

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

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

JUNE 30, 2025 AND 2024



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**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

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UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis provides an overview of the financial position and activities of the University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) as of and for the fiscal years ended June 30, 2025, 2024, and 2023. UMG is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has access to the funds available in the 12018 fund to support its operations. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which both follow this section.

UMG's clinical operations are modeled, in part, on private group practices and include approximately 600 providers practicing in a wide variety of specialties. UMG's operation is an essential element for the education and training of medical students that enables the University of Connecticut School of Medicine to accomplish its mission. Medical students, for example, learn diagnosis and treatment by training side-by-side with faculty clinicians as these doctors see patients. Funds transferred from UConn Health support this educational mission. UMG also partners closely with John Dempsey Hospital (JDH), with many providers performing procedures in its facilities.

UMG received aid from a number of governmental and other sources throughout the pandemic. Notably, UMG received federal funding via the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Relief Fund (CRF), and from the Federal Emergency Management Agency (FEMA). Funding received came from both general and targeted distributions. Targeted distributions were made to physician practices based on, among other metrics, the total number of COVID-19 positive patients treated. Funds received under this program carried reporting and other requirements outlined by the federal government, which began September 30, 2021 and ended September 30, 2024. UMG believes it met these requirements. These funds are reported on the Statements of Revenues, Expenses, and Changes in Net Position as part of the net transfers from UConn Health. Amounts received under this program are summarized below:

	2025	2024	2023
American Rescue Plan Act (ARPA)	\$ 54,885,680	\$ 51,500,000	\$ 72,700,000

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and related notes to the financial statements) present the financial position of UMG at June 30, 2025 and 2024, and the results of its operations and financial activities for the fiscal years then ended.

These financial statements report information about UMG using accounting methods similar to those used by private-sector companies. The Statements of Net Position include all of UMG's assets, liabilities and deferred outflows and inflows. The Statements of Revenues, Expenses, and Changes in net position reflect the years' activities on the accrual basis of accounting (i.e., when services are provided or obligations are incurred, not when cash is received or paid).

UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These financial statements report UMG's net position and how it has changed. Net position (the difference between assets and liabilities adjusted for deferred outflows and inflows) is one way to measure financial health or position. The Statements of Cash Flows provide relevant information about each year's cash receipts and cash payments and classifies them as operating, investing, noncapital financing activities, and capital and related financing activities. The financial statement footnotes include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

UMG's financial position at June 30, 2025, consisted of assets of approximately \$153.6 million and liabilities of approximately \$137.6 million. UMG's financial position at June 30, 2024, consisted of assets of approximately \$146.0 million, deferred outflows of approximately \$114.0 million, liabilities of approximately \$566.7 million (of which \$425.4 million is related to GASB Statements No. 68 and 75), and deferred inflows of approximately \$148.2 million. Net position, which represents the residual interest in UMG's assets and deferred outflows after liabilities and deferred inflows are deducted, increased by approximately \$470.9 million from fiscal year 2024 to a net position of approximately \$16.0 million as of June 30, 2025. Due to a legislative change effective July 1, 2023, the State now fully funds retirement-related fringe benefit costs for eligible UMG employees. UMG is no longer charged for contributions to State-administered pension and OPEB plans through a fringe benefit rate assessment. However, because the measurement period for fiscal year 2024 still reflected prior allocations, UMG continued to report related balances in that year. Due to both the legislative change and the timing of the measurement period, UMG will no longer recognize pension and OPEB liabilities, related deferred outflows and inflows, and related expenses in its financial statements. As a result, the derecognition of these amounts was recorded as a special item in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025. And deferred amounts related to pension and OPEB liabilities have been removed from the statement of net position for fiscal year 2025.

UMG finished the fiscal year with an operating loss of \$90.7 million compared to an operating loss of \$135.0 million in the prior fiscal year. Current year losses exclude the effect of UMG derecognizing its pro-rata share of expenses under GASB Statements No. 68 and 75 as discussed in Note 10. In fiscal year 2025 UMG recorded a special item for the removal of the pension and OPEB balances. This derecognition is classified as a special item under GASB Statements No. 34 *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments* and No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* because it is infrequent in occurrence and falls within management control, as demonstrated by their participation and influence in decisions regarding State funding. The impact of the derecognition was approximately \$459.5 million in fiscal year 2025. In fiscal year 2024, UMG recorded the impact of GASB 68 and 75 as part of operations resulting in an increase to net position of \$48 million. The increase was driven by changes in plan assumptions and changes in UMG's allocated percentage of overall liabilities from the valuation year 2023 to 2024. Operating losses exclusive of these entries were \$90.7 million and \$87.1 million in fiscal years 2025 and 2024, respectively.

UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

UMG received transfers for working capital support from UConn Health of \$107.6 million and \$97.4 million in fiscal years 2025 and 2024, respectively. Total net position increased by approximately \$470.9 million in fiscal year 2025, compared to a decrease of approximately \$43.3 million in fiscal year 2024.

SUMMARY OF ASSETS AND LIABILITIES

Summarized components of UMG's Statements of Net Position as of June 30, 2025, 2024, and 2023 are presented below:

	2025	2024 (Restated)	2023 (Restated)
	(amounts in thousands)		
Summary of assets, liabilities, and net position at June 30:			
Current assets	\$ 40,365	\$ 23,385	\$ 19,508
Deposits to vendors	-	49	-
Lease receivable, net of current portion	-	-	29
Right-to-use assets, net	95,302	103,495	91,406
Capital and intangible assets, net	17,933	19,029	14,756
Total assets	\$ 153,600	\$ 145,958	\$ 125,699
Deferred outflows for pensions	\$ -	\$ 36,949	\$ 81,124
Deferred outflows for OPEB	-	77,099	72,846
Total deferred outflows	\$ -	\$ 114,048	\$ 153,970
Current liabilities	\$ 32,543	\$ 29,442	\$ 26,026
Noncurrent liabilities	105,054	537,287	505,328
Total liabilities	\$ 137,597	\$ 566,729	\$ 531,354
Deferred amount for right-to-use assets	\$ -	\$ 29	\$ 79
Deferred amount for pensions	-	43,219	48,683
Deferred amount for OPEB	-	104,908	111,162
Total deferred inflows	\$ -	\$ 148,156	\$ 159,924
Net investment in capital assets	\$ 6,868	\$ 9,222	\$ 7,996
Unrestricted (deficit)	9,135	(464,101)	(419,605)
Total net position	\$ 16,003	\$ (454,879)	\$ (411,609)

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – ASSETS AND LIABILITIES

Changes in assets included the following:

- *Patient accounts receivable, net* – increased by approximately \$1.9 million from June 30, 2024 to June 30, 2025 due to an increase patient visits by 57,000.
- *Contract and other receivables* – decreased by approximately \$878,000 from June 30, 2024 to June 30, 2025 due to a reduction in the DSS Supplemental program. This decrease is attributable to changes in the program's calculation methodology.
- *Right-to-use assets, net* – decreased by approximately \$8.2 million from June 30, 2024 to June 30, 2025 due to amortization of lease and subscription balances under GASB 87 and GASB 96 and the recognition of new right-of-use assets.
- *Capital and intangible assets, net* – decreased by approximately \$1.1 million from June 30, 2024 to June 30, 2025 due to depreciation and disposals outpacing capital expenditures.

