

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

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

JUNE 30, 2025 AND 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

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**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provide an overview of the consolidated financial position and activities of The University of Connecticut Health Center Finance Corporation and Subsidiaries (the Finance Corporation) as of and for the fiscal years ended June 30, 2025, 2024, and 2023. This discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and the notes thereto, which follow this section.

The Finance Corporation functions as a service organization for the University of Connecticut Health Center (UConn Health) and its constituent units including John Dempsey Hospital (the Hospital) and UConn Medical Group (UMG). The Finance Corporation provides contracting, real estate facilities, and pharmaceutical sales to UConn Health. As authorized by State statute, the Finance Corporation is also UConn Health's vehicle for establishing joint ventures and subsidiary corporations, the records of which are incorporated in these statements. The most material of these is UConn Health Imaging.

This annual report consists of management's discussion and analysis and the consolidated financial statements. The basic financial statements (consolidated statements of net position, consolidated statements of revenues, expenses, and changes in net position, consolidated statements of cash flows, and related notes to the financial statements) present the financial position of the Finance Corporation at June 30, 2025 and 2024, and the results of its operations and financial activities for the fiscal years then ended. These statements report information about the Finance Corporation using accounting methods similar to those used by private-sector companies. The consolidated statements of net position include all of the Finance Corporation's assets, liabilities, and deferred inflows. The consolidated statements of revenues, expenses, and changes in net position reflect the fiscal years' activities on the accrual basis of accounting, (i.e., when services are provided or obligations are incurred, not necessarily when cash is received or paid). These consolidated statements report the Finance Corporation's net position and how it has changed. Net position (the difference between assets and liabilities and deferred inflows) is one way to measure financial health or position. The consolidated statements of cash flows provide relevant information about each fiscal year's cash receipts and cash payments and classify them as to operating, investing, and capital financing activities. The consolidated financial statements include notes that explain information in the consolidated financial statements, as well as provide additional detail and context for certain transactions.

SUBSIDIARIES

The Finance Corporation is currently the sole member and parent to the University of Connecticut Health Center Finance Corporation Circle Road Corporation (Circle Road Corporation). Circle Road Corporation's primary purpose is to serve as the financing vehicle for the Outpatient Pavilion (OP). Circle Road Corporation is a 501(c) 3 entity.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS

SUBSIDIARIES (CONTINUED)

The Finance Corporation is also the sole member and parent to the UConn Health Pharmacy Services, Inc. (UHPSI), which is a Connecticut non-stock corporation that operates within the meaning of Section 115 of the Internal Revenue Code. UHPSI provides pharmacy services to UConn Health's constituent units including the Hospital's 340B pharmacy and UMG. In fiscal year 2021, UHPSI began providing pharmaceuticals to outpatients primarily from the various clinics related to UConn Health.

Finance Corporation has a 75% ownership interest in UConn Health Imaging (UHI). UHI, established in fiscal year 2024, provides outpatient medical imaging services from its Farmington location. The Company was formed as a limited liability company (LLC) under the Connecticut Uniform Limited Liability Company Act.

FINANCIAL HIGHLIGHTS

The Finance Corporation's financial position at June 30, 2025, 2024, and 2023 included assets of \$250.2 million, \$245.1 million, and \$238.3 million, respectively, and liabilities of \$198.9 million, \$195.2 million, and \$191.6 million, respectively. The value of both the assets and liabilities is attributable mainly to the Finance Corporation maintaining the real estate and related financing on the UConn Musculoskeletal Institute (formerly known as the Medical Arts and Research Building), 16 Munson Road (Munson Road), and the OP.

The Finance Corporation reported operating income of \$1.5 million for fiscal year 2025, down from \$3.7 million in 2024. The decrease was primarily due to a \$1.7 million loss in UHI operations, compared to a \$621,000 loss the prior year. No working capital support was provided in 2025, whereas UConn Health transferred approximately \$625,000 in 2024. The Corporation's net position increased by \$2.1 million in 2025, verses a \$5.0 million increase in fiscal 2024.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

Summarized components of the Finance Corporation's Statements of Net Position as of June 30, 2025, 2024, and 2023, are presented below.

	2025	2024	2023
	<i>(In thousands)</i>		
Summary of assets and liabilities at June 30:			
Current assets	\$ 42,651	\$ 33,629	\$ 29,713
Deposits with vendors	14,160	12,176	12,008
Lease receivable - net of current portion	389	399	1,096
Investment in UHI	-	-	1,375
Investment in CSC	180	-	-
Net investment in direct financing lease, net of current portion	162,279	166,798	171,067
Property - right-to-use assets, net	3,614	3,849	532
Capital assets, net	<u>26,917</u>	<u>28,274</u>	<u>22,478</u>
Total assets	<u>\$ 250,190</u>	<u>\$ 245,125</u>	<u>\$ 238,269</u>
Current liabilities	\$ 37,430	\$ 27,506	\$ 24,133
Long-term liabilities	<u>161,470</u>	<u>167,697</u>	<u>167,450</u>
Total liabilities	<u>\$ 198,900</u>	<u>\$ 195,203</u>	<u>\$ 191,583</u>
Deferred inflows - right-to-use assets	\$ 345	\$ 1,096	\$ 2,871
Net investment in capital assets	\$ 41,760	\$ 38,974	\$ 34,238
Minority interest in UHI	686	512	-
Unrestricted net assets	<u>8,499</u>	<u>9,340</u>	<u>9,577</u>
Total net position	<u>\$ 50,945</u>	<u>\$ 48,826</u>	<u>\$ 43,815</u>
Total liabilities, deferred inflows, and net position	<u>\$ 250,190</u>	<u>\$ 245,125</u>	<u>\$ 238,269</u>

Individual subsidiary income statements are presented as supplemental information to the consolidated financial statements. Changes in net position, representing the operating activity of the Finance Corporation, primarily composed of revenues and expenses associated with real estate transactions from Circle Road Corporation and the operations of UHPSI and UHI, are summarized below for the fiscal years ended June 30, 2025, 2024, and 2023.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

	2025	2024	2023
	<i>(In thousands)</i>		
Summary of revenues, expenses, and nonoperating expenses for the year ended June 30:			
Operating revenues	\$ 221,578	\$ 173,763	\$ 131,104
Operating expenses	<u>(220,049)</u>	<u>(170,032)</u>	<u>(130,082)</u>
Operating Income	1,529	3,731	1,022
 Nonoperating (expenses) / revenue	 <u>(3)</u>	 <u>(12)</u>	 <u>(12)</u>
 Income before transfers	 1,526	 3,719	 1,010
Net Transfers	-	625	10,375
Contributions - minority interest - UHI	<u>593</u>	<u>667</u>	<u>-</u>
Increase in net position	<u>\$ 2,119</u>	<u>\$ 5,011</u>	<u>\$ 11,385</u>

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS

In this section, the Finance Corporation explains the reasons for those financial statement items with significant variances relating to fiscal year 2025 compared to fiscal year 2024.

SUMMARY OF ASSETS AND LIABILITIES

Changes in assets included the following:

- *Accounts receivable* – increased by approximately \$3.2 million is mainly attributable to rise in UHPSI sales volume and a full year of UHI operations.
- *Lease receivable* – decreased from June 30, 2024 to June 30, 2025 by approximately \$827,000 due to continued payments from UConn Health to the Finance Corporation for leasing the MSI building and third-party lease payments for retail space in the OP. Presentation of lease receivables is done in accordance with GASB 87.
- *Inventory* – decrease of approximately \$608,000 over June 30, 2024 due to improved inventory management.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF ASSETS AND LIABILITIES (CONTINUED)

- *Net investment in direct financing lease* – decreased from June 30, 2024 to June 30, 2025 by approximately \$4.3 million due to current year lease activity.
- *Deposits with vendors* – increased from June 30, 2024 to June 30, 2025 by approximately \$2.0 million due to contractually required deposits with UHPSI's primary pharmaceutical vendor, AmerisourceBergen, driven by increased purchases in fiscal year 2025. Deposits are required to access preferred pricing arrangements under the contract.
- *Investment in CSC* – The increase of approximately \$180,000 reflects Finance Corporation's 5% ownership interest in Connecticut Surgery Center (CSC), acquired during the current fiscal year. The investment was recorded using the cost method based on the actual funds contributed at the time of acquisition.
- *Capital assets* – decreased by approximately \$1.4 million from June 30, 2024 to June 30, 2025 as depreciation outpaced capital acquisitions during current fiscal year.

Changes in liabilities included the following:

- *Accounts payable and accrued expenses* – increased by approximately of \$1.3 million from June 30, 2024 to June 30, 2025 due to amounts related to increased pharmaceutical purchases required by UHPSI's sales growth.
- *Due to/from related parties* – increased from June 30, 2024 to June 30, 2025 by approximately \$9.1 million as a result of 340B revenue and increased supplier deposits due to the Hospital at June 30, 2025. These amounts were offset by repayments received from UMG during the year ended June 30, 2025 for pharmaceuticals obtained from UHPSI.
- *Loans payable* – Decreased from June 30, 2024 to June 30, 2025 by approximately \$7.8 million due to principal payments this year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from fiscal year ended June 30, 2024 to fiscal year ended June 30, 2025 by approximately \$47.8 million or 27.5%. Significant operating variances are presented below.

