)
Adjustments to reconcile operating loss to net cash	
Used in operating activities:	
Depreciation and amortization	72,575
Personal services and fringe benefits In Kind from State	115,044
Changes in assets and liabilities:	
Patients receivables, net	(3,541)
Contract and other receivables	9,556
Due from DOC	(3,525)
Inventories	(1,923)
Third party payors	(1,892)
Prepaid expenses	(1,817)
Accounts payable and accrued liabilities	(16,524)
Due to State of Connecticut	1,942
Due to Affiliates	5,527
Accrued salaries	1,199
Pension liabilities and related deferred outflows/inflows	(9,328)
Compensated absences	(1,585)
Deferred revenue	200
Malpractice reserve	(2,823)
	<u>(2,823)</u>
Net cash used in operating activities	\$ (161,836)
 Schedule of Non-Cash Financing Transactions	
Mortgage proceeds held by Trustee in construction escrow account	\$ (497)
Proceeds from capital leases	\$ 2,180
Loss on disposal of capital and intangible assets	\$ (1,898)

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

**NOTES TO
FINANCIAL STATEMENTS**

UCONN HEALTH
Notes to Financial Statements
For the Years Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Connecticut Health Center (“UConn Health”) is a part of a comprehensive institution of higher education, the University of Connecticut (the “University”). Although governed by a single Board of Trustees, UConn Health and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State Appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. These financial statements represent transactions and balances of UConn Health for the year ended June 30, 2019, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), Finance Corporation, Dental Clinics (the “Primary Institution”) and John Dempsey Hospital (the “Hospital”). UConn Health offers medical and dentistry degrees as well as Ph.D.’s in the biomedical sciences and operates physician/dentist practices and a teaching and research hospital. There is also an affiliated entity that supports the mission of UConn Health: The University of Connecticut Foundation Inc. (the “Foundation”). The Foundation raises funds to promote, encourage, and assist education and research at the University, including UConn Health.

The financial operations of UConn Health are reported in the State of Connecticut comprehensive annual report using the fund structure prescribed by Governmental Accounting Standards Board (GASB). The State includes the transactions and balances of UConn Health within an enterprise fund under the major business-type activities of the government-wide financial statements, and has noted that State colleges and universities do not possess corporate powers that would distinguish them as being legally separate.

Basis of Presentation

UConn Health’s financial statements are prepared using the economic resources measurement focus

and in accordance with all relevant GASB pronouncements.

Proprietary Fund Accounting

UConn Health utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenues are recognized when earned, expenses are recognized when incurred, and all significant intra agency transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, malpractice reserves, third-party reimbursement reserves, compensated absences, pension, and OPEB liabilities.

Reclassification

Certain reclassifications were made to the 2018 Capital and Intangible Assets presented in note 9 as a result of the prior period adjustment for an error correction and componentization of buildings dedicated to research activities.

Recently Adopted Accounting Pronouncements

In 2019, UConn Health adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (ARO’s). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its

tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occurs when the liability is both incurred and reasonably estimable. This statement was effective for fiscal years beginning after June 15, 2018. Implementation of this standard did not have a material impact on UConn Health's financial statements.

In 2019, UConn Health implemented GASB Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Implementation of this standard did not have a material impact on the UConn Health's financial statements.

Upcoming Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and

recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. UConn Health is currently evaluating the impact this standard will have on its financial statements.

In January 2017, GASB Issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments and to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This statement establishes criteria for identifying fiduciary activities with the focus on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for reporting periods beginning after December 15, 2018. UConn Health is currently evaluating the impact this statement with have on its consolidated financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting For Interest Cost Incurred Before The End Of A Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this Statement are effective for the reporting periods beginning after December 15, 2019. UConn Health is currently evaluating the impact this statement with have on its consolidated financial statements.

Operating and Non-operating revenues:

UConn Health breaks out revenues between operating and non-operating based on the nature of the transaction as being either an exchange or non-

exchange transaction. Exchange transactions principally include services provided by UConn Health to the community. Non-exchange transactions include State Appropriations, Gifts, Loss on disposal of property and equipment, and Investment Returns.

Cash and Cash Equivalents:

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

Due from/to Affiliate

Due from affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University of Connecticut. Due to affiliate includes payables to the University of Connecticut resulting from cost-reimbursement arrangements for shared operating activities. Additional information on these can be found in note 14.

Accounts Receivable and Net Patient Service Revenues

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

Investments and Investment Income

The State of Connecticut has established various funds to account for the operations of UConn Health. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the UConn Health Malpractice Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Fund accounts for assets set aside annually as part of the Health Center's self-insurance for malpractice claims. The Operating Fund acts as

a "General Fund" for UConn Health, accounting for all operations not accounted for elsewhere.

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

The STIF, which was established and is operated under Sections 3-27a through 3-27i of the General Statutes, provides State agencies, funds, political subdivisions and others with a mechanism for investing at a daily-earned rate with interest from day of deposit to day of withdrawal. STIF participants have daily access to their account balances. Underlying investments of the STIF are mainly in money market instruments.

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

Investment Income also includes amounts received from endowments.

Inventories

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

pharmaceuticals. Short-term or minor supplies are expensed as incurred.

Prepaid Expense

As of June 30, 2019, the prepaid expense total was \$14.0 million. Approximately, \$8.8 million is held on deposit with AmerisourceBergin. This is the primary pharmaceutical vendor used by UConn Health. As part of the contract UConn Health is required to maintain a deposit with the vendor based on a percentage of the prior quarter's purchases. UConn Health also had approximately \$4.4 million prepaid with Capital Area Consortium. This amount represents the first payroll in 2020 for the residency program discussed further in note 7 and 13.

Capital Assets

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

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

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

During fiscal year 2019, UConn Health changed its method of applying useful lives to components of buildings dedicated to research activities. The revision was made to more accurately measure the useful lives of each component of the componentized buildings. The change had the effect of increasing accumulated building depreciation expense and decreasing net assets by approximately \$9.9 million.

Intangible Assets

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

development state, or post-implementation state, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives which range from 3 years to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. Reference is made in note 9 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

Impairment of Long-Lived Assets

UConn Health records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During 2019, UConn Health disposed of a voice recognition system. The loss on disposal was approximately \$235,000. As of June 30, 2019, UConn Health continues to utilize its legacy patient revenue systems and therefore, did not record any impairment losses.

Medical Malpractice

Health care providers and support staff of the UConn Health are fully protected by state statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment ("statutory immunity"). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity have been charged against UConn Health's malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital, UMG, and Dental practices. For the year ended June 30, 2019, these costs are included in the statement of revenues, expenses and changes in net position.

Compensated Absences

UConn Health's employees earn vacation, personal, compensatory and sick time at varying rates depending on their collective bargaining units. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to

termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience. All other compensated absences are accrued at 100% of their balance. Compensated absences have been allocated between current and noncurrent based on historical information.

Pension Liabilities

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

OPEB Liabilities

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Net Position

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

- Net investment in capital assets: Capital assets, net of accumulated depreciation and amortization, reduced by outstanding principal balances of notes that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted nonexpendable: Endowment and similar type assets for which donors or outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity. These assets are invested for the purpose of producing present and future income, which may be expended or reinvested in principal.
- Restricted expendable: Assets reduced by liabilities related to those assets that are expendable but where UConn Health is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.

- **Unrestricted:** The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of “restricted” or “net investment in capital and intangible assets”. These assets are not subject to externally imposed stipulations, but they may be subject to internal designations. For example, amounts classified as unrestricted may be assigned to specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. In general, all unrestricted amounts in net position are assigned to support academic, clinical, and research programs, capital projects, retirement of indebtedness, and auxiliary enterprise activities.

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

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

Regulatory Matters

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

Prior period adjustment

The beginning net assets have been restated primarily due to the correction of errors. A summary of the restatements to net assets at the beginning of the year is as follows:

	<u>2019</u>
Net Position, beginning of period, July 1, 2018 (as previously stated)	\$ (1,014,953,526)
Accumulated depreciation due to error	(35,540,601)
Accumulated depreciation due to componentization	<u>(9,862,389)</u>
Net Position, beginning of period, July 1, 2018 (as re-stated)	<u>\$ (1,060,356,516)</u>

2. CASH DEPOSITS AND INVESTMENTS

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

UConn Health’s cash and cash equivalents, current and noncurrent, balance was \$95,616,700, as of June 30, 2019, included the following:

	<u>2019</u>
Cash maintained by State of Connecticut Treasurer	\$ 55,252,371
Invested in State of Connecticut Short-Term Investment Fund	40,201,042
Deposits with Financial Institutions and Other Currency (Change Funds)	155,082
	<u>8,205</u>
Total cash and cash equivalents	95,616,700
Less: current balance	95,153,477
Total noncurrent balance	<u>\$ 463,223</u>

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

Short-Term Investment Fund (STIF)

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

UConn Health's cash management investment policy authorizes UConn Health to invest in the State Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements and savings accounts. The \$40,201,042 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 2019.

Certain funds are held by outside fiscal agents and are not under the direct control of UConn Health. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds was \$2,571,620 as of June 30, 2019. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income earned from those sources was \$54,454 the year ended June 30, 2019.