Changes in liabilities included the following:

- *Accrued payroll* – increased by approximately \$1.8 million from June 30, 2024 to June 30, 2025. The payroll accrual is impacted by full time equivalents (FTE's), wage rates, and the payroll factor, which is calculated based on the number of days remaining unpaid at the end of the fiscal year. Both the payroll factor and FTE's increased during the current fiscal year.
- *Due to Finance Corporation* – decreased by approximately \$676,000 from June 30, 2024 to June 30, 2025. Decreases are due to repayments to UConn Health Pharmacy Services, Inc. (UHPSI), a wholly-owned subsidiary of the Finance Corporation, which provides pharmaceuticals to UMG.
- *Pension and OPEB liabilities* – decreased by approximately \$425.4 million from June 30, 2024 to June 30, 2025 due to the derecognition of UMG's proportional share of the State's OPEB liability. See note 10 for additional information.
- *Right-to-use liabilities, net of current portion* – decreased by approximately \$7.0 million from June 30, 2024 to June 30, 2025 due to payments outpacing new right-to-use obligations.

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UCONN MEDICAL GROUP**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summarized components of UMG's Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2025, 2024, and 2023 are presented below:

	2024	2023	
	2025	(Restated)	(Restated)
(amounts in thousands)			
Summary of revenues, expenses and transfers for the year ended June 30:			
Operating revenues	\$ 167,587	\$ 152,509	\$ 138,211
Operating expenses	<u>258,269</u>	<u>287,539</u>	<u>247,369</u>
Loss from operations	(90,682)	(135,030)	(109,158)
Nonoperating expenses, net	<u>(5,509)</u>	<u>(5,599)</u>	<u>(4,637)</u>
Net loss	(96,191)	(140,629)	(113,795)
Transfers, net	107,611	97,359	143,352
Derecognition of pension and OPEB balances	459,462	-	-
Cumulative effect of implementing GASB 101	-	-	(4,859)
Increase (decrease) in net position	<u>\$ 470,882</u>	<u>\$ (43,270)</u>	<u>\$ 24,698</u>

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues

Total operating revenues increased from the fiscal year ended June 30, 2024 to the fiscal year ended June 30, 2025 by approximately \$15.1 million or 9.9%.

- *Net patient service revenues* – increased by approximately \$13.6 million or 9.4% from the prior year due to increased patient volume as visits increased by 57,000 over the prior year.

Operating expenses

Total operating expenses decreased from the fiscal year ended June 30, 2024 to the fiscal year ended June 30, 2025 by approximately \$29.3 million or 10.2%.

- *Salaries and wages* – increased by approximately \$15.7 million or 10.4% from the prior year primarily due to increases in the number of providers and contractually bargained salary wage increases. The average monthly FTE counts in fiscal year 2025 was 1,000 compared to 962 in fiscal year 2024.
- *Fringe benefits* – decreased by approximately \$46.2 million or 56.2% from the prior year, primarily due to a legislative change enacted in fiscal year 2024. As a result of this change, the State now funds the retirement cost for the employees of UMG.

UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

• FINANCIAL HIGHLIGHTS (CONTINUED)

SIGNIFICANT VARIANCES IN THE FINANCIAL STATEMENTS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Operating expenses (Continued)

- *Medical contractual support* – increased by approximately \$834,000 or 40.9% from the prior year, primarily driven by an increase in the usage of contracted physicians due to the expansion of Radiology services.
- *Depreciation and Amortization* – decreased by approximately \$1.2 million or 8.5% from the prior year, primarily driven by lower amortization on right-to-use subscriptions.
- *Utilities* – increased by approximately \$958,000 or 38.4% from the prior year, primarily due to increases in utility rates and higher usage.
- *Repairs and maintenance* – increased by approximately \$893,000 or 24.6% from the prior year. This increase was primarily driven by a full year of common area maintenance (CAM) charges for a new office location along with overall rate increases for CAM expenses.

SUMMARY OF CASH FLOWS

The statements of cash flows provide additional information about UMG's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the fiscal years ended June 30, 2025, 2024 and 2023 are as follows:

	2025	2024	2023
	(amounts in thousands)		
Cash received from operations	\$ 166,128	\$ 146,688	\$ 140,427
Cash expended for operations	(241,997)	(222,784)	(255,621)
Net cash used in operations	(75,869)	(76,096)	(115,194)
Net cash used in investing activities	(3,006)	(7,820)	(5,461)
Net cash provided by noncapital financing activities	107,611	97,359	133,675
Net cash used in capital and related financing activities	(13,208)	(13,282)	(10,748)
Net change in cash	15,528	161	2,272
Cash - Beginning	2,433	2,272	-
Cash - Ending	\$ 17,961	\$ 2,433	\$ 2,272

UMG patient visits of approximately 972,000 represent an increase of approximately 57,000 from 2024. Demand for services remains strong.

UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL AND INTANGIBLE ASSETS

At June 30, 2025, UMG had capital and intangible assets (including right-to-use) of \$183.6 million before accumulated depreciation, compared to \$183.1 million at June 30, 2024. Construction in progress (CIP) increased by approximately \$388,000 from June 30, 2024 to June 30, 2025. Buildings and leasehold improvements increased by approximately \$1.3 million. Equipment increased by approximately \$398,000.

A summary of capital and intangible asset balances is shown in the table below:

	2025	2024	2023
	<i>(amounts in thousands)</i>		
Land	\$ 89	\$ 89	\$ 89
Construction in progress (estimated costs to complete of \$2.1 million and \$1.8 million at June 30, 2025 and 2024, respectively)	1,350	962	1,369
Buildings and leasehold improvements	21,004	19,743	15,822
Equipment	12,121	11,722	8,723
Computer software	14,832	14,808	13,931
Total capital and intangible assets	<u>49,396</u>	<u>47,324</u>	<u>39,934</u>
Less: accumulated depreciation	<u>31,463</u>	<u>28,295</u>	<u>25,178</u>
Capital and intangible assets, net	<u><u>\$ 17,933</u></u>	<u><u>\$ 19,029</u></u>	<u><u>\$ 14,756</u></u>
	2025	2024	2023
	<i>(amounts in thousands)</i>		
Right-to-use assets - buildings	\$ 127,121	\$ 129,310	\$ 110,290
Right-to-use assets - equipment	514	514	682
Right-to-use assets - subscriptions	6,599	5,919	5,476
Total right-to-use assets	<u>134,234</u>	<u>135,743</u>	<u>116,448</u>
Less: accumulated amortization	<u>38,932</u>	<u>32,248</u>	<u>25,042</u>
Right-to-use assets, net	<u><u>\$ 95,302</u></u>	<u><u>\$ 103,495</u></u>	<u><u>\$ 91,406</u></u>

For fiscal year 2026, all UConn Health capital requests will be considered for funding on an individual basis. Capital requests will be considered by UConn Health's Capital Prioritization Committee. More detailed information about UMG's capital and intangible assets are presented in Note 8 to the financial statements.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL 2026 OUTLOOK

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 reshaping care 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 census pressures and expand access. UMG continued its expansion of outpatient care, including the opening of a modern new facility in Simsbury. While capital resources are limited, these strategic investments demonstrate our commitment to serving Connecticut residents and strengthening our statewide presence. Strategic partnerships - including those in imaging and outpatient surgery - allow us to enhance services efficiently while managing competing capital needs. We continue to explore additional collaborations with public 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 independent hospitals across the region. Building on the Cain Brothers report and informed by current market conditions, we are evaluating pathways for the State to achieve greater scale within the healthcare system - improving financial stability for smaller hospitals and expanding access to care. We are pursuing complementary partnership opportunities in ancillary clinical areas as well, ensuring we continue to grow in ways that benefit patients.