- *Pharmaceutical revenue* – increased by approximately \$41.3 million or 27.6%, from the prior fiscal year due to UHPSI's fifth full year of expanded business operations, including filling patient prescriptions to outpatients primarily from UConn Health related clinics. In addition, there has been an expansion in contracts, prescription volume, and prescription offerings.

Operating expenses

Total operating expenses increased from the year ended June 30, 2024 to the year ended June 30, 2025 by approximately \$50.0 million or 29.4%.

- *Professional services* – increased by \$2.3 million from the year ended June 30, 2024 to the year ended June 30, 2025 due to a full year of UHI support services.
- *Outside agency per diems* – increased from the year ended June 30, 2024 to the year ended June 30, 2025 by approximately \$3.3 million or 32.4% due to increased support service costs from Shields Pharmacy of Connecticut II, LLC (Shields) in support of expanded UHPSI operations.
- *Pharmaceuticals/ medical supplies* - increased from the year ended June 30, 2024 to the year ended June 30, 2025 by approximately \$42.3 million or 28.6% in support of increased UHPSI pharmaceutical sales.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL AND DEBT RELATED ACTIVITIES

The Teachers Insurance and Annuity Association of America (TIAA) mortgage for the OP is supported by a 25-year fixed term lease between UConn Health and the Finance Corporation. As a result, capital assets associated with the OP have been reclassified and reported as investment in direct financing lease. For additional information on capital assets and the breakout of the OP's underlying assets, see Notes 1, 5 and 7.

The OP construction was completed in 2019. The Finance Corporation continues to lease the OP to UConn Health, which in turn subleases the space to related parties. Lease payments from UConn Health provide the funding for the Finance Corporation's OP mortgage payments. For the fiscal years ended June 30, 2025 and 2024, the Finance Corporation made all regularly scheduled payments on the mortgage, thereby reducing the principal amount of the secured mortgage on the OP by \$6,707,068 and \$6,392,772, respectively. For additional information on debt-related activities, see Note 7.

The Finance Corporation continued to own and lease the UConn Musculoskeletal Institute property to UConn Health. For the fiscal years ended June 30, 2025 and 2024, the Finance Corporation made all regularly scheduled payments on the UConn Musculoskeletal Institute's secured mortgage, thereby reducing the amount of secured mortgage principal debt on the UConn Musculoskeletal Institute by \$826,105, and \$1,896,069, respectively. The final payment on the secured mortgage was made in November, 2024. The related party leases ended concurrently with the mortgage. For additional information on debt-related activities, see Note 7.

RELATED PARTIES

During fiscal years 2025 and 2024, UHPSI was charged the cost of pharmacy personnel and other operating expenses while earning revenues from UConn Health for pharmaceuticals sold. The net result of these transactions was an increase to amounts payable to UConn Health of approximately \$3.3 million and \$2.4 million, respectively. During fiscal years 2025 and 2024, UHPSI repaid UConn Health approximately \$3.6 million and \$4.2 million, respectively.

During fiscal years 2025 and 2024, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately \$16,000 and \$212,000, respectively. Beginning in fiscal year 2021, the Hospital allocated to UHPSI its share of UConn Health's required institutional deposit with AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. The deposit was approximately \$14.2 million at June 30, 2025 and \$12.2 million at June 30, 2024. For the fiscal years ended June 30, 2025 and 2024, UHPSI repaid the Hospital approximately \$58.0 million and \$37.5 million, respectively for 340B expenses.

During fiscal years 2025 and 2024, UHPSI had pharmaceutical sales to UMG of approximately \$8.7 million and \$8.3 million, respectively. UHPSI received approximately \$9.4 million and \$7.6 million from UMG, respectively, in fiscal years 2025 and 2024 for current and prior year sales. For additional information on related parties, see Note 4.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2026 OUTLOOK

The Finance Corporation was created by State statute in recognition of UConn Health's need to implement decisions rapidly in order to provide excellent care in a competitive health care environment with a special focus on the need for expedited processes in the areas of purchasing, leasing, construction, and through joint ventures and shared service agreements with other organizations. The Finance Corporation also provides UConn Health with contracting efficiency and flexibility that is important to meet the demands of modern healthcare. These services are an integral part of UConn Health's operations.

The Finance Corporation's economic position is closely tied to UConn Health's clinical entities serviced by the Corporation. Through various lease agreements, UConn Health provides funding which enables the Finance Corporation to make its required debt and principal payments. In turn, these facilities allow for the Hospital and UMG to provide state-of-the-art care in modern spaces. The addition of UHPSI provides another opportunity for the Finance Corporation to help clinical operations expand its offerings, adapt to changing insurance and pharmacy landscapes, and maximize financial resources. While UHI enables UConn Health to expand radiology capacity while adapting to the changing landscape of value-based care and consumerism.

As we look ahead to fiscal year 2026, UConn Health is entering a period of thoughtful planning and strategic investment. The new biennium brings both budgetary challenges and significant opportunities to further strengthen our clinical enterprise. While federal and state governments continue to reassess healthcare and research spending, UConn Health is well positioned to adapt. Across the industry, scale, integration, and innovative risk-sharing models are driving clinical delivery, and UConn Health is actively preparing to take advantage of these trends.

Demand for our services continues to grow, reflecting strong community trust in UConn Health. To meet this need, JDH has added new operating room capacity and secured licensure for 23 additional inpatient beds, helping to ease congestion and expand access. UMG continues its expansion of outpatient care, including the opening of a new ambulatory center in Simsbury. While real estate resources are limited, these strategic investments demonstrate our commitment to serving Connecticut residents and improving the patient experience. Additional collaborations are also increasing imaging and outpatient surgery – allowing other health systems to focus on managing complex inpatient cases while we continue to expand collaborations with physicians and private organizations to bring even more resources and options to the people of Connecticut.

At the State's request, UConn Health is also assessing potential partnerships with smaller hospitals across the region. Building on the Cain Brothers report and informed by current market trends, we are evaluating the feasibility of formal affiliations that could strengthen the regional health system – improving financial stability for smaller hospitals while expanding access to specialty care in ways that benefit patients.

UConn Health's mission of research, education, patient care, and community service remains as vital as ever. We are taking proactive steps to strengthen and expand these programs in the face of evolving healthcare needs and funding. Anticipated federal funding from the Centers for Medicaid and National Institutes of Health (NIH) research underscores the importance of accelerating efforts toward self-sustaining clinical enterprise. These initiatives will help preserve access to comprehensive services and specialties that may not otherwise be available within the state.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2026 OUTLOOK, (CONTINUED)

Sound financial management and institution-wide initiatives, combined with additional State support, allowed UConn Health to outperform its fiscal year 2025 spending plan and carry funds forward into fiscal year 2026. While the conclusion of the American Rescue Plan Act (ARPA) introduces new fiscal pressures, UConn Health is confident in its ability to identify further efficiencies and structural improvements to maintain financial balance going forward.

The Finance Corporation is dependent upon both the Hospital and UMG for the lease payments that support the Musculoskeletal Institute and OP mortgage payments. It also depends on its relationships with these entities to maximize both UHPSI's and UHI's business opportunities. UHPSI's sales have risen as the business expanded its 340B pharmacy sales and offered services to patients in more clinical specialties. UConn Health's management expects slower clinical growth as UHPSI's business model reaches maturity. The majority of UHI's business comes from JDH under referrals.

The broader economic environment continues to evolve, but UConn Health views this period as one of opportunity. Innovation in healthcare policy, new technologies, and industry partnerships offer new avenues for growth and advancement. While inflation, labor dynamics, and regulatory changes require vigilance, we remain confident in our ability to adapt and continue serving as a reliable healthcare partner for our communities. Over the next one to two years, UConn Health expects to pursue new opportunities, respond nimbly to change, and advance our mission with a focus on long-term stability and growth.

CONTACTING FINANCE CORPORATION'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer, University of Connecticut Health Center, Farmington, Connecticut 06030-3800.