3. HYPOTHECATION

Individual components of UConn Health are allowed to borrow from the State on the basis of their net patient receivables and contract and other receivables to fund operations. These units include John Dempsey Hospital and the UConn Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. UConn Medical Group is allowed to borrow at up to 70% of its receivables. As of June 30, 2019, the Hospital and UMG had the following draws and availability under the State statute:

	2019	
	John Dempsey Hospital	UConn Medical Group
Amount Drawn under Hypothecation	\$ -	\$ 2,129,572
Remaining amounts available under Hypothecation	\$ 48,854,719	\$ 7,645,350

4. NET PATIENT SERVICE REVENUE

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

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. These third party payers include Medicare, Medicaid and certain commercial insurance carriers and Health Maintenance Organizations.

Net patient service revenue for UConn Health is as follows:

	<u>2019</u>
John Dempsey Hospital	
Gross patient services revenue	\$ 1,166,755,095
Less allowances	738,278,386
Less bad debts	<u>22,467,598</u>
	\$ 406,009,111
UConn Medical Group	
Gross patient services revenue	277,867,699
Less allowances	154,648,128
Less bad debts	<u>5,701,272</u>
	117,518,299
All other	10,966,811
Total net patient revenue	\$ <u>534,494,221</u>

5. CHARITY CARE

The Hospital and UMG maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges forgone for services and supplies furnished under their charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2019, the Hospital and UMG provided charity care services of \$351,043 and \$44,601, respectively.

The estimated cost of these services for the Hospital and UMG was \$105,348 and \$12,680, respectively. No net patient service revenue was recorded for these services; however, expenses associated with these services were included in operating expenses.

6. ENDOWMENTS

UConn Health designated the Foundation as manager of UConn Health's endowment funds. The Foundation makes spending allocation distributions to UConn Health for each participating endowment. The distribution is spent by UConn Health in accordance with the respective purposes of the endowments and with the policies and procedures of UConn Health. Additional information is presented in note 14.

7. RESIDENCY TRAINING PROGRAM

UConn Health's School of Medicine Residency Training Program provides area hospitals with the

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

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

8. CONTINGENCIES

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

9. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2019, consisted of the following:

	<u>2019</u>
Land	\$ 13,537,051
Construction in Progress	23,651,008
Fine art	1,260,116
Buildings	1,233,982,078
Equipment	264,215,007
Computer Software	81,619,069
Capital leases	<u>16,264,244</u>
	1,634,528,573
Less accumulated depreciation	<u>654,561,498</u>
Capital and intangible assets, net	\$ <u><u>979,967,075</u></u>

Construction in progress at June 30, 2019, represents accumulated costs for various UConn Health construction projects. UConn Health has entered into various contractual arrangements related to

these projects. Upon completion, the cost of the project is transferred to the appropriate investment in property and equipment category and depreciation will commence.

As discussed in note 1, UConn Health transferred several projects from construction in progress to building and building improvements resulting in a reclassification between Construction in Progress and Buildings balance by \$209,430,320.

Accumulated depreciation was also increased by \$35,540,601. The Academic Rotunda and Main Building Renovations were some of the projects transferred. As a result of the building componentization for research activities disclosed in note 1 beginning accumulated depreciation for building and building improvements was increased by \$9,862,389.

Plant and equipment activity and related information on accumulated depreciation for UConn Health for the year ended June 30, 2019 was as follows:

	<u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 13,537,051	\$ -	\$ -	\$ 13,537,051
Construction in progress	104,234,551	43,196,640	(123,780,183)	23,651,008
Fine art	1,246,698	13,465	(47)	1,260,116
Total capital assets not being depreciated	<u>119,018,300</u>	<u>43,210,105</u>	<u>(123,780,230)</u>	<u>38,448,175</u>
<u>Depreciable capital assets</u>				
Buildings and building improvements	1,145,691,792	91,888,723	(3,598,437)	1,233,982,078
Equipment	260,557,517	17,201,385	(13,543,895)	264,215,007
Computer software	92,405,911	705,624	(11,492,466)	81,619,069
Capital leases	14,084,244	2,180,000	-	16,264,244
Total depreciable capital assets	<u>1,512,739,464</u>	<u>111,975,732</u>	<u>(28,634,798)</u>	<u>1,596,080,398</u>
<u>Less accumulated depreciation:</u>				
Buildings and Building Improvements	384,520,611	42,932,909	(2,261,019)	425,192,501
Equipment	189,982,195	19,489,583	(13,234,993)	196,236,785
Computer Software	21,894,593	9,617,744	(11,240,881)	20,271,456
Capital leases	12,325,901	534,855	-	12,860,756
Total accumulated depreciation	<u>608,723,300</u>	<u>72,575,091</u>	<u>(26,736,893)</u>	<u>654,561,498</u>
<u>Depreciable capital assets, net</u>				
Buildings and Building Improvements	761,171,181	48,955,814	(1,337,418)	808,789,577
Equipment	70,575,322	(2,288,198)	(308,902)	67,978,222
Computer Software	70,511,318	(8,912,120)	(251,585)	61,347,613
Capital leases	1,758,343	1,645,145	-	3,403,488
Total depreciable capital assets, net	<u>904,016,164</u>	<u>39,400,641</u>	<u>(1,897,905)</u>	<u>941,518,900</u>
Capital and intangible assets, net	<u>\$ 1,023,034,464</u>	<u>\$ 82,610,746</u>	<u>\$ (125,678,135)</u>	<u>\$ 979,967,075</u>

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019 was as follows:

	June 30, 2018 Balance	Additions	Reductions	June 30, 2019 Balance	Amounts due within 1 year
Long-Term debt:					
Capital Leases					
Capital lease obligation (GE Capital) - Payments including interest at 1.92% began November 2016 and continue until October 2021, collateralized by financed MRI equipment	\$ 1,413,304	\$ -	\$ (414,543)	\$ 998,761	\$ 422,572
Capital lease obligation (Sysmex America)- Payments including interest at 1.88% began January 2017 and continue until December 2021, collateralized by financed Hematology equipment	287,813	-	(80,310)	207,503	81,834
Capital lease obligation (GE Capital) - Payments including interest at 3.00% began March 2019 and continue until February 2025, collateralized by financed Davinci surgical robot	-	2,180,000	(111,104)	2,068,896	340,050
Total Capital Leases	<u>1,701,117</u>	<u>2,180,000</u>	<u>(605,957)</u>	<u>3,275,160</u>	<u>844,456</u>
Business -type activities:					
Notes from Direct Borrowings -					
Secured mortgage - Capital Lease Funding (KeyBank), principal and interest payments began January 2004 and continue until November 2024, with interest at 6.34%	10,595,782	-	(1,382,118)	9,213,664	1,472,336
Secured mortgage - TIAA, 25 year, 4.809% coupon. Principal and interest payments began on April 15, 2015 and will continue until March 15, 2040	188,227,255	-	(5,028,886)	183,198,369	5,276,127
Total Notes From Direct Borrowing	<u>198,823,037</u>	<u>-</u>	<u>(6,411,004)</u>	<u>192,412,033</u>	<u>6,748,463</u>
Malpractice reserve	14,981,000	2,935,956	(5,758,956)	12,158,000	3,062,000
Compensated absences	<u>49,178,646</u>	<u>30,657,357</u>	<u>(32,242,376)</u>	<u>47,593,627</u>	<u>17,533,492</u>
Total Long - Term Liabilities	<u>\$ 264,683,800</u>	<u>\$ 35,773,313</u>	<u>\$ (45,018,293)</u>	<u>\$ 255,438,820</u>	<u>\$ 28,188,411</u>

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

Outstanding notes from direct borrowings related to business-type activities of \$192,412,033 as of June 30, 2019 are secured by the UConn Musculoskeletal Institute building, the Outpatient Pavilion, the Leasehold (as to Land) and Fee (as to improvements)

Mortgage, Security Agreement, Assignment of Lease and Rents and Fixture Filing. The outstanding notes from direct borrowings related to business-type activities contain a provision that in an event of default, outstanding amounts become immediately due if payment has not been made when due.

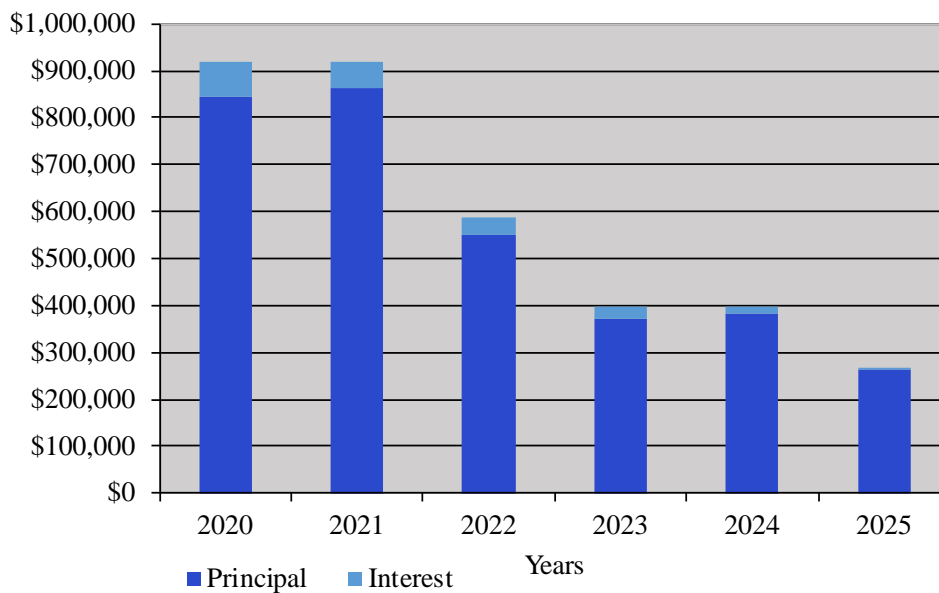
As of June 30, 2019, the Finance Corporation was not in compliance with certain insurance provisions related to the OP mortgage with TIAA. The Finance Corporation has received a waiver for such violations. Refer to (note 16) for additional information related to this waiver.