UConn Health's mission - research, education, patient care, and community service - remains as vital as ever. We are taking proactive steps to strengthen each of these pillars while preparing for possible changes in federal and state funding. Anticipated reductions in programs such as Medicaid and National Institutes of Health (NIH) research underscore the importance of accelerating efforts toward a self-sustaining clinical enterprise. These initiatives will help preserve access to comprehensive services and specialties that may not otherwise be available within the state.

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 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.

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

CONTACTING UCONN MEDICAL GROUP'S FINANCIAL MANAGEMENT

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



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 UConn Medical Group (UMG), 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 financial statements, which collectively comprise UMG's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The University of Connecticut Health Center UConn Medical Group as of June 30, 2025 and 2024, and the respective changes in net position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 University of Connecticut Health Center UConn Medical Group 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.

Emphasis of Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2025 the Hospital adopted new accounting guidance for the recognition of measurement of compensated absences and associated salary-related payments. Our opinion is not modified with respect to that matter.

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 UMG'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 UConn Medical Group'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 UConn Medical Group'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, the schedule of changes in UMG's net position liability and related ratios, the schedule of pension contributions, the schedule of changes in UMG's net OPEB liability and related ratios, the schedule of UMG's proportionate share of the net OPEB liability, and the schedule of UMG's OPEB contributions, 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 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 UConn Medical Group'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 20, 2025

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

STATEMENTS OF NET POSITION

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Assets		
Current Assets		
Cash	\$ 17,960,103	\$ 2,433,063
Patient accounts receivable, net of estimated uncollectibles of \$5,706,206 and \$4,885,482 at June 30, 2025 and 2024, respectively	14,283,712	12,367,305
Inventory	1,295,227	1,212,653
Contract and other receivables (Note 6)	6,410,710	7,288,574
Lease receivable, current (Note 4)	-	31,839
Due from Central Administrative Services	22,647	22,647
Due from JDH	204	-
Prepaid expenses	392,344	29,263
Total Current Assets	40,364,947	23,385,344
Noncurrent Assets		
Deposits to vendors	-	48,629
Right-to-use assets, net (Note 8)	95,302,416	103,495,312
Capital and intangible assets, net (Note 8)	17,932,884	19,029,004
Total Noncurrent Assets	113,235,300	122,572,945
Total Assets	153,600,247	145,958,289
Deferred Outflows of Resources		
Deferred amount for pensions (Note 10)	-	36,949,011
Deferred amount for OPEB (Note 10)	-	77,098,554
Total Deferred Outflows of Resources	\$ -	\$ 114,047,565

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

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UCONN MEDICAL GROUP**

STATEMENTS OF NET POSITION (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024 (Restated)
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,775,803	\$ 2,352,621
Accrued payroll	9,375,476	7,574,476
Unearned revenue	8,467	-
Due to State of Connecticut	1,945,557	1,700,338
Due to UConn Health Malpractice Fund (Note 1)	24,063	24,063
Due to Finance Corporation	696,166	1,371,899
Due to other funds	1,700	-
Right-to-use liabilities, current portion (Note 9)	7,451,107	7,385,861
Accrued compensated absences, current portion (Note 9)	<u>10,265,107</u>	<u>9,033,370</u>
Total Current Liabilities	<u>32,543,446</u>	<u>29,442,628</u>
Noncurrent Liabilities		
Pension liabilities (Note 10)	-	146,383,783
OPEB liabilities (Note 10)	-	278,999,703
Right-to-use liabilities (Note 9)	98,915,933	105,916,548
Accrued compensated absences, net of current portion (Note 9)	<u>6,138,068</u>	<u>5,987,198</u>
Total Noncurrent Liabilities	<u>105,054,001</u>	<u>537,287,232</u>
Total Liabilities	<u>137,597,447</u>	<u>566,729,860</u>
Deferred Inflows of Resources		
Deferred amount for right-to-use assets	-	28,912
Deferred amount for pensions (Note 10)	-	43,218,946
Deferred amount for OPEB (Note 10)	-	104,907,538
Total Deferred Inflows of Resources	<u>-</u>	<u>148,155,396</u>
Net Position		
Net investment in capital assets	6,868,260	9,221,907
Unrestricted (deficit)	<u>9,134,540</u>	<u>(464,101,309)</u>
Total Net Position	<u>\$ 16,002,800</u>	<u>\$ (454,879,402)</u>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024 (Restated)
Operating Revenues		
Net patient service revenues (Note 3)	\$ 157,642,924	\$ 144,076,567
Contract and other revenues	9,944,340	8,432,211
Total Operating Revenues	<u>167,587,264</u>	<u>152,508,778</u>
Operating Expenses		
Salaries and wages	165,964,008	150,302,156
Fringe benefits	36,042,783	82,275,633
Medical contractual support	2,871,927	2,038,157
Internal contractual support	1,664,823	1,822,857
Outside agency per diems	1,876,851	1,848,668
Depreciation (Note 8)	4,083,023	3,480,848
Amortization (Note 8)	8,978,984	10,793,023
Pharmaceutical/medical supplies	11,653,346	11,647,698
Utilities	3,455,451	2,497,439
Outside and other purchased services	14,994,518	14,413,034
Insurance	512,204	825,287
Repairs and maintenance	4,528,935	3,635,664
Other expenses	1,642,383	1,958,628
Total Operating Expenses	<u>258,269,236</u>	<u>287,539,092</u>
Operating Loss	<u>(90,681,972)</u>	<u>(135,030,314)</u>
Nonoperating Revenues (Expenses)		
Interest expense	(5,518,732)	(5,584,313)
Interest income	370	2,112
Lease revenue	28,912	49,563
Loss on disposals (Note 8)	(19,521)	(66,396)
Net Nonoperating Revenues (Expenses)	<u>(5,508,971)</u>	<u>(5,599,034)</u>
Loss before Other Changes in Net Position	<u>(96,190,943)</u>	<u>(140,629,348)</u>
Other Changes in Net Position		
Transfers from UConn Health - Unrestricted (Note 11)	107,610,740	97,359,433
Derecognition of pension and OPEB balances (Note 13)	459,462,405	-
Net Other Changes in Net Position	<u>567,073,145</u>	<u>97,359,433</u>
Increase(Decrease) in Net Position	<u>470,882,202</u>	<u>(43,269,915)</u>
Net Position - Beginning of year	(454,879,402)	(406,750,723)
Cumulative effect of implementing GASB 101	-	(4,858,764)
Net Position - Beginning of year (restated)	<u>(454,879,402)</u>	<u>(411,609,487)</u>
Net Position - End of year	<u>\$ 16,002,800</u>	<u>\$ (454,879,402)</u>

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024 (Restated)
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 155,726,517	\$ 140,744,906
Cash received from contract and other revenues	10,830,671	7,797,326
Cash (returned to) received from related parties	(429,018)	(1,853,869)
Cash paid to employees for personal services and fringe benefits	(198,823,184)	(181,634,775)
Cash paid for other than personnel services	(43,174,282)	(41,149,919)
Net Cash Used in Operating Activities	(75,869,296)	(76,096,331)
Cash Flows from Investing Activities		
Additions to property and equipment	(3,006,424)	(7,820,081)
Net Cash Used in Investing Activities	(3,006,424)	(7,820,081)
Cash Flows from Noncapital Financing Activities		
Net transfers from UConn Health's unrestricted net assets to support operations	107,610,740	97,359,433
Net Cash Provided by Noncapital Financing Activities	107,610,740	97,359,433
Cash Flows from Capital and Related Financing Activities		
Lease revenue	28,912	49,563
Interest paid	(5,518,732)	(5,584,313)
Payments on right-to-use liabilities	(7,718,160)	(7,747,083)
Net Cash Used in Capital and Related Financing Activities	(13,207,980)	(13,281,833)
Net Change in Cash		
Cash - Beginning	15,527,040	161,188
Cash - Ending	\$ 17,960,103	\$ 2,433,063
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Right-to-use assets acquired by entering into lease agreements	\$ -	\$ 21,147,629
Right-to-use assets acquired by entering into subscription	\$ 791,418	\$ 1,678,689
Derecognition of pension and OPEB balances	\$ (459,462,405)	\$ -