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of The University of Connecticut Health Center Finance Corporation (Finance Corporation or Company), a component unit of the state of Connecticut, as of and for the years ended June 30, 2025 and 2024, and the related notes to the consolidated financial statements, which collectively comprise the Finance Corporation's basic consolidated financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Finance Corporation as of June 30, 2025 and 2024, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements for UConn Health Imaging, LLC, a 75% owned entity, which statements reflect assets of \$11,435,517 and \$11,058,183 as of June 30, 2025 and 2024, and total revenues of \$4,123,894 and \$225,283 for the years then ended, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Finance Corporation, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the Finance Corporation's consolidated financial statements. The accompanying consolidating supplementary information on pages 47 through 49 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2025, on our consideration of The University of Connecticut Health Center Finance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Finance Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Finance Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 20, 2025

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
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CONSOLIDATED STATEMENTS OF NET POSITION

JUNE 30, 2025 AND 2024

	2025	2024
Assets		
Current Assets		
Cash	\$ 21,130,727	\$ 15,989,090
Malpractice Fund	3,852,755	1,685,493
Accounts receivable, net of allowances for bad debt of \$927,608 and \$337,925 at June 30, 2025 and 2024, respectively (note 2)	8,580,489	5,430,145
Lease receivable - current portion (note 3)	9,600	836,382
Other receivables	93,957	-
Inventory	3,405,340	4,013,170
Due from UConn Medical Group (note 4)	696,166	1,371,899
Prepaid expenses	366,023	37,090
Net investment in direct financing lease, current portion (note 5)	4,516,027	4,265,486
Total Current Assets	42,651,084	33,628,755
Noncurrent Assets		
Deposits with vendors	14,159,611	12,176,334
Lease receivable - net of current portion (note 3)	389,475	399,075
Investment in CSC	179,966	-
Net investment in direct financing lease, net of current portion (note 5)	162,279,230	166,797,628
Property - right-to-use assets, net (note 6)	3,614,057	3,848,575
Capital assets, net (note 6)	26,916,668	28,274,331
Total Noncurrent Assets	207,539,007	211,495,943
Total Assets	\$ 250,190,091	\$ 245,124,698

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

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
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CONSOLIDATED STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 8,679,564	\$ 7,381,444
Due to UConn Health - Malpractice Fund (note 4)	3,852,755	1,685,493
Due to UConn Health (note 4)	452,181	466,952
Due to John Dempsey Hospital, current portion (note 4)	16,002,111	8,895,996
Due to third party payors	145,197	385,049
Lease payable, current portion (note 7)	962,018	880,281
Loans payable, current portion (note 7)	7,336,126	7,810,965
Total Current Liabilities	<u>37,429,952</u>	<u>27,506,180</u>
Noncurrent Liabilities		
Due to John Dempsey Hospital, net of current portion (note 4)	14,159,611	12,176,334
Lease payable, net of current portion (note 7)	6,085,148	6,935,863
Loans payable, net of current portion (note 7)	<u>141,225,150</u>	<u>148,585,166</u>
Total Noncurrent Liabilities	<u>161,469,909</u>	<u>167,697,363</u>
Total Liabilities	<u>198,899,861</u>	<u>195,203,543</u>
Deferred Inflows		
Deferred inflows - right-to-use assets	<u>345,482</u>	<u>1,095,480</u>
Net Position		
Net investment in capital assets	41,760,005	38,973,745
Minority interest in UHI	686,222	511,510
Unrestricted net assets	<u>8,498,521</u>	<u>9,340,420</u>
Total Net Position	<u>50,944,748</u>	<u>48,825,675</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 250,190,091</u>	<u>\$ 245,124,698</u>

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

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

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

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Operating Revenues		
Interest income from right-to-use assets	\$ 32,583	\$ 138,223
Lease revenue from right-to-use assets	749,298	1,774,805
Interest income from direct financing lease	9,711,066	9,947,708
Contract and other income	15,847,753	11,855,845
Imaging revenue, net	4,123,894	225,282
Pharmaceutical revenue, net (note 2)	191,114,116	149,821,597
Total Operating Revenues	221,578,710	173,763,460
Operating Expenses		
Professional services	2,606,352	337,782
Outside agency per diems	13,497,759	10,197,746
Internal contractual support	2,976,494	2,160,457
Internal pharmaceutical charges	80,488,983	53,257,525
Pharmaceuticals/medical supplies	109,945,829	94,842,260
Equipment and software leases	177,734	108,017
Insurance, rent and utilities	121,079	26,483
Repairs and maintenance	352,007	9,033
Interest expense	7,751,034	7,862,649
Depreciation	1,686,164	899,393
Amortization - right-to-use assets	234,518	176,279
Other	210,925	154,628
Total Operating Expenses	220,048,878	170,032,252
Operating Income	1,529,832	3,731,208
Nonoperating Expense		
Investment income - CSC	6,889	-
Loan servicing fees	(10,148)	(11,867)
Total Nonoperating Expense	(3,259)	(11,867)
Income before transfers	1,526,573	3,719,341
Net Transfers from UConn		
Health - Unrestricted (note 4)	-	625,000
Contributions for minority interest - UHI	592,500	666,667
Increase in Net Position - Unrestricted	2,119,073	5,011,008
Net Position - Beginning of year	48,825,675	43,814,667
Net Position - Ending	\$ 50,944,748	\$ 48,825,675

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

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities		
Cash paid to suppliers, contractors and others	\$ (141,385,508)	\$ (120,940,003)
Cash paid to related parties	(51,892,708)	(34,143,313)
Lease payments received	870,716	2,046,274
Lease payments and interest	(417,665)	(122,626)
Cash received for contract and other income	192,456,561	146,584,063
Cash paid for administrative expenses	(37,020)	(40,562)
Net Cash Used in Operating Activities	(405,624)	(6,616,167)
Cash Flows from Investing Activities		
Investment in UHI	(1,777,500)	(625,000)
Investment in CSC	(179,966)	-
Proceeds for return of fixed assets	92,171	-
Payments for purchase of capital assets	(278,028)	(1,593,172)
Net Cash Used in Investing Activities	(2,143,323)	(2,218,172)
Cash Flows from Capital Financing Activities		
Direct financing lease payments received (including \$9,711,066 and \$9,947,708 of interest, respectively)	13,976,552	13,976,552
Transfers from UConn Health	-	625,000
Proceeds from loans	-	289,766
Members' contributions	2,370,000	2,666,667
Repayments of capital debt	(7,834,856)	(8,377,265)
Payment for lease liability	(813,594)	(261,596)
Loan servicing fees	(7,518)	(11,116)
Net Cash Provided by Capital Financing Activities	7,690,584	8,908,008
Net Increase in Cash	5,141,637	73,669
Cash - Beginning	15,989,090	15,915,421
Cash - Ending	\$ 21,130,727	\$ 15,989,090
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Non cash portion of interest for right-to-use assets	\$ -	\$ 100,958
Right-to-use assets acquired by entering into lease agreements	\$ 246,126	\$ 3,492,811

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

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating income	\$ 1,529,832	\$ 3,731,208
Depreciation	1,686,164	899,393
Amortization	234,518	176,279
Interest on right-to-use assets	-	100,958
Direct financing lease interest payments received	(9,711,066)	(9,947,708)
Changes in operating assets and liabilities:		
Inventory	607,830	(1,026,735)
Patient & contract receivables	(3,150,344)	(1,820,456)
Lease receivable	836,382	1,635,528
Other receivables	(93,957)	-
Deposits to vendors	(1,983,277)	(168,686)
Due from UConn Health	(14,771)	(1,854,723)
Due from UConn Medical Group	675,733	(754,355)
Prepaid	(328,933)	(36,291)
Accounts payable and accrued expenses, excluding payables for capital assets	1,298,120	1,380,823
Due to John Dempsey Hospital	9,089,392	4,422,952
Due to third party payors	(239,852)	(1,578,849)
Deferred inflows - right-to-use assets	(749,998)	(1,775,505)
Operating lease liability	(91,397)	-
Net Cash Used in Operating Activities	\$ (405,624)	\$ (6,616,167)

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

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

**NOTE 1 – DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

REPORTING ENTITY

Effective July 1, 1987, The University of Connecticut Health Center Finance Corporation (the Finance Corporation) was established pursuant to Public Act No. 87-458. The purpose of the Finance Corporation is to provide greater flexibility for John Dempsey Hospital (21002 Fund) (the Hospital), UConn Medical Group (UMG), and University Dentists (collectively, the entities) and to promote the more efficient provision of health care services. As such, the Finance Corporation has been empowered to purchase supplies and equipment; acquire facilities; approve write-offs of accounts receivable; negotiate and enter into joint ventures, shared service, and other agreements for all of the entities; and process malpractice claims on behalf of the University of Connecticut Health Center (UConn Health), the Hospital, UMG, and the School of Dental Medicine's associated Dental Clinics.

The Finance Corporation is administered by a board of directors currently consisting of the President of the University of Connecticut, the Secretary of the Office of Policy and Management for the State of Connecticut, a member of the Board of Directors of UConn Health, the Executive Vice President for Health Affairs, and the Chairman of the Board of Trustees for the University of Connecticut, who is appointed by the Governor of the State of Connecticut, or their respective designees. The Governor appoints one of these members as Chairman of the Board of the Finance Corporation.