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

<u>Year Ending June 30,</u>	<u>Future Minimum Capital Lease Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 844,456	\$ 76,085
2021	864,536	56,005
2022	548,766	37,231
2023	372,032	25,434
2024	383,348	14,119
2025	<u>262,022</u>	<u>2,956</u>
Total minimum payments	<u>\$ 3,275,160</u>	<u>\$ 211,830</u>

In fiscal year 2019, UConn Health recorded interest expense of \$49,606 related to capital leases.

Capital Leases

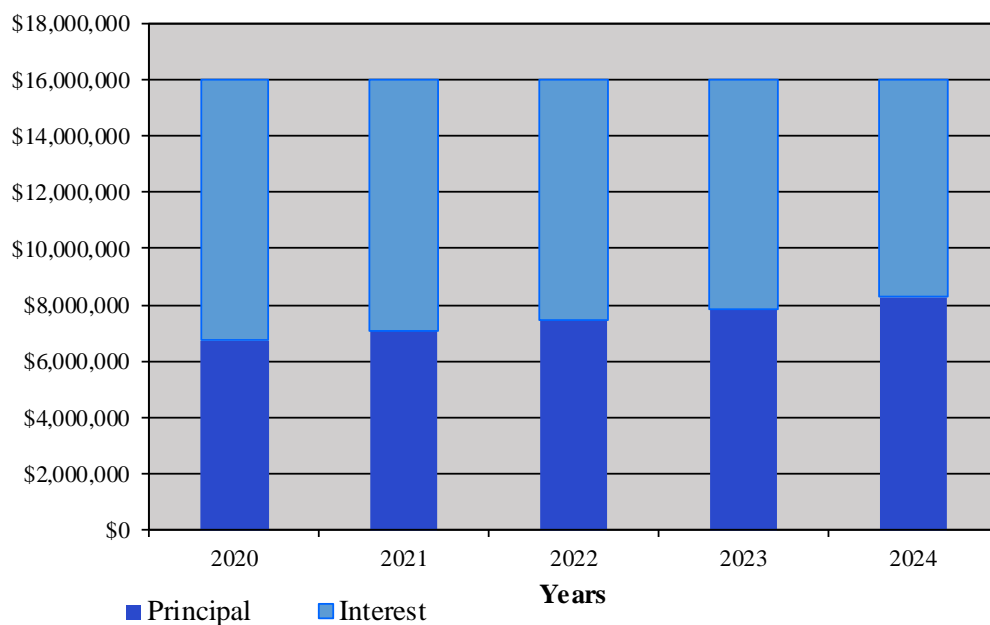


Estimated cash basis interest and principal requirements for notes from direct borrowings for the remaining years of the notes are as follows:

<u>Year Ending June 30,</u>	<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 6,748,463	\$ 9,236,576
2021	7,103,967	8,881,072
2022	7,478,498	8,506,542
2023	7,873,091	8,111,949
2024	8,288,840	7,696,198
2025-2029	37,825,063	32,868,441
2030-2034	47,033,459	22,820,800
2035-2039	59,789,420	10,064,839
2040	10,271,232	206,907
	<u>\$ 192,412,033</u>	<u>\$ 108,393,324</u>

In fiscal year 2019, UConn Health recorded interest expense of \$9,568,421 related to note borrowings.

Notes from Direct Borrowing Requirement



Medical Malpractice Insurance

UConn Health is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under UConn Health’s incident reporting system and an estimate of incurred but not reported claims are accrued based on

actuarially determined estimates that incorporate UConn Health’s past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. The scope of UConn Health’s assessment for establishing budgets for malpractice costs encompasses physicians,

dentists, and all other UConn Health health care providers, and support staff.

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

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by UConn Health, UConn Health may petition the State to make up any difference. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program. At June 30, 2019, UConn Health Malpractice Fund had actuarial reserves of approximately \$12.2 million and assets of approximately \$4.2 million.

11. RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS

State Retirement Systems

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

Effective July 1, 2017, the State legislature approved the State Employees' Bargaining Agent Coalition (SEBAC) 2017 agreement, which amended certain provisions under collective bargaining agreements for existing SERS plans by revising certain factors

including employee contribution rates, annual cost-of-living adjustments (COLAs) for plan members retiring after July 1, 2022, and disability retirement requirements.

State Employees' Retirement System (SERS)

Pension plan - SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. SERS is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. As of June 30, 2019, SERS consisted of plans in five tiers: Tier I, Tier II, Tier IIA, Tier III, and Tier IV including the (Hybrid Plan). In accordance with GASB 68, UConn Health must report for its participation in SERS as if it were a cost-sharing employer plan.

The percentage of UConn Health's eligible employees participating in SERS was approximately 52% in fiscal year 2019. Individuals actively employed and participating in the State Alternate Retirement Program (ARP) on September 22, 2010, were eligible to participate in the SEBAC ARP Grievance (SAG) Award. The SAG Award provided participants in ARP a one-time irrevocable opportunity to elect to transfer to SERS Tier II or Tier IIA (based on hire date) or to remain an ARP member. Accordingly, 439 UConn Health employees transferred to SERS from ARP during fiscal year 2019. The closing date for this one-time election was December 14, 2018.

Benefits provided - SERS was established by the Connecticut General Assembly for the purpose of providing retirement, disability, and death benefits along with annual cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula, which takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192 of the State General Statutes.

Deferred Vesting – SERS

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

Contributions - The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2019 were:

Tier I Hazardous – 5.5% of earnings up to Social Security Taxable Wage Base plus 6.5% of earnings above that level

Tier I Plan B – 3.5% of earnings up to Social Security Taxable Base plus 6.5% of earnings above that level

Tier I Plan C – 6.5% of earnings

Tier II Hazardous – 5.5% of earnings

Tier II (all others) – none

Tier IIA and III Hazardous – 6.5 % of earnings

Tier IIA and III (all others) – 3.5% of earnings

Tier IV Hazardous – 8% of earnings

Tier IV (all others) – 5% of earnings

Contributions may vary for anyone electing to maintain retirement eligibility.

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

Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for the ARP, were also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits

identical to Tiers II, IIA, and III, but requires employee contributions 3% higher than the contribution required from the applicable Tier II, IIA, or III Plan.

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

UConn Health makes contributions on behalf of the employees, through a fringe benefit charge assessed by the State. These amounts are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. UConn Health's contributions were \$70.2 million for fiscal year 2019.

In 2018, provisions under collective bargaining agreements were amended for existing SERS plans by revising certain factors including employee contribution rates and COLAs. A Tier IV plan was also placed into effect for employees hired on or after the effective date. These changes were effective July 1, 2017.

Proportionate share of collective Net Pension Liability (NPL) - The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2018. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of SERS was 3.62% at the measurement date of June 30, 2019.

At June 30, 2019, UConn Health reported liabilities of \$784.0 million for its proportionate share of the SERS collective NPL.

SERS Expense - For the year ended June 30, 2019, UConn Health recognized a SERS pension amortized gain of \$3.8 million.

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

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

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

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

The target assets allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2018 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternate Investment	8.00%	4.10%
Fixed Income (Core)	8.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	4.00%	3.70%
Inflation Linked Bonds	5.00%	1.00%
Cash	4.00%	0.40%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL at June 30, 2018 was the long-term rate of return of 6.9%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2138.

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

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

1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
\$ 935,582	\$ 784,023	\$ 657,564

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS pension plan is available in the State’s CAFR for the fiscal year ended June 30, 2018.

Connecticut Teachers’ Retirement System (TRS)

Pension plan - TRS is a cost-sharing multiple-employer defined-benefit plan covering any teacher, principal, Superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with UConn Health, and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State Legislature, and is administered by the Teachers’ Retirement Board.

Benefits provided - TRS provides retirement, disability, and death benefits, and annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member’s age, service, and the average of the highest three years of paid salaries. Members are 100% vested after 10 or more years of credited service. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ss of the State General Statutes.

Contributions - The contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 7.0% of their annual salary. According to Section 10-183z of the State General Statutes, a special funding situation requires the State to contribute 100.0% of employer’s contributions on behalf of its municipalities at an actuarially determined rate. However, a special funding situation does not apply to UConn Health because it is an agency of the State and is not a separate non-employer contributing entity. Therefore, like SERS, UConn Health makes contributions on behalf of these employees, through a fringe benefit charge assessed by the State. UConn Health’s TRS contributions for the year ended June 30, 2019, was \$447,948.