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

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

STATEMENTS OF CASH FLOW (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024 (Restated)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss		
Operating loss	\$ (90,681,972)	\$ (135,030,314)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	13,062,007	14,273,871
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,916,407)	(3,331,661)
Inventory	(82,574)	56,002
Contract and other receivables	877,864	(634,885)
Prepaid expenses	(363,081)	(855)
Due from State of Connecticut	-	178,409
Deposits to vendors	48,629	(48,629)
Deferred outflows - pension	-	14,280,557
Deferred outflows - OPEB	-	32,815,704
Accounts payable and accrued expenses	423,182	(457,481)
Due to Central Administrative Services	-	(48,205)
Due to/from JDH	(204)	(3,244,811)
Due to Finance Corporation	(675,733)	754,355
Due to State of Connecticut	245,219	484,847
Due to/from other funds	1,700	21,536
Accrued payroll	1,801,000	2,218,073
Accrued compensated absences	1,382,607	790,823
Unearned revenue	8,467	-
Due to Malpractice	-	(11,524)
Change in net pension liability	-	6,819,534
Change in deferred inflows - pension	-	(834,945)
Change in net OPEB liability	-	27,474,593
Change in deferred inflows - OPEB	-	(32,621,325)
Net Cash Used in Operating Activities	\$ (75,869,296)	\$ (76,096,331)

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

NOTES TO 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

The University of Connecticut Health Center UConn Medical Group (UConn Medical Group or UMG) clinical operations are modeled, in part, on private group practices and include approximately 600 providers practicing in a wide variety of specialties.

The financial statements include those assets, deferred outflows, liabilities, deferred inflows, net position, revenue, and expense accounts reflected in the accounting records of UMG, which is operated as a separate, identifiable unit (included in the 12018 fund) of the University of Connecticut Health Center (UConn Health). The 12018 fund represents the operating fund for all the entities that comprise UConn Health. UMG has unlimited access to the funds available in the 12018 fund to support its operations. The Governor of the State of Connecticut (the State) appoints the Board of Trustees of the University of Connecticut whose chairman then appoints the Board of Directors, which oversees UConn Health, including UMG. Reference is made to Note 11 for related party transactions.

UMG, as part of UConn Health, is a component of the State and is, therefore, exempt from federal income taxes under Section 115 of the Internal Revenue Code of 1986.

BASIS OF PRESENTATION

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

PROPRIETARY FUND ACCOUNTING

UMG 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, deferred outflows of resources, 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, compensated absences, pension and OPEB liabilities, lease liabilities, and subscription liabilities.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

CASH

Cash balances are included in a pooled cash account with the cash balances of the other entities included in fund 12018. See Note 5 for discussion regarding UMG's available borrowing.

ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

Patient accounts receivable and net patient service revenues are recorded at the estimated net realizable amounts from patients and third-party payors when patient services are rendered.

The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 3 for additional information relative to net patient service revenues and third-party payor programs.

CONTRACT AND OTHER REVENUES

Contract and other revenues include services provided to area hospitals under various contractual agreements and certain agreements with outside providers. Revenue is recorded on the accrual basis of accounting in the period the related services are rendered.

INVENTORY

Inventory, with the exception of pharmaceuticals, is recorded at cost, determined by the first-in, first-out (FIFO) method. Pharmaceuticals are valued at market value, which approximates cost due to high turnover rates. Short-term or minor supplies are expensed as incurred.

CAPITAL ASSETS

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

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings (and related improvements) have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

For projects, including the development of computer software and the initial implementation stage of underlying assets related to subscription-based information technology arrangements, construction in progress is capitalized as costs are incurred during the construction phase. Depreciation will begin once the assets are placed in service.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

LEASES

UMG routinely engages in lease agreements to meet operational needs. UMG's lease contracts generally relate to buildings and associated facilities, such as parking, various machinery, and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, UMG recognizes period revenue or expense based on the provisions of the lease contract. For all other contracts where UMG is the lessee, UMG 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 UMG is not expected to lease assets beyond the underlying asset's useful life. On a more limited basis, UMG serves as a lessor providing leases of buildings. The financial statements recognize the lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

UMG uses an estimated 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 lease obligations for UConn Health. If amendments or other certain 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.

In addition, UMG has entered various subscription-based information technology arrangements to support its service. Information on the types of arrangements entered into and their financial impact on UMG can be found in Note 9.

INTANGIBLE ASSETS

Intangible assets consist of capitalized computer software costs, including software internally developed, that do not meet the definition of subscription-based information technology agreements. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives, which range from 3 to 10 years. Capitalized computer software costs are included with capital and intangible assets on the statements of net position. See Note 8 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

IMPAIRMENT OF LONG-LIVED ASSETS

UMG records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

During 2025, UMG disposed of general equipment totaling approximately \$516,000. These assets were reported as right to use assets and equipment in Note 8. The total loss on disposal related to these assets was zero dollars. An adjustment of \$2.1 million was made to remove the right-to-use asset related to the MSI building as the mortgage concluded this year. During 2024, UMG disposed of information technology and general equipment totaling approximately \$371,000. The loss on disposal related to these assets was approximately \$66,000.

***STATE FUNDING FOR EMPLOYEE RETIREMENT AND OTHER POST-EMPLOYMENT BENEFIT (OPEB)
PLANS***

Due to a legislative change effective July 1, 2023, the State now fully funds retirement-related fringe benefit costs for eligible UMG employees. UMG no longer is charged for contributions to State-administered pension and OPEB plans through a fringe benefit rate assessment. However, because the measurement period for fiscal year 2024 still reflected prior allocations, UMG continued to report related balances in that year. Due to both the legislative change and the timing of the measurement period, UMG will no longer recognize pension and OPEB liabilities, related deferred outflows and inflows, and related expenses in its financial statements. As a result, the derecognition of these amounts was recorded as a special item in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025. See Note 10 and 13 for further details on the accounting treatment and financial statement impact.

Additionally, since UMG is included as an enterprise fund of the State and is not a legally separate entity, retirement costs funded directly by the State are not reflected as on-behalf revenues or expenses and therefore are not reflected as fringe benefit expense in the accompanying financial statements. For additional information on the State's funding structure and legislative background, see Note 10.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

PENSION LIABILITIES

For fiscal years prior to 2025, UMG recorded its proportionate share of the collective net pension liability and collective pension expense for each defined benefit plan offered to its employees. The pro-rata share of pension liability was calculated based on the percentage of contributions to the plan in the valuation year. The collective net pension liability for each plan was measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability was the portion of the actuarial present value of projected benefit payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan's fiduciary net position has been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. UMG contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For fiscal year 2024, UMG recorded its proportionate share of the net pension liability based on the valuations performed as of June 30, 2023. Based on the legislative changes discussed, UMG did not recognize a proportionate share of the net pension liability and therefore recognized no net pension liability for fiscal year 2025.