The University of Connecticut Health Center Finance Corporation Circle Road Corporation (Circle Road Corporation), a subsidiary of the Finance Corporation, was formed pursuant to Section 10a-254 of the Connecticut General Statutes by the Finance Corporation (its sole member). This subsidiary corporation is administered by a board of directors elected on an annual basis by the sole member's board of directors or appointed by the Governor of the State of Connecticut, as prescribed in the bylaws of Circle Road Corporation. The number of directors shall not be less than three or more than ten, and 50% shall be members of the board of directors of the sole member or appointed by the Governor. At least one of these directors must be an independent director. There are four members of the subsidiary corporation's board of directors and five members of the sole member's board of directors.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

REPORTING ENTITY (CONTINUED)

In 2018, the Finance Corporation created a wholly-owned subsidiary corporation, UConn Health Pharmacy Services, Inc. (UHPSI) pursuant to the authority granted by Section 10a-254 of the Connecticut General Statutes. The subsidiary's main focus is the provision of pharmacy operation services on behalf of UConn Health and its clinical units, including the Hospital and UMG. The subsidiary has been empowered to apply for and obtain all licenses, certificates or other credentials as required for pharmacy operations and granted the ability to enter into such contracts that are necessary or desirable for, or incidental to, the conduct of the subsidiary's business and affairs.

The sole member of UHPSI is the Finance Corporation (the Member). The Member has the power to elect and remove directors to/from UHPSI's Board of Directors. The property and affairs of UHPSI will be managed by or under the direction of UHPSI's Board of Directors.

In 2019, UHPSI commenced operations. UHPSI provides services for specialty prescriptions for patients within clinics associated with UConn Health. The expenses reported in the consolidated statements of revenues, expenses, and changes in net position include allocations from UConn Health for salary and fringe benefits for persons utilized in UHPSI operations. This is reported as internal contractual support. Otherwise, undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other Connecticut State agencies are not included in the consolidated statements of revenues, expenses, and changes in net position.

In fiscal year 2022, the Finance Corporation entered into an agreement with OIA of Connecticut, LLC to form UConn Health Imaging, LLC (UHI). UHI provides additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation retains a 75% ownership interest in UHI. UHI began operation April 2024. UHI is consolidated into the Finance Corporation financial statements with a corresponding minority interest in the net assets section of the Statement of Net Position.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

REPORTING ENTITY (CONTINUED)

For presentation purposes, activities for and with for Central Administrative Services (CAS), Research Finance, School of Medicine and School of Dental Medicine, including Dental Clinics, are combined under UConn Health.

The Finance Corporation is a component of the State of Connecticut and is, therefore, generally exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

The Finance Corporation utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of the allowance for uncollectible accounts, contractual allowances, direct and indirect remuneration (DIR) fees, certain estimates related to the valuation of the direct financing lease, right-to-use assets, lease liabilities, and malpractice.

CASH

Cash includes cash held on behalf of the Finance Corporation by the State of Connecticut.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

CONTRACT AND OTHER INCOME

Contract and other income is recorded on the accrual basis of accounting in the period the related services were rendered.

As described in Note 4, UHPSI provides pharmaceuticals to UMG, and records revenue on the accrual basis of accounting in the period the related services are rendered.

PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

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

A uniform pricing structure is used for billing to Pharmacy Benefit Managers (PBMs) subject to contractual allowances as negotiated by the Pharmacy Services Administrative Organization (PSAO). Contractual allowances will reduce the amount received and will vary based on rates, such as Medicare, Medicaid, and commercial contracts. Pharmaceutical revenues, net of contractual allowances and direct and indirect remuneration (DIR) fees, are recognized on the accrual basis of accounting when prescriptions are filled. Accounts receivable from patients, third-party payers, and others for pharmaceutical purchases represent the net amounts owed to UHPSI for which payment had not been received as of June 30, 2025 and 2024.

IMAGING REVENUES

UHI provides outpatient medical imaging services in Farmington. Revenue primarily consists of fee-for-service revenue. The company receives payments from the following sources for services rendered: (i) commercial insurers; (ii) the federal government under the Medicare program; (iii) state governments under Medicaid and other programs; (iv) other third-party payors, and (v) individual patients and clients.

UHPSI PHARMACY MANAGEMENT

UConn Health uses a third party, Shields Pharmacy of Connecticut II, LLC (Shields), for support services for UHPSI. These services include support for patient liaisons, medication adherence management, revenue cycle management and other services. These services are billed on a monthly basis.

The agreement includes a performance fee based on a specific profitability calculation as stipulated in the agreement. These fees are calculated and billed monthly.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

340B PROGRAM

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and low-income patients. The Hospital qualifies as a covered entity (CE) under this provision. Therefore, the Hospital is qualified to receive 340B savings for certain pharmaceutical purchases, as the Hospital is a public entity classified as a Disproportionate Share Hospital (DSH) that serves a disproportionately higher percentage of Medicaid payers. When the patient establishes a relationship with the CE, the CE is then allowed to receive 340B savings.

UHPSI is a contract pharmacy for the Hospital and receives revenue for filling and dispensing 340B qualified pharmaceuticals to patients. The contract pharmacy fills and dispenses pharmaceuticals on behalf of the CE; therefore, UHPSI receives a dispensing fee for these transactions, as provided for in the agreement with the Hospital, and reimburses the Hospital for the total revenue less the dispensing fee.

Income Taxes – UHI

No provision for taxes on income is made in the financial statements of UHI. Taxable income or losses are allocated to members for inclusion in their respective tax returns.

INVENTORY

Pharmaceuticals are valued at market value, which approximates cost due to high turnover rates.

DEPOSITS WITH VENDORS

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

As of June 30, 2025 and 2024, amounts on deposit were approximately \$14.2 million and \$12.2 million, respectively. As disclosed in Note 4, the deposits with AmerisourceBergen were funded through the Hospital.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

DESCRIPTION OF LEASING ARRANGEMENTS

The OP lease, effected through the Circle Road Corporation, is a direct financing lease for both the OP building and its associated equipment. Under this treatment, the underlying capital assets are reported as net investment in direct financing lease. The associated equipment will be depreciated over a maximum 10-year life, while the building will be depreciated over 40 years. The term of the lease is 25 years, as stipulated in the mortgage agreement with Teachers Insurance and Annuity Association of America (TIAA). At the conclusion of the lease, any residual amounts will revert to capital assets, net. The Finance Corporation reviews the estimated residual value of property leased under the direct financing lease on an annual basis. See Note 5 and Note 6 for additional information.

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

UHI engages in lease agreements to meet operational needs. UHI lease contracts generally relate to buildings and equipment. UHI recognizes a lease liability, and an intangible right-to-use (RTU) lease asset based on the present value of future lease payments over the contracted term of the lease. RTU lease assets are amortized over the term of the lease, as UHI is not expected to lease assets beyond the underlying asset's useful life.

Finance Corporation routinely engages in lease arrangements to meet operational needs of UConn Health and UHPSI. Finance Corp is the lessee for office space utilized by UHPSI. UHPSI records a lease liability and an intangible right-to-use lease asset based on the present value of future lease payments over the term of the lease. Lease right-to-use assets net of amortization and liabilities are reported as current and non-current in the statement of net position. The right-to-use assets are amortized over the shorter of the lease term or the estimated useful life of the asset.

Finance Corporation was a lessor providing space in the MSI building to the Hospital, UMG, and UConn Health through November, 2024. Finance Corp. recorded a lease receivable and a deferred inflows of resources based on the present value of the future lease payments expected to be received during the contracted lease term. The deferred inflow of resources was amortized evenly over the life of the lease.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

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

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

DEFERRED INFLOWS OF RESOURCES

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

LEASE INCOME AND INTEREST INCOME

Lease income is recognized over the lease period by reference to the lease agreements. Interest income on the direct financing lease is recognized over the term of the lease to produce a constant, periodic rate of return on the net investment of the lease. Unearned income related to the direct financing lease is amortized over the lease term using the interest method.

INVESTMENT IN UHI

In fiscal year 2022, the Finance Corporation entered into an agreement with OIA of Connecticut, LLC to form UHI. UHI will provide additional radiology services off UConn Health's main campus in Farmington in a non-hospital clinic setting. The Finance Corporation will retain a 75% ownership interest in UHI and funded its initial capital call to the new corporation in September of 2022. Finance Corporation made additional capital contributions of \$1,777,500 and \$625,000 in fiscal years June 30, 2025 and 2024, respectively.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

INVESTMENT IN CSC

On January 29, 2025, UCHC Finance Corporation entered into a partnership interest purchase agreement with Surgical Care Affiliates (CSC), LLC, a Delaware limited liability company to acquire 5% partnership interest in Connecticut Surgery Center, Limited Partnership, a Connecticut limited partnership. The investment was recorded at cost, which was the actual funds contributed at the date of purchase. Capital contribution was \$179,966 for fiscal year June 30, 2025.