Proportionate share of collective Net Pension Liability (NPL) - The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation

report as of June 30, 2018. UConn Health’s proportion of the collective NPL was based on UConn Health’s share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health’s proportion of the TRS was .026% at the measurement date of June 30, 2018.

TRS Expense - For the year ended June 30, 2019, UConn Health recognized a TRS pension expense of \$389,246.

Actuarial assumptions - TRS mortality rates were based on the RP-2014 White Collar Table with employee and annuitant rates blend from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RP-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The TPL was based on an actuarial study for the period July 1, 2010 – June 30, 2015 for TRS, using the following key actuarial assumptions:

Inflation	2.75%
Salary increases, including inflation	3.25% – 6.50%

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2018 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternate Investment	8.00%	4.10%
Fixed Income (Core)	7.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	5.00%	3.70%
Inflation Linked Bonds	3.00%	1.00%
Cash	6.00%	0.40%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected

benefit payments to determine the total pension liability.

Sensitivity analysis - The following presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 8.0%, as well as what the UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate (amounts in thousands):

1% Decrease	Current Discount Rate	1% Increase
(7.0%)	(8.0%)	(9.0%)
\$ 4,355	\$ 3,447	\$ 2,677

Pension plan fiduciary net position - Detailed information about the fiduciary net position of the TRS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2018.

Deferred outflows and deferred inflows of resources related to pensions - At June 30, 2019, UConn Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Changes in assumptions	\$ 85,428	\$ 324	\$ 85,752
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	61,680	1,542	63,222
Net differences between projected and actual earnings on pension plan investments	-	64	64
UConn Health contributions subsequent to the measurement date	70,177	448	70,625
Difference between expected and actual experience	27,673	-	27,673
Total Deferred Outflows	<u>\$ 244,958</u>	<u>\$ 2,378</u>	<u>\$ 247,336</u>
<u>Deferred Inflows of Resources</u>			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	\$ 285,851	\$ 7	\$ 285,858
Net differences between projected and actual earnings on pension plan investments	2,458	-	2,458
Difference in expected and actual contributions	-	53	53
Difference between expected and actual experience	-	143	143
Total Deferred Inflows	<u>\$ 288,309</u>	<u>\$ 203</u>	<u>\$ 288,512</u>

The \$70.6 million in deferred outflows relating to contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal

<u>Year</u>	<u>SERS</u>	<u>TRS</u>	<u>Total</u>
2020	18,661	495	19,156
2021	1,783	461	2,244
2022	(28,671)	325	(28,346)
2023	(63,007)	285	(62,722)
2024	(42,294)	125	(42,169)
Thereafter	-	36	36
Total	<u>\$(113,528)</u>	<u>\$ 1,727</u>	<u>\$ (111,801)</u>

Alternate Retirement Plan

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

authority to make and amend rules and regulations relating to the administration of the plan.

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

ARP contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. In accordance with the SEBAC 2017 agreement, employer contribution rates for participants hired prior to July 1, 2017, will decrease by 1% to 7% over a three-year period. Employer contribution rates decreased by 0.75% effective July 1, 2017, with a commensurate increase in employee contributions and decreased by another 0.25% effective July 1, 2019, with a commensurate increase in employee contributions. Except for participants who elected the one-time option to remain at the previous employee contribution rate of 5%, participants hired prior to July 1, 2017, must contribute 5.75% of their eligible compensation and their employer must contribute 7.25% of eligible

compensation. Participants hired on or after July 1, 2017, have the option to contribute 6.5% or 5% of their eligible compensation and their employer must contribute 6.5% of eligible compensation. There is no minimum vesting period for ARP.

UConn Health contributes its employer share through a fringe benefit charge assessed by the State. UConn Health contributed 14.75% for June 30, 2019, an increase from the 14.5% in June 30, 2018. For fiscal year 2019, UConn Health’s employer contributions to ARP were \$29.1 million. Participant and employer contributions are both 100% vested immediately. The commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

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

Post-Employment Benefits other than Pension

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

General Information about the SEOPEBP

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

Division under the direction of the State Employees Retirement Commission.

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

Employees covered by benefit terms - Demographic data for individual State entities in the OPEB plan are not readily available. At June 30, 2017, SEOPEBP in total covered the following:

Inactive employees or beneficiaries currently receiving benefit payments	74,579
Inactive employees entitled to but not yet receiving benefit payments	256
Active employees	<u>49,538</u>
Total covered employees	<u><u>124,373</u></u>

Contributions – SEOPEBP is primarily funded on a pay-as-you-go basis. The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3%

of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3% of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing 10 years of service.

Similar to pension, UConn Health contributes to SEOPEBP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. UConn Health's rate of actual contributions as a percentage of covered payroll was 14.6% and the total amount contributed to the plan was \$55.0 million for the fiscal year ended June 30, 2019.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2017 were due to an increase in the discount rate. In addition, demographic assumptions, per capita health costs, administrative costs, contributions and adjustments to future trends were also updated.

At June 30, 2019, UConn Health reported a liability of \$1,036.3 million for its proportionate share of the collective net OPEB liability. UConn Health's proportion of the collective NOL was based on UConn Health's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, UConn Health's proportion was 6.0%, which was a decrease of 1.0% from its proportion measured as of June 30, 2017.

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate - The discount rate, 3.95%, is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.87% as of June 30, 2018 and 3.58% as of June 30, 2017). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2011—June 30, 2015.

Payroll growth rate:	3.5%
Salary increase:	3.25% to 19.5% varying by years of service
Discount rate:	3.95% as of June 30, 2018 and 3.68% as of June 2017

Healthcare cost trends rates

Medical *	6.5% graded to 4.5% over 4 years
Prescription Drug*	8.0% graded to 4.5% over 7 years
Dental and Part B	4.5%
Administrative Expense	3.0%

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

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of UConn Health, as well as what the UConn Health's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.95 %) or 1- percentage-point higher (4.95 %) than the current discount rate:

	Discount		
	1% Decrease	Rate	1% Increase
	2.95%	3.95%	4.95%
	(\$ in thousands)		
Net OPEB Liability	\$ 1,202,032	\$ 1,036,300	\$ 901,715

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of UConn Health, as well as what UConn Health's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-

point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rates		
Current		
1% Decrease	Valuation	1% Increase
5.5%	6.5%	7.5%
(\$ in thousands)		

Net OPEB Liability \$ 882,687 \$ 1,036,300 \$ 1,230,949

OPEB plan fiduciary net position – Detailed information about SEOPEBP’s fiduciary net position is available in the State’s CAFR for the fiscal year ending June 30, 2018.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2019, UConn Health recognized an OPEB amortized gain of \$5.9 million. At June 30, 2019, UConn Health reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(\$ in thousands)		
Changes in proportion UConn Health contributions subsequent to measurement date	\$ 57,076	\$ -
Changes in assumptions or other inputs	55,031	-
Net difference between projected and actual earnings	-	54,793
Changes in proportion between employe and proportionate share of contributions	-	416
Total	\$ 112,107	\$ 164,227
		\$ 219,436

UConn Health contributions subsequent to the measurement date totaling \$55.0 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
(in thousands)	
2020	\$ (36,207)
2021	(36,208)
2022	(36,208)
2023	(37,457)
2024	(16,280)
Therefore	-
Total	\$ (162,360)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternate Investment	8.00%	4.10%
Fixed Income (Core)	8.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	4.00%	3.70%
Inflation Linked Bonds	5.00%	1.00%
Cash	4.00%	0.40%
Total	100.00%	

12. BOND FINANCED ALLOTMENTS

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

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act). The Act authorized additional projects for the University and for the first time UConn Health for what is called Phase III of UCONN 2000. This Act amended PA No. 95-230 and extended the UCONN 2000 financing program.

The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a \$25 million reallocation from existing UCONN 2000 UConn Health allocations, and a \$207 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018.

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

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

As of June 30, 2019, approved projects receiving bond funding from UConn General Obligation Bonds secured by the State's Debt Service Commitment had an allocated total of \$825.9 million. The Act also requires UConn Health to contribute not less than \$69 million through operations, eligible gifts, or other sources towards new UConn Health construction.

In fiscal 2019, the University realized proceeds of \$200 million related to Series A and Refunding Series A bonds. Included in this total was \$13.0

million to finance projects at UConn Health. UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, the current Phase III commitment to fund projects totals \$825.9 million for UConn Health. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for UConn Health. A corresponding receivable, Due from Affiliates, is recorded for the unspent portion of the bonds, \$6.9 million, at June 30, 2019, in the Statement of Net Position.

13. COMMITMENTS

On June 30, 2019, UConn Health had individual outstanding commitments exceeding \$300,000 in amount, totaling \$12,396,822. A portion of this amount was included in the June 30, 2019 accounts payable. Commitments above do not include any commitments arising from the administration of UCONN 2000 funds by the University on UConn Health's behalf. Such obligations were paid directly from proceeds of bond issuances.

UConn Health agreed to pay \$60,311,777 during the 2019-2020 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for interns and residents participating in the School of Medicine and Dental Medicine Residency Training Programs. These costs are to be funded by participating hospitals, which will remit payments to UConn Health, in accordance with an established rate schedule, for services provided. Dental Residency costs will be funded by the School of Dental Medicine.