OPEB LIABILITIES

For fiscal years prior to 2025, individuals who were employed by UMG were eligible to participate in the State's group health plan and were also eligible to continue benefits upon retirement. Retirees under the age of 65 pay the same premium for medical, prescription drugs, and dental benefits as active employees, which results in an implicit rate subsidy and OPEB liability. For this purpose, plan member contributions were recognized in the period in which the contributions were due. UMG contributions were recognized in the period in which the contributions were appropriated. Benefits and refunds were recognized when due and payable in accordance with the terms of each plan. UMG recorded its proportionate share of the net OPEB liability for the fiscal years ended June 30, 2024 based on valuations performed as of June 30, 2023. Based on the legislative changes discussed, UMG did not recognize a proportionate share of the net OPEB liability and therefore recognized no net OPEB liability for fiscal year 2025.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods and will not be recognized as an outflow of resources (expense) until then. These amounts are reported in the statement of net position in a separate section, after total assets. Prior to fiscal year 2025, UMG had two items that meet this criterion, pension deferrals and OPEB deferrals. Historically, UMG's contributions to the pension and OPEB plans made subsequent to the measurement date of the net pension and net OPEB liabilities have been reported as deferred outflows or resources. However, due to legislative changes, UMG did not make contributions to these plans after June 30, 2023. See Note 10 for details on these changes and how retirement costs are being managed by the State.

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. UMG previously reported pension, OPEB, and lease deferrals under this category. However, due to legislative changes, pension and OPEB deferrals are no longer applicable for fiscal year 2025. Refer to Note 10 for details on these changes and the management of retirement costs.

COMPENSATED ABSENCES

UMG's employees earn vacation, personal, compensatory, and sick time at varying rates depending on their collective bargaining units. UMG recognizes a liability for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. This liability includes amounts attributable to services already rendered by employees, where the leave:

- Accumulates into future reporting periods,
- Is more likely than not to be used or paid,
- Is based on the pay rate in effect as of the financial statement date.

The accrual includes vacation, sick (to the extent it meets recognition criteria), and other paid leave benefits that are expected to be either used or paid out. The accrual includes salary-related payments such as the employer's share of payroll taxes. Leave types such as parental, military, and jury duty are recognized only when the leave commences. Holidays are not accrued until used. Compensated absences in the accompanying statements of net position have been allocated between current and noncurrent liabilities based on historical experience.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

THIRD-PARTY PAYORS

Laws governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation. Each year, as the Office of Inspector General's (OIG) work plan changes, new areas of scrutiny surface. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in any given period.

MEDICAL MALPRACTICE

The physicians, health care providers, and support staff of UMG are fully protected by State Statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (statutory immunity). Any claims paid for lawsuits against the State, as allowed by the waiver of statutory immunity, are covered by UConn Health's malpractice self-insurance. UConn Health allocates an annual malpractice premium to UMG, designed to reflect an estimate for the current year's cash claims to be processed. Annual premiums were \$289,000 for fiscal years ended June 30, 2025 and 2024. These premiums are included in insurance expense in UMG's statements of revenues, expenses, and changes in net position. The due to UConn Health Malpractice Fund reported on the statements of net position represents premiums payable for occurrence-based coverage through June 30, 2025 and 2024, respectively.

NET POSITION

Net position is classified in two components. Net investment in capital assets consists of capital and right-to-use assets net of accumulated depreciation/amortization and reduced by the current balances of any leases payable and outstanding borrowings (less amounts held in trust, if any) used to finance the purchase or construction of those assets. All other assets less liabilities are classified as unrestricted.

DUE TO STATE OF CONNECTICUT

Due to State of Connecticut reported on the statements of net position represents the respective UMG borne fringe benefit costs owed at the end of the fiscal year related to accrued salaries.

SUBSEQUENT EVENTS

In preparing these financial statements, UMG 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 requiring recognition or disclosure in the financial statements were identified.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRINCIPLES

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*. For fiscal year ended 2025, the adoption of GASB 100 was considered with the adoption of GASB 101, *Compensated Absences* as a change in accounting principle.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model by amending certain previously required disclosures. 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.

The Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or noncash means. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used or paid for time off or otherwise paid in cash or settled by noncash means. UMG adopted the requirements of this standard as of July 1, 2024 and has applied the provisions of this standard to the beginning of the earliest comparative period presented.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. UMG adopted this Statement on July 1, 2024. UMG has evaluated certain circumstances and does not have issues to disclose that have not been addressed in the footnotes to these financial statements.

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. UMG is currently evaluating the impact this standard will have on its financial statements.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 – RECENTLY ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

CHANGE IN ACCOUNTING PRINCIPLE

In September, 2024, GASB issued Statement No. 104, *Disclosure of 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. UMG is currently evaluating the impact this standard will have on its financial statements.

For fiscal year 2025, UMG adopted accounting pronouncement GASB 101, resulting in a change in accounting principle. GASB 101, which addresses the accounting and financial reporting of compensated absences, superseded GASB Statement No. 16, *Accounting for Compensated Absences*. As part of adopting GASB 101, UMG restated the beginning balances of compensated absences liabilities as of July 1, 2024, by \$5.1 million. The most significant impact resulting from the adoption was a change in the accounting for sick leave, which is now recognized as a liability when it is more likely than not to be used or paid, in accordance with GASB 101.

The impact of adopting GASB 101 on select accounts on the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position as of June 30, 2024 was as follows:

	June 30, 2024 As Previously Reported	June 30, 2024 Adjustment	June 30, 2024 As Restated
Combined Statement of Net Position			
Current Liabilities			
Accrued compensated absences, current portion	\$ 4,490,119	\$ 4,543,251	\$ 9,033,370
Noncurrent Liabilities			
Accrued compensated absences, net of current portion	5,408,733	578,465	5,987,198
Net Position	\$ (449,757,686)	\$ (5,121,716)	\$ (454,879,402)
Combined Statement of Revenues, Expenses, and Changes in Net Position			
Operating Expenses			
Salaries and wages	\$ 150,057,924	\$ 244,232	\$ 150,302,156
Fringe benefits	82,256,913	18,720	82,275,633
Cumulative effect of implementing GASB 101	-	(4,858,764)	(4,858,764)
Net Position	\$ (449,757,686)	\$ (5,121,716)	\$ (454,879,402)

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 3 – NET PATIENT SERVICE REVENUES

Patient service revenues reported net of allowances for the fiscal years ended June 30 were:

	2025	2024
Gross patient service revenues	\$ 387,032,796	\$ 323,539,590
Less contractual allowances and provisions for bad debt	(229,389,872)	(179,463,023)
Net patient service revenues	\$ 157,642,924	\$ 144,076,567

SIGNIFICANT CONCENTRATIONS

UMG has agreements with third-party payors that provide for payments to UMG at amounts different from UMG's established rates. The most significant of these arrangements are with Medicare and Medicaid. Concentrations of total net patient service revenues and associated year-end patient accounts receivable for these programs are shown in the table below:

	Medicare		Medicaid	
	2025	2024	2025	2024
Net patient service revenues	32%	33%	13%	14%
Patient accounts receivable	23%	23%	10%	6%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. UMG believes that it complies with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on UMG.

MEDICARE

All services provided to traditional Medicare participants are reimbursed based on the resource-based relative value system (RBRVS). Various third-party payors, with the approval of the Centers for Medicare and Medicaid Services (CMS), provide Medicare manage programs to its members, which reimburse UMG based on their own fee schedules.