MALPRACTICE FUND

The Malpractice Fund includes investments held on behalf of UConn Health and is offset in Due to UConn Health – Malpractice Fund on the consolidated statements of net position. The fund is invested in the State of Connecticut Short-Term Investment Fund (STIF). The STIF is an investment pool of high quality, short-term money market instruments that is considered a “2a7- like” pool, which is excluded from the scope of GASB No. 72, *Fair Value Measurement and Application*. The cost of the STIF approximates fair value. The Finance Corporation is responsible for the timely payment of malpractice fund claims. Therefore, the Finance Corporation monitors upcoming cash needs and holds an amount estimated for upcoming malpractice fund liabilities in its account. The claim liability is reflected on UConn Health’s financial statements.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Property and equipment acquisitions are recorded at cost. Betterments and major renewals are capitalized, and maintenance and repairs are expensed as incurred. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Buildings not included in the Circle Road Corporation’s direct financing lease have an estimated useful life of 50 years and equipment has an estimated useful life of 2 to 25 years. Assets acquired under capital leases and leasehold improvements are depreciated over the shorter of the asset’s useful life or lease term. If a bargain purchase option applies, depreciation would be over the useful life of the asset.

Construction in progress is capitalized as costs are incurred during the construction phase, and depreciation will begin once the assets are placed in service. Intangible assets are comprised of right-to-use assets under lease agreements for UHPSI and UHI space.

DUE TO THIRD PARTY PAYORS

Beginning in fiscal year 2023, UHPSI began accruing for future direct and indirect remuneration (DIR) fees, based on a percentage of net revenue. These fees are charged by various Pharmacy Benefit Managers (PBMs) based on differing metrics. They are generally retroactive and occur monthly. Effective January 2024, DIR fees are being taken at time of adjudication and claims detail in real time. Retroactive takeback was substantially completed in 2025.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

DUE TO THIRD PARTY PAYORS (CONTINUED)

The amount accrued as of June 2025 and 2024 was \$145,197 and \$385,049, respectively.

NET POSITION

Net position is classified in three components. Net investment in capital assets consists of capital and right-to-use assets net of accumulated depreciation/amortization, reduced by the current net balances of any outstanding borrowings (less amounts held in trust) used to finance the purchase or construction of those assets. Minority interest represents the twenty-five percent stake in UHI belonging to Finance Corporation's partner, OIA. All other assets less liabilities are classified as unrestricted.

RECLASSIFICATIONS

Certain reclassifications were made to the 2024 statement of revenues, expenses, and changes in net position related to dispensing fees for the 340B agreement to conform to the current year presentation. These reclassifications had no effect on the operating income or net position.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective for the fiscal year ended June 30, 2024, GASB issued the following pronouncements that were adopted for this report: Paragraphs 4 through 10 of GASB Statement No. 99, *Omnibus 2022*, and GASB Statement No. 100, *Accounting Changes and Error Corrections*.

Effective for fiscal year ended June 30, 2025, GASB issued the following pronouncements that were adopted for this report but did not have a material impact on the financial statements: GASB 101 *Compensated Absences* and GASB 102, *Certain Risk Disclosures*.

UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after June 15, 2025. The Finance Corporation is currently evaluating the impact this standard will have on its financial statements.

In September, 2024, GASB issued Statement No. 104, *Disclosure on Certain Capital Assets*. The objective of this Statement is to provide essential information about certain types of capital assets in order to make informed decisions and assess accountability as well as improve consistency and comparability between governments. This statement is effective for fiscal years beginning after June 15, 2025. The Finance Corporation is currently evaluating the impact this standard will have on its financial statements.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE

UHPSI business operations include filling patient prescriptions to outpatients primarily from UConn Health related clinics.

Pharmaceutical revenues reported net of contractual allowances, DIR fees, and bad debt for the fiscal years ended June 30, 2025 and 2024 were:

	2025	2024
Gross pharmaceutical revenue	\$ 304,942,142	\$ 219,197,056
Other income	212	282,804
Less contractual allowances, DIR fees, bad debt	<u>(113,828,238)</u>	<u>(69,658,263)</u>
Net pharmaceutical revenue	<u>\$ 191,114,116</u>	<u>\$ 149,821,597</u>

SIGNIFICANT CONCENTRATIONS

In fiscal years 2025 and 2024, revenue received by UHPSI for Medicare, Medicaid, and Commercial payers were approximately as follows:

Revenue:

<u>Payer</u>	2025	2024
Medicare	29.9%	24.9%
Medicaid	41.4%	48.7%
Commercial	28.7%	26.4%
	<u>100.0%</u>	<u>100.0%</u>

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – PHARMACEUTICAL REVENUES AND ACCOUNTS RECEIVABLE (CONTINUED)

SIGNIFICANT CONCENTRATIONS (CONTINUED)

Pharmaceutical accounts receivable for fiscal years 2025 and 2024, due from Medicare, Medicaid, and Commercial insurance were approximately as follows:

Pharmaceutical Accounts Receivable:

<u>Payer</u>	<u>2025</u>	<u>2024</u>
Medicare	31.4%	22.0%
Medicaid	27.4%	49.1%
Commercial	41.2%	28.9%
	<u>100.0%</u>	<u>100.0%</u>

NOTE 3 – LEASE RECEIVABLE

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

	<u>June 30, 2024</u>			<u>June 30, 2025</u>	<u>Amount due</u>
Lease receivables:	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>within 1 year</u>
Buildings and building improvements	<u>\$ 1,235,457</u>	<u>\$ -</u>	<u>\$ (836,382)</u>	<u>\$ 399,075</u>	<u>\$ 9,600</u>

	<u>June 30, 2023</u>			<u>June 30, 2024</u>	<u>Amount due</u>
Lease receivables:	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>within 1 year</u>
Buildings and building improvements	<u>\$ 2,870,985</u>	<u>\$ -</u>	<u>\$ (1,635,528)</u>	<u>\$ 1,235,457</u>	<u>\$ 836,382</u>

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 3 – LEASE RECEIVABLE (CONTINUED)

Lease payments to be received are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Lease Receivables</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 9,600	\$ 18,982
2027	10,072	18,510
2028	10,568	18,014
2029	11,087	17,495
2030	12,170	16,948
2031-35	80,132	74,069
2036-40	114,917	50,861
2041-45	150,529	18,146
	<u>\$ 399,075</u>	<u>\$ 233,025</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

The Finance Corporation enters into transactions for the benefit of UConn Health entities. In 2006, the Finance Corporation entered into transactions resulting in the acquisition of the UConn Musculoskeletal Institute and Munson Road properties. The Finance Corporation leases the MSI building to entities from UConn Health under operating agreement that renew annually. In November 2024, the final lease payment for the UConn Musculoskeletal Institute was made to the Finance Corporation because the final payment on the related note payable was made in the same month.

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

UHI has arranged with a related party to OIA for the services of personnel for the operation of the UHI. The amount for these services is reported as part of Professional Services in the Consolidated Statements of Revenues and Expense, and Changes in Net Position in the amount of \$1,844,546 and \$215,666 as of June 30, 2025 and June 30, 2024, respectively.

The Circle Road Corporation has a 25-year direct financing lease with UConn Health, designed to facilitate the monthly debt service payments on its mortgage with TIAA. Effective April, 2015, the Circle Road Corporation began charging rent to UConn Health's clinical enterprises. The amounts allocated to each of UConn Health's internal business units is determined based on the square footage and evaluated annually.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Lease payments to be received under these agreements, which cover mortgage payments including principal, interest and services fees, over the next five years and thereafter are estimated to be as follows:

<u>Year ending June 30,</u>	<u>Outpatient Pavilion (a)</u>
2026	\$ 13,975,852
2027	13,975,852
2028	13,975,852
2029	13,975,852
2030	13,975,852
2031-2035	69,879,259
2036-2040	<u>66,385,296</u>
Total	<u>\$ 206,143,815</u>

(a) OP amounts are due under a non-cancellable direct financing lease with UConn Health. Additional details can be found in Note 5.

Listed in the tables below are material transactions with related parties and the components of the Finance Corporation to show the changes in amounts due (to) from each entity as of June 30, 2025 and 2024. Certain transactions that were settled during the fiscal years with transfers, payments or cash receipts and did not result in a receivable or payable balance at June 30 have been excluded from these tables. The paragraphs that follow describe the related party transactions that are summarized in the aforementioned tables.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE (TO) UCONN HEALTH

	2025	2024
Due (to) UConn Health - Beginning Balance:	\$ (466,952)	\$ (2,321,675)
<u>Finance Corp. & Circle Road:</u>		
Internal contractual support and other expenses, net of pharmaceuticals sold	(50)	-
Cash repayments to UConn Health	71,875	-
<u>UConn Health Imaging:</u>		
Internal contractual support and other expenses, net of pharmaceuticals sold	985	-
Cash payments from UConn Health	(105,177)	-
<u>UHPSI:</u>		
Internal contractual support and other expenses, net of pharmaceuticals sold	(3,342,569)	(2,471,449)
Cash repayments to UConn Health	3,560,028	4,385,208
Cash received from UConn Health	(170,321)	(59,036)
Total Change in Due (to) UConn Health	\$ 14,771	\$ 1,854,723
Due (to) UConn Health - Ending Balance:	\$ (452,181)	\$ (466,952)

During fiscal years 2025 and 2024, UHPSI incurred costs for pharmacy personnel and other operating expenses offset by pharmaceutical revenues from sales to UConn Health, netting to an increase in the amount owed to UConn Health of approximately \$3.3 million and \$2.5 million, respectively. During the years ended June 30, 2025 and 2024, UHPSI repaid UConn Health approximately \$3.6 million and \$4.4 million, respectively.