UConn Health leases various building space under operating lease commitments, which expire at various dates through fiscal year 2027. Expenses related to these leases was \$5,542,250 for the year

ended June 30, 2019. Future minimum rental payments at June 30, 2019 under non-cancelable operating leases are approximately as follows:

Year	Payments
2020	4,231,864
2021	3,390,716
2022	2,539,227
2023	1,996,816
2024	2,025,860
Thereafter	6,091,038
Total	\$ <u>20,275,521</u>

this list are certain cost share arrangements for shared services and transactions related to UCONN 2000 as noted in note 12.

	2019
Agreements under an MOU	
Communications	\$ 4,424,613
Police	4,613,493
Fire	3,462,661
Library	2,000,000
Audit, Compliance and Privacy	481,001
Reprographics	290,789
Government Relations	372,800
Subtotal	<u>15,645,357</u>
Agreements not yet formalized by an MOU	
Information Technology	364,910
Energy	151,328
Subtotal	<u>516,238</u>
Total MOUs with University of Connecticut ^	<u>\$ 16,161,595</u>

14. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the "Foundation") is a tax-exempt organization whose objective is the betterment of the University, including UConn Health. UConn Health has an agreement through the University to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse UConn Health for certain services performed and for operating expenses of the Foundation. The following transactions occurred between UConn Health and the Foundation during the year ended June 30, 2019:

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

Also, UConn Health paid approximately \$4.0 million to the University in fiscal year 2019. Related to grants and contracts, services of educational departments, and for other miscellaneous goods and services.

UConn Health provides pharmaceutical, medical, dental, and psychiatric care to inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Corrections (DOC). UConn Health billed DOC \$40.6 million in fiscal year 2019 for services.

Amount paid to Foundation	\$ <u>19,364</u>
Amount paid to University for Foundation services*	\$ <u>945,000</u>
Amount received from Foundation for personnel services and operating expenses	\$ <u>3,726,822</u>
Amount received from Foundation from endowments and gifts	\$ <u>1,792,925</u>

*Included in Due to Affiliate in the accompanying Statement of Net Position

In addition, UConn Health directly engages in transactions with the University. The terms of these arrangements are set forth in formal Memorandum of Understanding's (MOU) that are reviewed and agreed upon by both parties on an annual basis. In fiscal year 2019, UConn Health recorded a payable to the University for the \$13.8 million related to these agreements. Listed in the table below are the material transactions with the University excluding payments for Foundation services. Not included in

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

State of Connecticut Appropriations	\$ 106,920,613
Bioscience CT Appropriation	11,204,792
Worker Compensation Appropriation	4,176,954
Fringe Benefit Differential Sec 3-123i	<u>13,500,000</u>
Amount of General Fund Appropriations from State of Connecticut	<u>\$ 135,802,359</u>
Amount of In Kind Fringe Benefits from State of Connecticut:	<u>\$ 115,043,185</u>
Total Appropriations and In Kind Fringe Benefits received from State of Connecticut	<u><u>\$ 250,845,544</u></u>

For the year ended June 30, 2019, the amounts of the benefits recognized were as follows:

15. OPERATING EXPENSES BY NATURE AND FUNCTIONAL CLASSIFICATION

The table below details UConn Health's operating expenses by natural and functional classification for the year ended June 30, 2019 (amounts in thousands).

<u>Functional Classification</u>	<u>Natural Classification</u>					<u>Total</u>
	<u>Salaries and wages</u>	<u>Fringe benefits</u>	<u>Supplies and other expenses</u>	<u>Utilities</u>	<u>Depreciation and amortization</u>	
Instruction	\$ 76,940	\$ 21,944	\$ 58,808	\$ 4	\$ -	\$ 157,696
Research	24,287	6,186	22,396	-	-	52,869
Patient services	242,951	173,755	247,651	251	-	664,608
Academic support	7,755	2,788	4,681	-	-	15,224
Institutional support	54,665	43,554	29,066	42	-	127,327
Operations and maintenance of plant	11,546	7,322	6,196	12,591	-	37,655
Depreciation and amortization	-	-	-	-	72,575	72,575
Student aid	413	180	(520)	-	-	73
Total	<u>\$ 418,557</u>	<u>\$ 255,729</u>	<u>\$ 368,278</u>	<u>\$ 12,888</u>	<u>\$ 72,575</u>	<u>\$ 1,128,027</u>

16. SUBSEQUENT EVENTS

The State has recently selected a new pharmacy provider. As a result, the contract with the DOC for pharmacy services terminated as of September 30, 2019. UConn Health anticipates minimal net impact

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

As of June 30, 2019, the Finance Corporation was not in compliance with certain insurance provisions related to the mortgage on the OP. As of November 5, 2019, the Finance Corporation obtained a waiver for this violation to remove the requirement for maintaining business interruption insurance and the related default. The Finance Corporation subsequently remedied its insurance to include all required coverages.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Unaudited

UCONN HEALTH
Required Supplementary Information
For the Year Ended June 30, 2019

State Employees' Retirement System (SERS) and Teachers' Retirement System (TRS)

Schedule of UConn Health's Proportionate Share of Collective Net Pension Liability (NPL)

Based on a valuation date lagging one year behind the fiscal year

(\$ in thousands)

Fiscal Year Ended June 30	SERS					TRS				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Proportion of Collective NPL	3.62%	5.50%	5.36%	5.29%	4.99%	0.026%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	\$ 784,023	\$ 1,159,362	\$ 1,230,753	\$ 873,351	\$ 799,061	\$ 3,447	\$ 2,508	\$ 2,646	\$ 1,042	\$ 963
UConn Health's covered employee payroll	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762	\$ 167,523	\$ 1,103	\$ 834	\$ 762	\$ 573	\$ 384
Proportionate share of the collective NPL as a percentage of covered-employee payroll	521.17%	565.02%	615.22%	472.69%	476.99%	312.51%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	36.62%	36.25%	31.69%	39.23%	39.54%	57.69%	55.93%	52.26%	59.50%	61.56%

Schedule of UConn Health Pension

Contributions

Based on contributions for the Fiscal Year Ended June 30,

(\$ in thousands)

For the year ended June 30	SERS					TRS				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Contractually Required employer contribution	\$ 70,177	\$ 52,170	\$ 84,860	\$ 80,493	\$ 72,496	\$ 448	\$ 280	\$ 239	\$ 181	\$ 93
Actual UConn Health Contribution	70,177	52,170	84,860	80,493	72,496	448	280	239	237	201
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ (108)
UConn Health's covered employee payroll	\$ 175,810	\$ 150,434	\$ 205,188	\$ 200,050	\$ 184,762	\$ 1,138	\$ 1,103	\$ 834	\$ 762	\$ 573
Actual UConn Health contributions as a percentage of covered employee payroll	39.92%	34.68%	41.36%	40.24%	39.24%	39.37%	25.39%	28.66%	31.10%	35.08%

NOTES TO REQUIRED SCHEDULES

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

Changes in Benefit Terms

2019 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Hybrid Plan.

Other Factors

2019 – The State's assessed fringe benefit rate attributable to TRS increased from 27.41% in fiscal year 2018 to 41.84% in fiscal year 2019, resulting in a material increase of UConn Health contributions to that plan.

2019 and 2018 – The SERS contractually required employer contribution and covered payroll did not include CMHC.

UCONN HEALTH
Required Supplementary Information
For the Year Ended June 30, 2019

SCHEDULE OF UCONN HEALTH'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Based on a valuation date lagging one year behind the fiscal year

	<u>2019</u>	<u>2018</u>
	<i>(\$ in Thousands)</i>	
UConn Health's proportion of the net OPEB liability	6.00%	6.96%
UConn Health's proportion of the net OPEB liability	\$ 1,036,300	\$ 1,208,427
UConn Health's covered-employee payroll	\$ 366,593	\$ 424,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	282.68%	284.51%
Plan fiduciary net position as a percentage of the total OPEB liability	4.69%	3.03%

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

	<u>2019</u>	<u>2018</u>
	<i>(\$ in Thousands)</i>	
Contractually required contribution	\$ 55,031	\$ 48,134
Contributions in relation to the contractually required contribution	<u>\$ 55,031</u>	<u>\$ 48,134</u>
Contribution deficiency (excess)	<u> --</u>	<u> --</u>
UConn Health's covered-employee payroll	\$ 375,680	\$ 366,593
Contributions as a percentage of covered-employee payroll	14.65%	13.13%

NOTES TO REQUIRED SCHEDULES

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

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

Changes of Benefit Terms

In the June 30, 2018 and 2017 actuarial valuation, there were no change of benefit terms.

Changes of Assumptions

In the June 30, 2018 and 2017 actuarial valuation, the discount rate was increased to more closely reflect the expected long-term rate of return. In the June 30, 2018 and 2017 actuarial valuation, demographic assumptions were updated to match the most recent valuations or experience studies.