MEDICAID

Services are reimbursed based on Medicaid fee schedules, except for select third-party payors and out of state Medicaid. These third parties reimburse UMG based upon their own individual fee schedules. In fiscal years 2025 and 2024, UMG recorded \$23.6 million and \$22.3 million, respectively, in supplemental revenue from the Department of Social Services, which is included in net patient service revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 3 – NET PATIENT SERVICE REVENUES (CONTINUED)

COMMERCIAL FEE SCHEDULES

BLUE CROSS HOSPITAL-BASED PROVIDERS

Hospital-based practices, including radiology, are reimbursed based on the Blue Cross Hospital-Based Providers (HBP) fee schedule.

BLUE SHIELD

Physicians are reimbursed according to Blue Shield's published fee schedule.

MANAGED CARE

UMG has entered into contracts with managed care companies. The basis for payment under these arrangements is primarily agreed-upon fee schedules with limited capitated contracts for primary care services.

CONTRACT MANAGEMENT SYSTEM

For substantially all payors, the Epic Contract Management System (ECM) nets gross billings down to the expected net realizable amount at the time of billing based on UMG's loaded contracts.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

UMG's estimation of the allowance for uncollectible accounts is based primarily on the type and age of the patient accounts receivable and the effectiveness of UMG's collection efforts. UMG's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, UMG reviews its accounts receivable balances, the effectiveness of UMG's reserve policies, and various analytics to support the basis for its estimates.

These efforts primarily consist of reviewing the following:

- Revenue and volume trends by payor, particularly the self-pay components;
- Changes in the aging and payor mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients;
- Various allowance coverage statistics.

UMG regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 – LEASE RECEIVABLE

UMG entered into a contract to sublease rental space to Connecticut Children's Medical Center (CCMC) in Hartford, Connecticut. For the fiscal year ended June 30, 2025 and 2024, the statements of revenues, expenses, and changes in net position includes lease revenue of \$28,912 and \$49,563 in each fiscal year as well as interest income of \$370 and \$2,112, respectively.

Lease receivable for the fiscal years ended June 30, 2025 and 2024 is as follows:

	June 30, 2024			June 30, 2025		Amount due within 1 year
	Balance	Additions	Deductions	Balance		
Lease receivable total	\$ 31,839	\$ -	\$ (31,839)	\$ -	\$ -	
<hr/>						
	June 30, 2023			June 30, 2024		Amount due within 1 year
	Balance	Additions	Deductions	Balance		
Lease receivable total	\$ 78,475	\$ -	\$ (46,636)	\$ 31,839	\$ 31,839	

NOTE 5 – HYPOTHECATION

In accordance with State statute, UMG can borrow from the State up to 70% of its total net patient accounts receivable and contract and other receivables to fund operations. As of June 30, 2025 and 2024, UMG had the following draws and availability:

	2025	2024
Amount drawn under hypothecation	\$ -	\$ -
Remaining amounts available under hypothecation	\$ 14,486,095	\$ 13,759,115

NOTE 6 – CONTRACT AND OTHER RECEIVABLES

UMG enters into contracts with external entities including hospitals, retirement homes, and the State's Department of Corrections to provide physician services. UMG also provides physician services to entities within UConn Health, including the School of Medicine, School of Dental Medicine, Dental Clinics, and JDH. Other miscellaneous revenues, including population health payment and revenues related to the performance of administrative duties at UConn Health, are included in contract and other revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 7 – CHARITY CARE

UMG maintains records to identify and monitor the level of charity care it provides. In fiscal year 2025, UConn Health revised its financial assistance policy to include insured patients, consistent with national trends.

During fiscal years 2025 and 2024, UMG provided charity care services of \$2,132,993 and \$1,449,507, respectively. The implementation of an automated approval process in fiscal year 2024 has contributed to the increase in the number of individuals receiving charity care. There is a growing need for financial assistance due to an increase in the uninsured population and household debt. Many uninsured patients who were previously on Medicaid have transitioned to charity care in fiscal year 2025.

The estimated cost of these services was \$572,175 and \$460,653 for the fiscal years ended June 30, 2025 and 2024, respectively. No net patient service revenue was recorded for these services; however, expenses associated with these services were included in operating expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET

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

	2025	2024
Land	\$ 89,132	\$ 89,132
Construction in progress (estimated costs to complete of \$2.1 million and 1.8 million at June 30, 2025 and 2024, respectively)	1,349,714	961,750
Buildings and leasehold improvements	21,004,166	19,742,504
Equipment	12,121,245	11,722,600
Computer software	14,831,802	14,807,942
Total capital and intangible assets	49,396,059	47,323,928
Less: accumulated depreciation	31,463,175	28,294,924
Capital and intangible assets, net	<u><u>\$ 17,932,884</u></u>	<u><u>\$ 19,029,004</u></u>
	2025	2024
Right-to-use assets - buildings	\$ 127,121,156	\$ 129,310,371
Right-to-use assets - equipment	514,030	514,030
Right-to-use assets - subscriptions	6,599,195	5,918,893
Total right-to-use assets	134,234,381	135,743,294
Less: accumulated amortization	38,931,965	32,247,982
Right-to-use assets, net	<u><u>\$ 95,302,416</u></u>	<u><u>\$ 103,495,312</u></u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

Capital asset activity for the fiscal years ended June 30, 2025 and 2024 is as follows:

	2024	Additions	Deductions	2025
Land	\$ 89,132	\$ -	\$ -	\$ 89,132
Construction in progress	961,750	2,388,211	(2,000,247)	1,349,714
Buildings	19,742,504	1,310,564	(48,902)	21,004,166
Equipment	11,722,600	1,282,536	(883,891)	12,121,245
Software	14,807,942	25,360	(1,500)	14,831,802
Total capital assets	\$ 47,323,928	\$ 5,006,671	\$ (2,934,540)	\$ 49,396,059

	2023	Additions	Deductions	2024
Land	\$ 89,132	\$ -	\$ -	\$ 89,132
Construction in progress	1,368,637	6,173,989	(6,580,876)	961,750
Buildings	15,822,183	3,920,371	(50)	19,742,504
Equipment	8,723,355	3,370,340	(371,095)	11,722,600
Software	13,930,521	936,257	(58,836)	14,807,942
Total capital assets	\$ 39,933,828	\$ 14,400,957	\$ (7,010,857)	\$ 47,323,928

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

	2024	Additions	Deductions	2025
Buildings	\$ 11,380,266	\$ 991,302	\$ (48,902)	\$ 12,322,666
Equipment	7,780,490	1,447,051	(864,370)	8,363,171
Software	9,134,168	1,644,670	(1,500)	10,777,338
Total accumulated depreciation	\$ 28,294,924	\$ 4,083,023	\$ (914,772)	\$ 31,463,175

	2023	Additions	Deductions	2024
Buildings	\$ 10,563,001	\$ 817,315	\$ (50)	\$ 11,380,266
Equipment	7,102,104	983,085	(304,699)	7,780,490
Software	7,512,556	1,680,448	(58,836)	9,134,168
Total accumulated depreciation	\$ 25,177,661	\$ 3,480,848	\$ (363,585)	\$ 28,294,924

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 8 – CAPITAL AND INTANGIBLE ASSETS, NET (CONTINUED)