During the year ended June 30, 2025 UHI paid interpretation fees to UMG and UConn Health of approximately \$512,000 and \$57,000, respectively. Also, UHI paid UConn Health approximately \$785,000 for information technology services and maintenance costs.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE (TO) JOHN DEMPSEY HOSPITAL

	2025	2024
Due (to) John Dempsey Hospital - Beginning Balance:	\$ (21,072,330)	\$ (16,649,378)
<u>Circle Road Corporation:</u>		
Administrative expense		(2,100)
<u>UHPSI:</u>		
Deposits with vendors	(1,983,277)	(168,686)
Pharmaceuticals and other expenses	18,429	(18,724)
340B expense	(80,488,981)	(53,257,525)
Dispensing fees - Contract & other revenue	15,346,275	11,311,905
Cash repayments	58,002,099	37,500,000
Overhead revenue received	16,063	212,178
Total Change in Due (to) John Dempsey Hospital	\$ (9,089,392)	\$ (4,422,952)
Due (to) John Dempsey Hospital - Ending Balance:	<u>\$ (30,161,722)</u>	<u>\$ (21,072,330)</u>

During fiscal years 2025 and 2024, UHPSI received pharmacy overhead revenue from the Hospital in the amount of approximately \$16,000 and \$212,000, respectively. UHPSI was allocated its share of a deposit to AmerisourceBergen, the primary pharmaceutical supplier used by UHPSI. See Note 1 for additional information. The amounts allocated were approximately \$2.0 million and \$169,000 for fiscal years ended 2025 and 2024, respectively.

During fiscal years 2025 and 2024, UHPSI repaid the Hospital approximately \$58.0 million and \$37.5 million, respectively, net of dispensing fee income.

During fiscal years ended June 30, 2025 and 2024, UHPSI recorded 340B pharmaceutical sales to the Hospital's 340B program totaling approximately \$80.5 million and \$53.2 million, respectively. In accordance with its agreement with the Hospital, UHPSI retained dispensing fees of approximately \$15.3 million in 2025 and \$11.3 million in 2024. As a result, UHPSI reported cost of goods sold of approximately \$65.2 million and \$41.9 million for the respective fiscal years.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE FROM (TO) UMG

	2025	2024
Due from (to) UConn Medical Group - Beginning Balance:	\$ 1,371,899	\$ 617,544
<u>Circle Road Corporation:</u>		
Administrative expense	805	(805)
<u>UHPSI:</u>		
Equipment	2,104	-
Pharmaceuticals & courier services charged back to UConn Medical Group	8,752,205	8,334,126
Cash received from UConn Medical Group	<u>(9,430,847)</u>	<u>(7,578,966)</u>
Total Change in Due from (to) UConn Medical Group	<u>\$ (675,733)</u>	<u>\$ 754,355</u>
Due from UConn Medical Group - Ending Balance:	<u>\$ 696,166</u>	<u>\$ 1,371,899</u>

During fiscal years 2025 and 2024, UHPSI provided pharmaceuticals and related services to UMG in the amount of approximately \$8.8 million and \$8.3 million, respectively. Pharmaceutical expense to UMG is recorded as a chargeback from UHPSI. During the fiscal years ended June 30, 2025 and 2024, UMG repaid UHPSI \$9.4 million and \$7.6 million, respectively.

DUE (TO) UCONN HEALTH - MALPRACTICE FUND

	2025	2024
Due (to) UConn Health-Malpractice Fund - Beginning Balance:	\$ (1,685,493)	\$ (778,942)
Cash transfers from UConn Health & interest earned on funds held for UConn Health	(13,128,932)	(35,077,043)
Payments on behalf of UConn Health	<u>10,961,670</u>	<u>34,170,492</u>
Total Change in Due (to) UConn Health-Malpractice Fund	<u>\$ (2,167,262)</u>	<u>\$ (906,551)</u>
Due (to) UConn Health-Malpractice Fund - Ending Balance:	<u>\$ (3,852,755)</u>	<u>\$ (1,685,493)</u>

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

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Finance Corporation received working capital transfers from UConn Health to assist with repayments to related parties and the investment in subsidiary. These transfers recognize the overall contribution of UHPSI to the clinical enterprise. The amounts received are accounted for as “Net Transfers From UConn Health - unrestricted” in the statements of revenues, expenses and changes in net position. The total amount transferred as of June 30, 2025 and 2024 were \$0 and \$625,000.

NOTE 5 – INVESTMENT IN DIRECT FINANCING LEASE

The OP lease, created through the Circle Road Corporation, is a non-cancellable 25-year lease supporting the repayment of the TIAA mortgage. As such, this lease is classified as a direct financing lease. Under this treatment, the underlying capital assets are not recorded separately on the consolidated statements of net position. Instead, the Finance Corporation records its net investment in direct financing lease. The components of the net investment in direct financing lease are shown below as of June 30, 2025 and 2024.

	2025	2024
Net minimum lease payments receivable	\$ 206,154,142	\$ 220,130,694
Estimated residual value of leased property (unguaranteed)	65,861,269	65,861,269
Less unearned income	<u>(105,220,154)</u>	<u>(114,928,849)</u>
Net investment in direct financing lease	<u>\$ 166,795,257</u>	<u>\$ 171,063,114</u>

The following schedule provides an analysis of the Circle Road Corporation's cost of the property held for lease under the direct financing lease as of June 30, 2025 and 2024.

	2025	2024
Building	\$ 182,613,585	\$ 182,613,585
Equipment	13,018,555	13,598,570
Art	<u>104,351</u>	<u>104,351</u>
	<u>\$ 195,736,491</u>	<u>\$ 196,316,506</u>

The associated equipment has a maximum useful life of 10 years, while the building has a useful life of 40 years. The term of the lease is 25 years, as stipulated in the mortgage agreement with TIAA. At the conclusion of the lease, any residual amounts will revert to capital assets.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 6 – CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of June 30, 2025 and 2024 consisted of the following:

	2025	2024
Buildings	\$ 32,247,901	\$ 32,247,901
Land	6,593,084	6,593,084
Equipment	4,415,096	4,086,595
Software	129,910	129,910
Total capital and intangible assets	43,385,991	43,057,490
Less accumulated depreciation	16,469,323	14,783,159
Capital assets, net	<u>\$ 26,916,668</u>	<u>\$ 28,274,331</u>

	2025	2024
Right-to-use assets - buildings	\$ 4,318,148	\$ 4,318,148
Right-to-use assets - equipment	60,386	60,386
Total right-to-use assets	4,378,534	4,378,534
Less: accumulated amortization	764,477	529,959
Right-to-use assets - net	<u>\$ 3,614,057</u>	<u>\$ 3,848,575</u>

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

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 6 – CAPITAL ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Capital assets and depreciation activity for the fiscal years ended June 30, 2025 and 2024 were as follows:

	2024	Additions	Deductions	2025
Buildings	\$ 32,247,901	\$ -	\$ -	\$ 32,247,901
Land	6,593,084	-	-	6,593,084
Equipment	4,086,595	328,501	-	4,415,096
Software	<u>129,910</u>	<u>-</u>	<u>-</u>	<u>129,910</u>
Total capital and intangible assets	<u>\$ 43,057,490</u>	<u>\$ 328,501</u>	<u>\$ -</u>	<u>\$ 43,385,991</u>
	2023	Additions	Deductions	2024
Buildings	\$ 29,730,870	\$ 2,517,031	\$ -	\$ 32,247,901
Land	6,593,084	-	-	6,593,084
Equipment	37,983	4,048,612	-	4,086,595
Software	<u>-</u>	<u>129,910</u>	<u>-</u>	<u>129,910</u>
Total capital and intangible assets	<u>\$ 36,361,937</u>	<u>\$ 6,695,553</u>	<u>\$ -</u>	<u>\$ 43,057,490</u>

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 6 – CAPITAL ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Related information on accumulated depreciation for the years ended June 30, 2025 and 2024 was as follows:

	2024	Additions	Deductions	2025
Buildings	\$ 14,670,516	\$ 1,023,130	\$ -	\$ 15,693,646
Equipment	111,048	643,892	-	754,940
Software	<u>1,595</u>	<u>19,142</u>	<u>-</u>	<u>20,737</u>
Total accumulated depreciation	<u>\$ 14,783,159</u>	<u>\$ 1,686,164</u>	<u>\$ -</u>	<u>\$ 16,469,323</u>