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2019

(\$ in thousands)	2019			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 39,263	\$ 55,891	\$ -	\$ 95,154
Patient receivables, net	11,400	50,477	-	61,877
Contract and other receivables	19,262	3,806	-	23,068
Construction escrow account	32	-	-	32
Due from Affiliates (Note 12)	6,889	-	-	6,889
Due from State of Connecticut	7,448	-	-	7,448
Due from Primary Institution	-	9,786	(9,786)	-
Due from Department of Correction	3,525	-	-	3,525
Inventories	3,510	9,944	-	13,454
Prepaid expenses	5,250	8,752	-	14,002
Total current assets	96,579	138,656	(9,786)	225,449
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	463	-	-	463
Other assets	2,930	803	-	3,733
Due from State of Connecticut	961	-	-	961
Capital and intangible assets, net (Note 9)	613,510	366,457	-	979,967
Total noncurrent assets	617,864	367,260	-	985,124
Total assets	\$ 714,443	\$ 505,916	\$ (9,786)	\$ 1,210,573
Deferred outflows of resources pension	\$ 137,310	\$ 110,026	\$ -	\$ 247,336
Deferred outflows of resources OPEB	\$ 67,088	\$ 45,019	\$ -	\$ 112,107
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 23,967	\$ 15,092	\$ -	\$ 39,059
Due to State of Connecticut	3,481	6,615	-	10,096
Accrued salaries	19,279	8,933	-	28,212
Compensated absences - current portion (Note 10)	10,495	7,038	-	17,533
Due to John Dempsey Hospital	9,786	-	(9,786)	-
Due to third party payors	(2,537)	20,477	-	17,940
Due to Affiliates (Note 12)	13,829	-	-	13,829
Unearned revenues	1,128	4	-	1,132
Malpractice reserve (Note 10)	3,062	-	-	3,062
Long-term debt - current portion (Note 10)	6,749	844	-	7,593
Total current liabilities	89,239	59,003	(9,786)	138,456
Noncurrent Liabilities				
Malpractice reserve (Note 10)	9,096	-	-	9,096
Compensated absences - net of current portion (Note 10)	17,994	12,066	-	30,060
Pension Liability (Note 11)	481,523	305,947	-	787,470
OPEB Liability (Note 11)	655,914	380,386	-	1,036,300
Long-term debt - net of current portion (Note 10)	185,663	2,431	-	188,094
Total noncurrent liabilities	1,350,190	700,830	-	2,051,020
Total liabilities	\$ 1,439,429	\$ 759,833	\$ (9,786)	\$ 2,189,476
Deferred inflows of resources pension	\$ 287,451	\$ 1,061	\$ -	\$ 288,512
Deferred inflows of resources OPEB	\$ 199,171	\$ 20,265	\$ -	\$ 219,436
NET POSITION				
Net investment in capital assets	\$ 421,098	\$ 363,182	\$ -	\$ 784,280
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	1,588	-	-	1,588
Loans	589	-	-	589
Capital projects	7,881	-	-	7,881
Unrestricted	(1,438,427)	(483,380)	-	(1,921,807)
Total net position	\$ (1,007,210)	\$ (120,198)	\$ -	\$ (1,127,408)

UCONN HEALTH
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

(\$ in thousands)	2019				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	\$ 20,655	\$ -	\$ 20,655	\$ -	\$ 20,655
Patient services, net	128,485	406,009	534,494	-	534,494
Federal grants and contracts	58,196	-	58,196	-	58,196
Nonfederal grants and contracts	30,016	-	30,016	-	30,016
Contract and other operating revenues	168,097	43,037	211,134	(51,389)	159,745
Total operating revenues	<u>405,449</u>	<u>449,046</u>	<u>854,495</u>	<u>(51,389)</u>	<u>803,106</u>
OPERATING EXPENSES					
Educational and General					
Instruction	182,457	-	182,457	(24,761)	157,696
Research	52,869	-	52,869	-	52,869
Patient services	190,572	500,664	691,236	(26,628)	664,608
Academic support	15,224	-	15,224	-	15,224
Institutional support	127,327	-	127,327	-	127,327
Operations and maintenance of plant	37,655	-	37,655	-	37,655
Depreciation and amortization	46,993	25,582	72,575	-	72,575
Student aid	73	-	73	-	73
Total operating expenses	<u>653,170</u>	<u>526,246</u>	<u>1,179,416</u>	<u>(51,389)</u>	<u>1,128,027</u>
Operating loss	<u>(247,721)</u>	<u>(77,200)</u>	<u>(324,921)</u>	<u>-</u>	<u>(324,921)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	250,846	-	250,846	-	250,846
Transfer to State and outside programs	(1,991)	-	(1,991)	-	(1,991)
Gifts	5,431	715	6,146	-	6,146
Hospital transfer	(21,558)	21,558	-	-	-
Investment income, net	1,385	-	1,385	-	1,385
Interest on capital asset - related debt	(9,570)	(49)	(9,619)	-	(9,619)
Net nonoperating revenues	<u>224,543</u>	<u>22,224</u>	<u>246,767</u>	<u>-</u>	<u>246,767</u>
Loss before other changes in net position	<u>(23,178)</u>	<u>(54,976)</u>	<u>(78,154)</u>	<u>-</u>	<u>(78,154)</u>
OTHER CHANGES IN NET POSITION					
Capital appropriations	13,000	-	13,000	-	13,000
Loss on Disposal	(1,661)	(237)	(1,898)	-	(1,898)
Net other changes in net position	<u>11,339</u>	<u>(237)</u>	<u>11,102</u>	<u>-</u>	<u>11,102</u>
Decrease in net position	<u>(11,839)</u>	<u>(55,213)</u>	<u>(67,052)</u>	<u>-</u>	<u>(67,052)</u>
NET POSITION					
Net position-beginning of year (as previously stated)	(949,968)	(64,985)	(1,014,953)	-	(1,014,953)
Cumulative effect of accounting changes and error corrections	(45,403)	-	(45,403)	-	(45,403)
Net position-beginning of year as restated	<u>(995,371)</u>	<u>(64,985)</u>	<u>(1,060,356)</u>	<u>-</u>	<u>(1,060,356)</u>
Net position-end of year	<u>\$ (1,007,210)</u>	<u>\$ (120,198)</u>	<u>\$ (1,127,408)</u>	<u>\$ -</u>	<u>\$ (1,127,408)</u>

STATISTICAL SECTION

Unaudited

SCHEDULE OF REVENUES BY SOURCE

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 20,655	\$ 18,613	\$ 17,499	\$ 15,728	\$ 16,557	\$ 15,794	\$ 13,812	\$ 13,746	\$ 13,095	\$ 12,163
Patient services	534,494	580,697	539,777	532,876	512,960	450,315	432,032	429,546	422,094	405,660
Federal grants and contracts	58,196	50,748	58,148	59,529	57,920	62,527	60,651	56,904	60,127	59,358
Nonfederal grants and contracts	30,016	29,337	29,009	27,116	24,407	23,803	27,593	27,690	25,885	28,673
Contract and other operating revenues	159,745	127,188	114,284	108,017	109,324	106,771	102,574	93,730	71,694	58,791
Total operating revenues	<u>803,106</u>	<u>806,583</u>	<u>758,717</u>	<u>743,266</u>	<u>721,168</u>	<u>659,210</u>	<u>636,662</u>	<u>621,616</u>	<u>592,895</u>	<u>564,645</u>
State appropriations	250,846	279,513	278,211	289,287	280,645	266,139	213,371	202,997	225,268	218,484
Transfer from/(to) State and outside programs	(1,991)	-	-	-	-	-	-	1,312	(10,807)	(10,000)
Gifts	6,146	5,706	4,079	6,865	7,175	7,300	7,658	7,435	2,554	1,602
Investment income (net of investment expense)	1,385	654	104	141	176	93	124	101	134	2,506
Net nonoperating revenues	<u>256,386</u>	<u>285,873</u>	<u>282,394</u>	<u>296,293</u>	<u>287,996</u>	<u>273,532</u>	<u>221,153</u>	<u>211,845</u>	<u>217,149</u>	<u>212,592</u>
Total Revenues	<u>\$ 1,059,492</u>	<u>\$ 1,092,456</u>	<u>\$ 1,041,111</u>	<u>\$ 1,039,559</u>	<u>\$ 1,009,164</u>	<u>\$ 932,742</u>	<u>\$ 857,815</u>	<u>\$ 833,461</u>	<u>\$ 810,044</u>	<u>\$ 777,237</u>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Student tuition and fees (net of scholarship allowances)	2.0%	1.7%	1.7%	1.5%	1.7%	1.7%	1.6%	1.7%	1.6%	1.6%
Patient services	50.4%	53.2%	51.8%	51.3%	50.8%	48.3%	50.4%	51.6%	52.1%	52.2%
Federal grants and contracts	5.5%	4.6%	5.6%	5.7%	5.8%	6.7%	7.1%	6.8%	7.4%	7.6%
Nonfederal grants and contracts	2.8%	2.7%	2.8%	2.6%	2.4%	2.6%	3.2%	3.3%	3.2%	3.7%
Contract and other operating revenues	15.1%	11.6%	11.0%	10.4%	10.8%	11.4%	11.9%	11.2%	8.9%	7.6%
Total operating revenues	<u>75.8%</u>	<u>73.8%</u>	<u>72.9%</u>	<u>71.5%</u>	<u>71.5%</u>	<u>70.7%</u>	<u>74.2%</u>	<u>74.6%</u>	<u>73.2%</u>	<u>72.6%</u>
State appropriations	23.7%	25.6%	26.7%	27.8%	27.8%	28.5%	24.9%	24.3%	27.8%	28.1%
Transfer from/(to) State and outside programs	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-1.3%	-1.3%
Gifts	0.6%	0.5%	0.4%	0.7%	0.7%	0.8%	0.9%	0.9%	0.3%	0.2%
Investment income (net of investment expense)	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
Net nonoperating revenues	<u>24.2%</u>	<u>26.2%</u>	<u>27.1%</u>	<u>28.5%</u>	<u>28.5%</u>	<u>29.3%</u>	<u>25.8%</u>	<u>25.4%</u>	<u>26.8%</u>	<u>27.4%</u>
Total Revenues	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