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

	2024	Additions	Deductions	2025
Right-to-use assets - buildings	\$ 129,310,371	\$ -	\$ (2,189,215)	\$ 127,121,156
Right-to-use assets - equipment	514,030	-	-	514,030
Right-to-use assets - subscriptions	5,918,893	791,418	(111,116)	6,599,195
Total right-to-use assets	\$ 135,743,294	\$ 791,418	\$ (2,300,331)	\$ 134,234,381

	2023	Additions	Deductions	2024
Right-to-use assets - buildings	\$ 110,289,604	\$ 21,147,629	\$ (2,126,862)	\$ 129,310,371
Right-to-use assets - equipment	682,134	-	(168,104)	514,030
Right-to-use assets - subscriptions	5,476,132	1,678,689	(1,235,928)	5,918,893
Total right-to-use assets	\$ 116,447,870	\$ 22,826,318	\$ (3,530,894)	\$ 135,743,294

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

	2024	Additions	Deductions	2025
Right-to-use assets - buildings	\$ 27,231,535	\$ 7,835,373	\$ (2,183,885)	\$ 32,883,023
Right-to-use assets - equipment	241,455	94,684	-	336,139
Right-to-use assets - subscriptions	4,774,992	1,048,927	(111,116)	5,712,803
Total accumulated amortization	\$ 32,247,982	\$ 8,978,984	\$ (2,295,001)	\$ 38,931,965

	2023	Additions	Deductions	2024
Right-to-use assets - buildings	\$ 21,195,691	\$ 8,162,706	\$ (2,126,862)	\$ 27,231,535
Right-to-use assets - equipment	297,906	111,654	(168,105)	241,455
Right-to-use assets - subscriptions	3,548,422	2,518,663	(1,292,093)	4,774,992
Total accumulated amortization	\$ 25,042,019	\$ 10,793,023	\$ (3,587,060)	\$ 32,247,982

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Activity related to long-term liabilities and leases for the fiscal years ended June 30, 2025 and 2024 was as follows:

	June 30, 2024			June 30, 2025		Amounts due within 1 year
	(Restated)	Additions	Deductions	(Restated)	(Restated)	
Right-to-use lease liabilities	\$ 109,745,710	\$ -	\$ (6,003,692)	\$ 103,742,018	\$ 6,115,756	
Right-to-use subscriptions	3,556,699	718,618	(1,650,295)	2,625,022	1,335,351	
Total leases and subscriptions	<u>\$ 113,302,409</u>	<u>\$ 718,618</u>	<u>\$ (7,653,987)</u>	<u>\$ 106,367,040</u>	<u>\$ 7,451,107</u>	
Other long-term liabilities						
Accrued compensated absences	\$ 15,020,568	\$ 7,958,307	\$ (6,575,700)	\$ 16,403,175	\$ 10,265,107	
Pension liabilities	146,383,783	-	(146,383,783)	-	-	
OPEB liabilities	278,999,703	-	(278,999,703)	-	-	
Total other liabilities	<u>\$ 440,404,054</u>	<u>\$ 7,958,307</u>	<u>\$ (431,959,186)</u>	<u>\$ 16,403,175</u>	<u>\$ 10,265,107</u>	
Total long-term liabilities	<u>\$ 553,706,463</u>	<u>\$ 8,676,925</u>	<u>\$ (439,613,173)</u>	<u>\$ 122,770,215</u>	<u>\$ 17,716,214</u>	
	June 30, 2023			June 30, 2024		Amounts due within 1 year
	(Restated)	Additions	Deductions	(Restated)	(Restated)	
Right-to-use lease liabilities	\$ 94,725,122	\$ 21,072,655	\$ (6,052,067)	\$ 109,745,710	\$ 6,003,694	
Right-to-use subscriptions	3,441,071	1,678,679	(1,563,051)	3,556,699	1,382,167	
Total leases and subscriptions	<u>\$ 98,166,193</u>	<u>\$ 22,751,334</u>	<u>\$ (7,615,118)</u>	<u>\$ 113,302,409</u>	<u>\$ 7,385,861</u>	
Other long-term liabilities						
Accrued compensated absences	\$ 14,229,745	\$ 6,459,442	\$ (5,668,619)	\$ 15,020,568	\$ 9,033,370	
Pension liabilities	164,828,924	36,092,173	(54,537,314)	146,383,783	-	
OPEB liabilities	240,823,701	79,810,910	(41,634,908)	278,999,703	-	
Total other liabilities	<u>\$ 419,882,370</u>	<u>\$ 122,362,525</u>	<u>\$ (101,840,841)</u>	<u>\$ 440,404,054</u>	<u>\$ 9,033,370</u>	
Total long-term liabilities	<u>\$ 518,048,563</u>	<u>\$ 145,113,859</u>	<u>\$ (109,455,959)</u>	<u>\$ 553,706,463</u>	<u>\$ 16,419,231</u>	

UConn Medical Group routinely leases various facilities and equipment instead of purchasing the assets. The contracts, at times, include variable payments, residual value guarantees or termination penalties that are not known or uncertain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2025.

For the fiscal year ended June 30, 2025 and 2024, UMG recognized expense for lease variable payments as summarized in the following table:

Expense Category	2025	2024
	Expenses Allocated	Expenses Allocated
Common area expense	\$ 407,084	\$ 393,123
Property taxes	275,565	123,918
Grand Total	<u>\$ 682,649</u>	<u>\$ 517,041</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

**NOTE 9 – LONG-TERM LIABILITIES, LEASES, AND SUBSCRIPTION-BASED INFORMATION
TECHNOLOGY ARRANGEMENTS (CONTINUED)**

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

Fiscal Year Ending June 30	Lease Liabilities	
	Principal	Interest
2026	\$ 6,115,756	\$ 5,044,809
2027	6,446,456	4,742,567
2028	6,481,484	4,427,761
2029	6,216,435	4,119,110
2030	6,351,323	3,816,646
2031-2035	33,211,767	14,254,491
2036-2040	35,368,482	5,536,304
2041-2045	3,550,315	406,301
Total lease and installment purchase liabilities	<u>\$ 103,742,018</u>	<u>\$ 42,347,989</u>

UMG has entered various subscription-based information technology arrangements (SBITAs) to support its services. SBITAs entered into, or in place, during the fiscal years ended June 30, 2025 and 2024 include:

- Various desktop and server software subscriptions;
- Electronic workflow software;
- Budgeting, accounting, and information system software;
- Performance measurement/benchmarking software;
- Document management software;
- Payroll and human resources services software; and
- Information technology security software.

The following is a schedule, by fiscal year, of future minimum subscription payments due:

Fiscal Year Ending June 30	Subscription Liabilities	
	Principal	Interest
2026	\$ 1,335,351	\$ 99,145
2027	792,135	44,427
2028	492,349	9,646
2029	5,187	70
Total subscription liabilities	<u>\$ 2,625,022</u>	<u>\$ 153,288</u>

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS

STATE RETIREMENT SYSTEMS

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

PLAN DESCRIPTIONS

SERS is a single-employer defined benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State-sponsored retirement plan. The plan is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. SERS consists of Tier I, Tier II, Tier IIA, Tier III, Tier IV, and the Hybrid Plan.

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

BENEFITS PROVIDED

SERS provides retirement, disability, and death benefits along with cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated following a basic formula that takes into consideration average salary, credited service, and age at retirement. The details on plan benefits for the Tier IV Plan, revised COLAs for plan members retiring on or after July 1, 2022, and revised disability retirement requirements are described in the State Employees' Bargaining Agent Coalition (SEBAC) 2017 agreement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192x of the State General Statutes.