	2023	Additions	Deductions	2024
Buildings	\$ 13,874,540	\$ 795,976	\$ -	\$ 14,670,516
Equipment	9,226	101,822	-	111,048
Software	<u>-</u>	<u>1,595</u>	<u>-</u>	<u>1,595</u>
Total accumulated depreciation	<u>\$ 13,883,766</u>	<u>\$ 899,393</u>	<u>\$ -</u>	<u>\$ 14,783,159</u>

Activity for the Right-to-use assets for the fiscal year ended June 30, 2025 and 2024 was as follows:

	2024	Additions	Deductions	2025
Right-to-use buildings	\$ 4,318,148	\$ -	\$ -	\$ 4,318,148
Right-to-use equipment	<u>60,386</u>	<u>-</u>	<u>-</u>	<u>60,386</u>
Total right-to-use assets	<u>\$ 4,378,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,378,534</u>

	2023	Additions	Deductions	2024
Right-to-use buildings	\$ 825,337	\$ 3,492,811	\$ -	\$ 4,318,148
Right-to-use equipment	<u>60,386</u>	<u>-</u>	<u>-</u>	<u>60,386</u>
Total right-to-use assets	<u>\$ 885,723</u>	<u>\$ 3,492,811</u>	<u>\$ -</u>	<u>\$ 4,378,534</u>

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 6 – CAPITAL ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets and amortization activity for the fiscal years ended June 30, 2025 and 2024 were as follows:

	2024	Additions	Deductions	2025
Right-to-use buildings	\$ 490,708	\$ 222,440	\$ -	\$ 713,148
Right-to-use equipment	39,251	12,078	-	51,329
Total accumulated amortization	<u>\$ 529,959</u>	<u>\$ 234,518</u>	<u>\$ -</u>	<u>\$ 764,477</u>

	2023	Additions	Deductions	2024
Right-to-use buildings	\$ 326,506	\$ 164,202	\$ -	\$ 490,708
Right-to-use equipment	27,174	12,077	-	39,251
Total accumulated amortization	<u>\$ 353,680</u>	<u>\$ 176,279</u>	<u>\$ -</u>	<u>\$ 529,959</u>

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 7 – NONCURRENT LIABILITIES

The Finance Corporation routinely leases various facilities and equipment instead of purchasing the assets. The contracts include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal years ended June 30, 2025 and 2024, the Finance Corporation recognized expense for lease variable payments related to common area maintenance and property taxes of \$136 and \$-0-, respectively. There were no termination penalties or residual guarantee payments expensed for the fiscal years ended June 30, 2025 or 2024.

The Finance Corporation's outstanding notes from direct borrowings related to business-type activities of \$148,561,276 and \$156,396,131 as of June 30, 2025 and 2024, respectively, are secured by the Musculoskeletal Institute building, the OP, the Leasehold (as to Land) and Fee (as to improvements) Mortgage, Security Agreement, Assignment of Lease and Rents and Fixture Filing. The outstanding notes from direct borrowings related to business-type activities contain a provision that in an event of default, outstanding amounts become immediately due. As of June 30, 2025, there were no instances of default under these agreements. Finance Corporation made the final scheduled payment on the UConn Musculoskeletal Institute's secured mortgage in November 2024.

The Finance Corporation through its subsidiary, the Circle Road Corporation, has a mortgage with TIAA, which financed the construction of the OP.

UHI has a construction loan held by Siemens, which financed the installation of equipment located at 5 Munson Road, Farmington, CT. The company also has finance leases held by Siemens, which financed the purchase of equipment.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 7 – NONCURRENT LIABILITIES (CONTINUED)

Changes in long-term obligations for the years ended June 30, 2025 and 2024, respectively were as follows:

	June 30, 2024 Balance	Additions	Reductions	June 30, 2025 Balance	Amounts due within 1 year
Right-to-Use Lease Liabilities	\$ 7,816,144	\$ 131,629	\$ (900,607)	\$ 7,047,166	\$ 962,018
Business-type activities:					
Notes from Direct Borrowings -					
Secured mortgage - Capital Lease Funding					
(Key Bank), principal and interest					
payments began January 10, 2004 and					
and continued until November 10, 2024,					
with interest at 6.34%.	\$ 826,105	\$ -	\$ (826,105)	\$ -	\$ -
Secured note - Siemens, principal and					
interest began February, 2024 and					
continues until January, 2029 with interest					
at 6.91%.	1,476,957	-	(301,682)	1,175,275	299,311
Secured mortgage - TIAA, 25 year, 4.809%					
coupon. Principal and interest payments					
began on April 15, 2015 and will					
continue until March 15, 2040.	154,093,069	-	(6,707,068)	147,386,001	7,036,815
Total Notes from Direct Borrowings	\$ 156,396,131	\$ -	\$ (7,834,855)	\$ 148,561,276	\$ 7,336,126
Total Long-Term Liabilities	\$ 164,212,275	\$ 131,629	\$ (8,735,462)	\$ 155,608,442	\$ 8,298,145

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 7 – NONCURRENT LIABILITIES (CONTINUED)

	June 30, 2023 Balance	Additions	Reductions	June 30, 2024 Balance	Amounts due within 1 year
Right-to-Use Lease Liabilities	\$ 660,435	\$ 7,485,960	\$ (330,251)	\$ 7,816,144	\$ 880,281
Business-type activities:					
Notes from Direct Borrowings -					
Secured mortgage - Capital Lease Funding					
(Key Bank), principal and interest					
payments began January 10, 2004 and					
and continued until November 10, 2024,					
with interest at 6.34%.	\$ 2,722,174	\$ -	\$ (1,896,069)	\$ 826,105	\$ 826,105
Secured note - Siemens, principal and					
interest began February, 2024 and					
continues until January, 2029 with interest					
at 6.91%.	-	1,565,383	(88,426)	1,476,957	277,793
Secured mortgage - TIAA, 25 year, 4.809%					
coupon. Principal and interest payments					
began on April 15, 2015 and will					
continue until March 15, 2040.	160,485,841	-	(6,392,772)	154,093,069	6,707,067
Total Notes from Direct Borrowings	<u>\$ 163,208,015</u>	<u>\$ 1,565,383</u>	<u>\$ (8,377,267)</u>	<u>\$ 156,396,131</u>	<u>\$ 7,810,965</u>
Total Long-Term Liabilities	<u>\$ 163,868,450</u>	<u>\$ 9,051,343</u>	<u>\$ (8,707,518)</u>	<u>\$ 164,212,275</u>	<u>\$ 8,691,246</u>

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 7 – NONCURRENT LIABILITIES (CONTINUED)

Debt service requirements on long-term debt at June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 7,336,126	\$ 7,005,872
2027	7,703,445	6,638,563
2028	8,089,286	6,252,722
2029	8,338,310	5,849,196
2030	8,526,094	5,444,758
2031-2035	49,345,824	22,820,800
2036-2040	59,222,191	7,139,353
Total from direct borrowings	<u>\$ 148,561,276</u>	<u>\$ 61,151,265</u>

The Finance Corporation recorded interest expense of \$7,735,121 and \$7,841,846, respectively, during the years ended June 30, 2025 and 2024.

The following is a schedule by fiscal year of future minimum payments due for leases together with the present value of the net minimum payments due as of June 30, 2025:

<u>Year Ending June 30,</u>	<u>Lease Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 962,018	\$ 345,097
2027	1,014,450	286,603
2028	1,018,030	224,715
2029	847,136	162,984
2030	134,699	135,195
2031-2035	835,423	576,003
2036-2040	1,158,776	361,730
2041-2045	1,076,633	84,218
Total lease liability	<u>\$ 7,047,166</u>	<u>\$ 2,176,544</u>

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, the Finance Corporation has evaluated events and transactions for potential recognition or disclosure through November 20, 2025, the date the financial statements were available to be issued. No subsequent events required recognition or disclosure in the financial statements were identified.

On November 7, 2025, The University of Connecticut Health Center Finance Corporation, through its newly created subsidiary UCHCFC Waterbury Health Corp. and on behalf of the University of Connecticut Health Center and its affiliates, (collectively, “UConn Health”) submitted a bid to purchase certain assets and associated real property (“Waterbury Hospital”) from Prospect Waterbury.

Waterbury Hospital is a 357-bed acute care hospital serving 13 towns in central and southwest Connecticut. It operates or owns numerous outpatient facilities in the greater Waterbury area, including primary care centers, imaging service centers, rehab centers, and a surgery center.

The bid included a purchase price of \$13,000,000 in cash consideration plus assumed liabilities, estimated at \$22,000,000, bringing the total purchase price to an estimated \$35,000,000. UConn Health intends to fund the purchase price with cash on hand, or through future UConn 2000 General Obligation bond issuances if permitted by legislation.