SCHEDULE OF EXPENSES BY FUNCTION

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Instruction	\$ 157,696	\$ 179,948	\$ 169,130	\$ 168,299	\$ 163,703	\$ 152,618	\$ 141,182	\$ 129,217	\$ 129,793	\$ 126,206
Research	52,869	56,102	59,400	58,233	56,961	59,518	60,918	63,080	58,892	59,967
Patient services	664,608	747,637	713,342	648,071	607,435	581,558	522,825	506,720	492,788	464,366
Academic support	15,224	19,322	19,186	18,070	22,458	20,824	20,011	20,200	16,355	14,470
Institutional support	127,327	112,126	82,233	80,638	83,260	66,416	53,114	53,059	58,421	55,016
Operations and maintenance of plant	37,655	38,223	37,295	38,714	35,363	31,548	33,606	28,031	27,653	26,223
Depreciation and amortization	72,575	52,637	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881
Student aid	73	364	194	84	32	50	136	165	416	480
Total operating expenses	<u>1,128,027</u>	<u>1,206,359</u>	<u>1,132,826</u>	<u>1,053,578</u>	<u>1,007,042</u>	<u>945,312</u>	<u>864,157</u>	<u>831,347</u>	<u>814,393</u>	<u>775,609</u>
Transfer to State and outside programs	1,991	-	-	-	-	-	-	-	-	-
Interest on capital asset - related debt	9,619	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364
Total nonoperating expenses	<u>11,610</u>	<u>9,909</u>	<u>10,214</u>	<u>10,487</u>	<u>3,820</u>	<u>1,007</u>	<u>1,072</u>	<u>1,095</u>	<u>1,570</u>	<u>2,364</u>
Total Expenses	<u>\$ 1,139,637</u>	<u>\$ 1,216,268</u>	<u>\$ 1,143,040</u>	<u>\$ 1,064,065</u>	<u>\$ 1,010,862</u>	<u>\$ 946,319</u>	<u>\$ 865,229</u>	<u>\$ 832,442</u>	<u>\$ 815,963</u>	<u>\$ 777,973</u>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Instruction	13.8%	14.8%	14.8%	15.8%	16.2%	16.1%	16.3%	15.5%	15.9%	16.2%
Research	4.6%	4.6%	5.2%	5.5%	5.6%	6.3%	7.1%	7.6%	7.2%	7.7%
Patient services	58.3%	61.5%	62.4%	60.9%	60.1%	61.5%	60.5%	60.9%	60.4%	59.7%
Academic support	1.3%	1.6%	1.7%	1.7%	2.2%	2.2%	2.3%	2.4%	2.0%	1.8%
Institutional support	11.2%	9.2%	7.2%	7.6%	8.2%	7.0%	6.1%	6.4%	7.2%	7.1%
Operations and maintenance of plant	3.4%	3.2%	3.3%	3.6%	3.6%	3.3%	3.9%	3.4%	3.4%	3.4%
Depreciation and amortization	6.4%	4.3%	4.5%	3.9%	3.7%	3.5%	3.7%	3.7%	3.6%	3.7%
Student aid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total operating expenses	<u>99.0%</u>	<u>99.2%</u>	<u>99.1%</u>	<u>99.0%</u>	<u>99.6%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.8%</u>	<u>99.7%</u>
Transfer to State and outside programs	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%
Total nonoperating expenses	<u>1.0%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>1.0%</u>	<u>0.4%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.2%</u>	<u>0.3%</u>
Total Expenses	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Salaries and wages	\$ 418,557	\$ 438,122	\$ 444,948	\$ 452,363	\$ 430,988	\$ 418,305	\$ 403,159	\$ 391,890	\$ 377,149	\$ 363,741
Fringe benefits	255,729	369,185	331,533	264,911	239,288	223,850	180,323	128,613	162,684	151,534
Supplies and other expenses	368,278	333,986	291,166	282,218	286,170	258,778	237,013	266,778	229,952	217,425
Utilities	12,888	12,429	13,133	12,617	12,766	11,599	11,297	13,191	14,533	14,028
Depreciation and amortization	72,575	52,637	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881
Total operating expenses	<u>1,128,027</u>	<u>1,206,359</u>	<u>1,132,826</u>	<u>1,053,578</u>	<u>1,007,042</u>	<u>945,312</u>	<u>864,157</u>	<u>831,347</u>	<u>814,393</u>	<u>775,609</u>
Transfer to State and outside programs	1,991	-	-	-	-	-	-	-	-	-
Interest on capital asset - related debt	9,619	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364
Total nonoperating expenses	<u>11,610</u>	<u>9,909</u>	<u>10,214</u>	<u>10,487</u>	<u>3,820</u>	<u>1,007</u>	<u>1,072</u>	<u>1,095</u>	<u>1,570</u>	<u>2,364</u>
Total Expenses	<u>\$ 1,139,637</u>	<u>\$ 1,216,268</u>	<u>\$ 1,143,040</u>	<u>\$ 1,064,065</u>	<u>\$ 1,010,862</u>	<u>\$ 946,319</u>	<u>\$ 865,229</u>	<u>\$ 832,442</u>	<u>\$ 815,963</u>	<u>\$ 777,973</u>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Salaries and wages	36.7%	36.0%	38.9%	42.5%	42.6%	44.2%	46.6%	47.1%	46.2%	46.8%
Fringe benefits	22.4%	30.4%	29.0%	24.9%	23.7%	23.7%	20.9%	15.5%	19.9%	19.5%
Supplies and other expenses	32.3%	27.5%	25.5%	26.5%	28.3%	27.3%	27.4%	32.0%	28.2%	27.9%
Utilities	1.1%	1.0%	1.1%	1.2%	1.3%	1.2%	1.3%	1.6%	1.8%	1.8%
Depreciation and amortization	6.4%	4.3%	4.6%	3.9%	3.7%	3.5%	3.7%	3.7%	3.7%	3.7%
Total operating expenses	<u>99.0%</u>	<u>99.2%</u>	<u>99.1%</u>	<u>99.0%</u>	<u>99.6%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.8%</u>	<u>99.7%</u>
Interest expense	0.8%	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%
Total nonoperating expenses	<u>1.0%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>1.0%</u>	<u>0.4%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.2%</u>	<u>0.3%</u>
Total Expenses	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total revenues (from Schedule of revenues by source)	\$ 1,059,492	\$ 1,092,456	\$ 1,041,111	\$ 1,039,559	\$ 1,009,164	\$ 932,742	\$ 857,815	\$ 833,461	\$ 810,044	\$ 777,237
Total expenses (from schedule of expenses by natural classification and function)	1,139,637	1,216,268	1,143,040	1,064,065	1,010,862	946,319	865,229	832,442	815,963	777,973
Loss before other changes in net position	(80,145)	(123,812)	(101,929)	(24,506)	(1,698)	(13,577)	(7,414)	1,019	(5,919)	(736)
Capital appropriations	13,000	88,806	43,479	175,000	159,810	193,214	5,000	62,500	170	35,610
Loss on disposal	(1,898)	(3,092)	(989)	(695)	(3,902)	(573)	(2,978)	(7)	(482)	(38)
Net other changes in net position	11,102	85,714	42,490	174,305	155,908	192,641	2,022	62,493	(312)	35,572
Total changes in net position	(69,043)	(38,098)	(59,439)	149,799	154,210	179,064	(5,392)	63,512	(6,231)	34,836
Net position-beginning of year (as previously stated)	(1,014,953)	126,332	185,771	35,972	576,794	397,730	403,122	339,610	345,841	311,005
Cumulative effect of implementing GASB 68 and 71 (see note 1)	-	-	-	-	(695,032)	-	-	-	-	-
Cumulative effect of implementing GASB 75 (see note 1)	-	(1,103,187)	-	-	-	-	-	-	-	-
Cumulative effect of accounting changes and error corrections	(45,403)									
Net position-beginning of year as restated	(1,060,356)	(976,855)	185,771	35,972	(118,238)	397,730	403,122	339,610	345,841	311,005
Net position, ending	\$ (1,129,399)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794	\$ 397,730	\$ 403,122	\$ 339,610	\$ 345,841
Net investment in capital assets	\$ 784,280	\$ 867,913	\$ 823,325	\$ 734,480	\$ 579,241	\$ 405,672	\$ 335,015	\$ 301,969	\$ 277,865	\$ 243,088
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	1,588	(127)	(8)	(876)	(139)	547	1,982	3,436	4,047	4,359
Loans	589	523	31	953	1,348	104	794	1,081	875	1,864
Capital projects	7,881	37,660	37,061	117,466	104,082	152,707	30,829	51,287	5,758	30,649
Unrestricted	(1,921,807)	(1,920,983)	(734,138)	(666,313)	(648,621)	17,703	29,049	45,288	51,004	65,820
Total net position	\$ (1,127,408)	\$ (1,014,953)	\$ 126,332	\$ 185,771	\$ 35,972	\$ 576,794	\$ 397,730	\$ 403,122	\$ 339,610	\$ 345,841