The bid was submitted to the United States Bankruptcy Court for the Northern District of Texas. Prospect, the current owner of the system including Waterbury Hospital and other hospital operations in Connecticut and throughout the United States, filed for Chapter 11 bankruptcy in the Northern District of Texas on January 11, 2025. The bankruptcy court has confirmed the sale of Prospect’s other hospital operations in Connecticut and has scheduled a hearing on November 18th approved UConn Health as the purchaser for Waterbury Hospital.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The University of Connecticut Health Center Finance Corporation (Finance Corporation or the Company), as of and for the year ended June 30, 2025, and the related notes to the consolidated financial statements, which collectively comprise the Finance Corporation's consolidated financial statements, and have issued our report thereon dated November 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Finance Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Finance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Finance Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

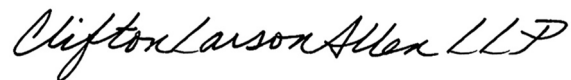
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Finance Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 20, 2025

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

SCHEDULE I – CONSOLIDATING STATEMENT OF NET POSITION

JUNE 30, 2025

	UHC Finance Corporation	UHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	UConn Health Imaging, LLC.	Eliminations	Total
Assets						
Current Assets						
Cash	\$ -	\$ -	\$ 20,397,251	\$ 733,476	\$ -	\$ 21,130,727
Malpractice Fund	3,852,755	-	-	-	-	3,852,755
Accounts receivable, net	-	-	7,606,245	974,244	-	8,580,489
Lease receivable -current portion	-	9,600	-	-	-	9,600
Other receivables	-	-	-	93,957	-	93,957
Inventory	-	-	3,391,822	13,518	-	3,405,340
Due from UConn Medical Group	-	-	696,166	-	-	696,166
Due (to) from subsidiaries	(2,745,010)	561,806	2,183,204	-	-	-
Prepaid expenses	-	-	925	365,098	-	366,023
Net investment in direct financing lease, current portion	-	4,516,027	-	-	-	4,516,027
Total Current Assets	<u>1,107,745</u>	<u>5,087,433</u>	<u>34,275,613</u>	<u>2,180,293</u>	<u>-</u>	<u>42,651,084</u>
Noncurrent Assets						
Deposits with vendors	-	-	14,159,611	-	-	14,159,611
Lease receivable, net of current portion	-	389,475	-	-	-	389,475
Investment in UHI	3,777,500	-	-	-	(3,777,500)	-
Investment in CSC	179,966	-	-	-	-	179,966
Net investment in direct financing lease, net of current portion	-	162,279,230	-	-	-	162,279,230
Property - right-to-use assets, net	-	-	290,218	3,323,839	-	3,614,057
Capital assets, net	20,942,816	-	42,465	5,931,387	-	26,916,668
Total Noncurrent Assets	<u>24,900,282</u>	<u>162,668,705</u>	<u>14,492,294</u>	<u>9,255,226</u>	<u>(3,777,500)</u>	<u>207,539,007</u>
Total Assets	<u>\$ 26,008,027</u>	<u>\$ 167,756,138</u>	<u>\$ 48,767,907</u>	<u>\$ 11,435,519</u>	<u>\$ (3,777,500)</u>	<u>\$ 250,190,091</u>

See independent auditors' report.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

**SCHEDULE I – CONSOLIDATING STATEMENT OF NET POSITION
(CONTINUED)**

JUNE 30, 2025

	UHC Finance Corporation	UHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	UConn Health Imaging, LLC	Eliminations	Total
Liabilities and Net Position						
Current Liabilities						
Accounts payable and accrued expenses	\$ 29,627	\$ 298,096	\$ 7,505,843	\$ 845,998	\$ -	\$ 8,679,564
Due to UConn Health – Malpractice Fund	3,852,755	-	-	-	-	3,852,755
Due to UConn Health	-	-	452,181	-	-	452,181
Due to John Dempsey Hospital	-	-	16,002,111	-	-	16,002,111
Due to third party payors	-	-	145,197	-	-	145,197
Lease liability, current portion	-	-	148,312	813,706	-	962,018
Loans payable, current portion	-	7,036,815	-	299,311	-	7,336,126
Total Current Liabilities	<u>3,882,382</u>	<u>7,334,911</u>	<u>24,253,644</u>	<u>1,959,015</u>	<u>-</u>	<u>37,429,952</u>
Noncurrent Liabilities						
Due to John Dempsey Hospital, net of current portion	-	-	14,159,611	-	-	14,159,611
Lease liability, net of current portion	-	-	229,495	5,855,653	-	6,085,148
Loans payable, net of current portion	-	140,349,187	-	875,963	-	141,225,150
Total Noncurrent Liabilities	<u>-</u>	<u>140,349,187</u>	<u>14,389,106</u>	<u>6,731,616</u>	<u>-</u>	<u>161,469,909</u>
Total Liabilities	<u>3,882,382</u>	<u>147,684,098</u>	<u>38,642,750</u>	<u>8,690,631</u>	<u>-</u>	<u>198,899,861</u>
Deferred Inflows of Resources						
Deferred inflows - right-to-use assets	-	345,482	-	-	-	345,482
Net Position						
Net investment in capital assets	20,942,816	19,409,255	(2,659)	1,410,593	-	41,760,005
Minority interest - UHI	-	-	-	686,222	-	686,222
Unrestricted	1,182,829	317,303	10,127,816	648,073	(3,777,500)	8,498,521
Total Net Position	<u>22,125,645</u>	<u>19,726,558</u>	<u>10,125,157</u>	<u>2,744,888</u>	<u>(3,777,500)</u>	<u>50,944,748</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 26,008,027</u>	<u>\$ 167,756,138</u>	<u>\$ 48,767,907</u>	<u>\$ 11,435,519</u>	<u>\$ (3,777,500)</u>	<u>\$ 250,190,091</u>

See independent auditors' report.

**THE UNIVERSITY OF CONNECTICUT HEALTH CENTER
FINANCE CORPORATION**

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

FOR THE YEAR ENDED JUNE 30, 2025

	UHC Finance Corporation	UHCFC Circle Road Corporation	UConn Health Pharmacy Services, Inc.	UConn Health Imaging, LLC	Eliminations	Total
Operating Revenues						
Interest income - right-to-use assets	\$ 13,179	\$ 19,404	\$ -	\$ -	\$ -	\$ 32,583
Lease Revenue - right-to-use assets	732,505	16,793	-	-	-	749,298
Interest income from direct financing lease	-	9,711,066	-	-	-	9,711,066
Contract and other income	1,750	-	15,846,003	-	-	15,847,753
Imaging revenue, net	-	-	-	4,123,894	-	4,123,894
Pharmaceutical revenues, net	-	-	191,114,116	-	-	191,114,116
Total Operating Revenues	747,434	9,747,263	206,960,119	4,123,894	-	221,578,710
Operating Expenses						
Professional services	31,421	3,500	-	2,571,431	-	2,606,352
Outside agency per diems	-	-	12,631,880	865,879	-	13,497,759
Internal contractual support	-	-	2,976,494	-	-	2,976,494
Internal pharmaceutical charges	-	-	80,488,983	-	-	80,488,983
Pharmaceuticals/medical supplies	-	-	109,773,881	171,948	-	109,945,829
Equipment and software leases	-	-	117,001	60,733	-	177,734
Insurance, rent and utilities	-	-	750	120,329	-	121,079
Repairs and maintenance	-	-	-	352,007	-	352,007
Interest expense	10,230	7,250,345	15,913	474,546	-	7,751,034
Depreciation	753,300	-	6,054	926,810	-	1,686,164
Amortization - right-to-use assets	-	-	120,913	113,605	-	234,518
Other	-	2,371	70,798	137,756	-	210,925
Total Operating Expenses	794,951	7,256,216	206,202,667	5,795,044	-	220,048,878
Operating Income (Loss)	(47,517)	2,491,047	757,452	(1,671,150)	-	1,529,832
Nonoperating Revenue (Expense)						
Investment revenue	6,889	-	-	-	-	6,889
Loan servicing fee	(4,348)	(5,800)	-	-	-	(10,148)
Net Nonoperating Income (Expense)	2,541	(5,800)	-	-	-	(3,259)
Income (Loss)	(44,976)	2,485,247	757,452	(1,671,150)	-	1,526,573
Contribution - controlling interest - UHI	-	-	-	1,777,500	(1,777,500)	-
Contribution - minority interest - UHI	-	-	-	592,500	-	592,500
Increase in Net Position - Restricted	-	-	-	174,713	-	174,713
Increase in Net Position - Unrestricted	(44,976)	2,485,247	757,452	524,138	(1,777,500)	1,944,361
Net Position - Beginning of year	22,170,621	17,241,311	9,367,705	2,046,038	(2,000,000)	48,825,675
Net Position - End of year	\$ 22,125,645	\$ 19,726,558	\$ 10,125,157	\$ 2,744,888	\$ (3,777,500)	\$ 50,944,748

See independent auditors' report.