SCHEDULE OF LONG-TERM DEBT

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans Payable	-	-	-	-	-	-	-	415	1,245	2,076
Capital Leases	3,275	1,701	2,187	-	-	-	-	472	1,087	2,318
Mortgage Agreement	192,412	198,823	204,914	210,700	216,198	168,024	62,889	17,281	18,097	29,630
Total long-term debt	\$ 195,687	\$ 200,524	\$ 207,101	\$ 210,700	\$ 216,198	\$ 168,024	\$ 62,889	\$ 18,168	\$ 20,429	\$ 34,024

FACULTY AND STAFF

For the Year Ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
BARGAINING UNIT										
Faculty	565.6	539.6	529.4	517.6	507.8	512.8	508.0	505.7	486.8	-
University Health Professionals	2,558.9	2,526.6	2,477.0	2,462.8	2,420.4	2,457.9	2,440.1	2,375.1	2,285.0	2,220.1
All Other	730.7	1,299.0	1,356.0	1,404.6	1,422.1	1,437.9	1,436.9	1,430.8	1,401.6	1,420.9
Total FTE's	3,855.2	4,365.2	4,362.4	4,385.0	4,350.3	4,408.6	4,385.0	4,311.6	4,173.4	3,641.0
EXEMPT										
Faculty	54.3	55.2	56.2	56.8	60.6	61.5	60.5	60.1	57.8	545.5
Managerial	131.8	139.1	153.9	160.6	159.3	158.3	156.2	151.9	144.1	145.0
All Other	334.9	340.7	335.1	329.3	353.2	392.7	404.1	408.9	369.0	376.7
Total FTE's	521.0	535.0	545.2	546.7	573.1	612.5	620.8	620.9	570.9	1,067.2
TOTAL FTE's	4,376.2	4,900.2	4,907.6	4,931.7	4,923.4	5,021.1	5,005.8	4,932.5	4,744.3	4,708.2

Notes to required schedules

The FTE information prior to 2019 includes CMHC

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

For the Fiscal Year Ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Academic										
Net assignable square feet (in thousands)	84	82	82	74	74	74	74	74	74	74
Number of buildings/major areas of Main Building*	2	2	2	1	1	1	1	1	1	1
Research buildings										
Net assignable square feet (in thousands)	478	456	456	456	435	435	435	442	442	442
Number of buildings/major areas of Main Building*	7	6	6	6	6	6	6	17	17	17
Patient care buildings										
Net assignable square feet (in thousands)	868	885	885	885	662	529	529	529	529	529
Number of buildings/major areas of Main Building*	6	6	6	6	6	8	8	8	8	8
Administrative and support buildings										
Net assignable square feet (in thousands)	985	865	865	873	769	769	698	179	179	179
Number of buildings/major areas of Main Building*	11	11	11	12	11	11	10	9	9	9
Total net assignable square feet (in thousands)	<u>2415</u>	<u>2288</u>	<u>2288</u>	<u>2288</u>	<u>1940</u>	<u>1807</u>	<u>1736</u>	<u>1224</u>	<u>1224</u>	<u>1224</u>
Number of buildings/major areas of Main Building*	<u>26</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>24</u>	<u>26</u>	<u>25</u>	<u>35</u>	<u>35</u>	<u>35</u>

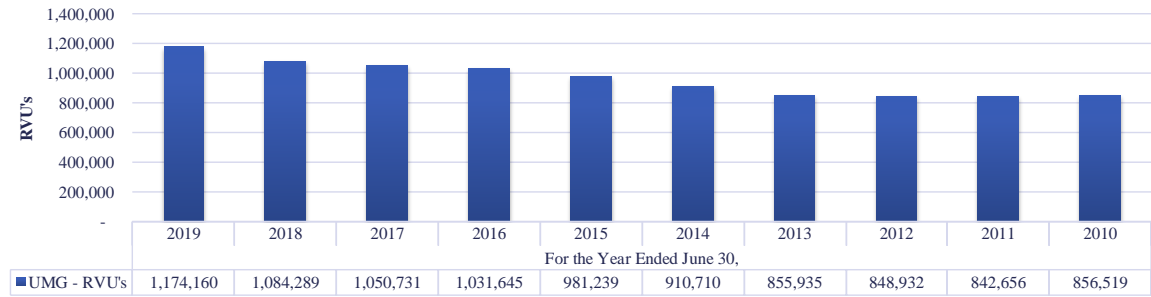
*** Notes to required schedules**

The Main Building at UConn Health has commonly been understood and tracked by major areas assigned separate names and alphanumeric identifiers. These areas are counted as buildings here. Many buildings have more than one usage. For the purposes of this schedule, the buildings (or areas of the Main Building) are categorized according to their primary use. Parking garages are included under administrative and support buildings, and the parking is included in the NASF. Total NASF for G1, G2, and G3 = 695 (in thousands) Buildings 9 and 28 were incorporated into Building 8 in 2009. For the purposes of this schedule, they are considered to have always been part of Building 8.

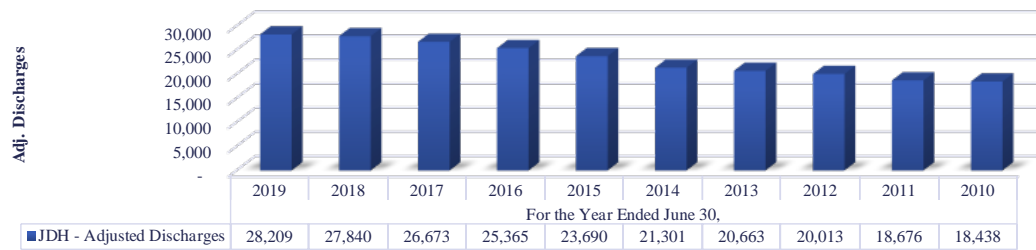
RVU'S AND DISCHARGES

	For the Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
UMG - RVU's	1,174,160	1,084,289	1,050,731	1,031,645	981,239	910,710	855,935	848,932	842,656	856,519
	For the Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
JDH - Adjusted Discharges	28,209	27,840	26,673	25,365	23,690	21,301	20,663	20,013	18,676	18,438

**RVU'S
TEN YEAR COMPARISON**



**ADJUSTED DISCHARGES
TEN YEAR COMPARISON**



DEMOGRAPHIC AND ECONOMIC STATISTICSState of Connecticut
Last Ten Fiscal Years

Year	Personal Income as of June 30 (a)	Population at July 1 (a)	Per Capita Personal Income	Average Annual Unemployment Rate (b)
2019	\$ 284,136,600,000	3,570,160	\$ 79,587	3.8%
2018	265,636,709,000	3,588,236	74,030	4.5%
2017	251,389,254,000	3,568,714	70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%
2011	215,220,960,000	3,589,072	59,966	9.1%
2010	205,145,596,000	3,576,676	57,356	8.8%

(a) Source: U.S. Department of Commerce

(b) Source: Connecticut Department of Labor

**DEMOGRAPHIC AND ECONOMIC STATISTICS
TOP TEN NONGOVERNMENTAL EMPLOYERS**

State of Connecticut

Current Year and Ten Years Ago

<u>Name</u>	2019		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
Yale University & Health Sys	19,416	1.1%	1
Hartford Healthcare	18,652	1.0%	2
United Technologies Corp. UTC	18,000	1.0%	3 (1)
Yale University	14,440	0.8%	4
General Dynamics/Electric Boat	11,862	0.7%	5
Wal-Mart Stores, Inc	8,835	0.5%	6
Sikorsky Air/Lockheed Martin Co.	7,900	0.4%	7
The Travelers Cos Inc.	7,400	0.4%	8
Mohegan Sun Casino	7,150	0.4%	9
The Hartford	6,800	0.4%	10
Total	120,455	6.7%	

<u>Name</u>	2010		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
United Technologies Corp. UTC	27,050	1.6%	1
Yale University	18,004	1.0%	2
Stop & Shop Cos., Inc.	13,574	0.8%	3 (1)
Hartford Financial Services	11,300	0.7%	4
Walmart Stores, Inc.	9,204	0.5%	5 (1)
Mohegan Sun Casino	8,800	0.5%	6
General Dynamics/Electric Boat	8,200	0.5%	7
Yale New Haven Hospital	8,092	0.5%	8
Foxwoods Resorts Casino	7,672	0.4%	9
Aetna, Inc.	7,231	0.4%	10
Total	119,127	6.9%	

Sources: *Hartford Business Journal (HBJ)*

(1) Omitted from the 2009 HBJ survey. The number equals the employees reported by HBJ in 2008. For 2019 the HBJ changed their publication date from August to December. The 2019 values are unchanged from the 2018 schedule.