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

STATE RETIREMENT SYSTEMS (CONTINUED)

CONTRIBUTIONS

The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2025 were:

Tier I Hazardous - 6% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level
Tier I Plan B - 4% of earnings up to Social Security Taxable Base plus 7% of earnings above that level
Tier I Plan C - 7% of earnings
Tier II Hazardous - 6% of earnings
Tier II (all others) - 2% of earnings
Tier IIA and III Hazardous - 7 % of earnings
Tier IIA and III (all others) - 4% of earnings
Tier IV Hazardous - 8% of earnings*
Tier IV (all others) - 5% of earnings*

*Contributions may vary for anyone electing to maintain retirement eligibility in accordance with the SEBAC 2017 agreement, in years where asset losses require further increases in contributions, Tier IV employees' contributions may increase by half the necessary increase in rates (up to 2%). Finally, all Tier IV employees must contribute 1% to the defined benefit component of the Hybrid Plan and may elect additional contributions of up to 3% of salary. The State is required to contribute at an actuarially determined rate to the defined benefit component and 1% of eligible compensation to the defined contribution component.

Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for ARP were also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III, but requires employee contributions 3% higher than the contribution required from the applicable Tier II, IIA, or III Plan.

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

Effective July 1, 2023, legislation altered UMG's funding structure for employer contributions to the SERS and TRS see Note 10. Beginning in fiscal year 2024, the State assumed responsibility for these contributions, and UMG did not make any payments to SERS or TRS. As a result, no deferred outflows of resources were reported as of June 30, 2024, for contributions made after the measurement date.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

STATE RETIREMENT SYSTEMS (CONTINUED)

Proportionate share of the collective net pension liability (NPL) and pension expense.

In prior years, UMG's proportionate share of the NPL was determined by its share of total contributions to each plan. Due to the legislative changes effective after June 30, 2023, UMG's proportionate share was reduced to zero for both plans as of the June 30, 2024 measurement date, reflecting the State's full funding of contributions. As of the June 30, 2023 measurement date, UMG's proportion was .70% for SERS and 0.001% for TRS.

With a zero percent proportionate share, UMG removed all related pension liabilities, deferred inflows, and deferred outflows from its financial statements for fiscal year 2025. This removal was recorded as a special item in the Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025, rather than being amortized as a change in proportionate share through pension expense. Additional details are provided in Note 13.

UMG's proportionate share of the collective NPL at June 30, 2024, and related pension expense for fiscal year 2024 consisted of the following:

	SERS	TRS (in thousands)	Total
Proportionate share of the collective NPL	\$ 146,218	\$ 166	\$ 146,384
Pension Expense (income)	\$ 20,266	\$ (38)	\$ 20,228

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES (SERS)

At June 30, 2024, UMG reported deferred outflows of resources and deferred inflows of resources related to the SERS and TRS plan from the following sources:

	SERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources (in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportionate allocation of pension expense	\$ 18,471	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	2,781	-	7	-
Difference between expected and actual experience	15,286	-	6	30
Net difference between employer contribution and proportionate share	-	41,972	386	2
Changes in assumptions	-	149	12	-
	<u>\$ 36,538</u>	<u>\$ 42,121</u>	<u>\$ 411</u>	<u>\$ 32</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

STATE RETIREMENT SYSTEMS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SERS/TRS)

The total SERS and TRS pension liability in the June 30, 2024 actuarial valuations was determined based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. The Mortality Table was used for the period after service retirement and for dependent beneficiaries. The key actuarial assumptions are summarized below:

Inflation:	2.50%
Salary increase:	3.00% - 11.50% including inflation
Investment rate of return:	6.90%, net of pension plan investment expense, including inflation

DISCOUNT RATE (SERS/TRS)

The discount rate used to measure the total pension liability was the long-term expected rate of return of 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that UMG contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected for June 30, 2024 through the year 2127.

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS/TRS)

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

STATE RETIREMENT SYSTEMS (CONTINUED)

EXPECTED RATE OF RETURN ON INVESTMENTS (SERS/TRS)(CONTINUED)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class for June 2024 are summarized in the following table for SERS and TRS:

Asset Class	Actuarial Valuation Year June 30, 2024	
	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37%	6.8%
Private Equity	15%	11.2%
Core Fixed Income Fund	13%	0.4%
Real Estate Fund	10%	6.2%
Private Credit	10%	6.1%
Infrastructure and Natural Resources	7%	7.7%
Risk Mitigation	5%	0.1%
Public Credit	2%	2.9%
Liquidity Fund	1%	(0.4)%
	<u>100%</u>	

SENSITIVITY OF UMG'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE (SERS)

The following table presents UMG's proportionate share of the net pension liability as of June 30, 2024, calculated using the discount rate of 6.90%, as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

	2024		
	1%	Current	1%
	Decrease (5.90%)	Discount Rate (6.90%)	Increase (7.90%)
<i>(in thousands)</i>			
UMG's proportionate share of the net pension liability	\$ 181,485	\$ 146,218	\$ 116,819

UNIVERSITY OF CONNECTICUT HEALTH CENTER UCONN MEDICAL GROUP

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

ALTERNATE RETIREMENT PLAN

UMG also participates in the Alternate Retirement Plan (ARP), a defined contribution plan administered through a third-party administrator, Empower Financial Services, Inc. The Connecticut State Employees' Retirement Commission has the authority to supervise and control the operation of the ARP, including the authority to make and amend rules and regulations relating to the administration of the ARP.

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

ARP contribution requirements are established by and may be amended by the State legislature subject to the contractual rights established by collective bargaining. The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. Participants hired before September 1, 2017, must contribute 5% of their eligible compensation, and their employer must contribute 7% of eligible compensation. Participants hired on or after September 1, 2017, have the option to contribute 6.5% or 5% of their eligible compensation, and their employer must contribute 6.5% of eligible compensation. There is no minimum vesting period for ARP. Other ARP provisions are described in Chapter 66 of the State General Statutes, *State Employees Retirement Act*.

Legislation effective July 1, 2023, changed UMG's State funding structure concerning employer contributions (see Note 14). As a result, for the fiscal year ended June 30, 2025 and 2024, UMG did not make any contributions or report retirement expenses for ARP, as these were funded by the State.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

GENERAL INFORMATION ABOUT THE SEOPEBP

PLAN DESCRIPTION

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP

BENEFITS PROVIDED

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

CONTRIBUTIONS

SEOPEBP is primarily funded on a pay-as-you-go basis for non-contributory members and 100% for contributory members through an annual appropriation in the General Fund. The contribution requirements of the plan members and the State are established and may be amended by the State legislature or by agreement between the State and employee unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary to the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3% of their salary for 15 years. Contributions are refundable to employees who leave State employment prior to completing the required years of service.

Similar to pension, effective July 1, 2023, legislation altered UMG's funding structure for employer contributions to the SEOPEBP (see Note 10). Beginning in fiscal year 2024, the State assumed responsibility for these contributions, and UMG did not make any payments to SEOPEBP. As a result, no deferred outflows of resources were reported as of June 30, 2024, for contributions made after the measurement date.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY (NOL) AND OPEB EXPENSE

The total collective OPEB liability (TOL) used to calculate the NOL was based on actuarial valuation reports as of June 30, 2024, for SEOPEBP. In prior years, UMG's proportionate share of the NOL was determined by its share of total contributions. As of the June 30, 2023 measurement date, UMG's proportion was 3.72%. UMG's OPEB liability of \$279.0 million as of June 30, 2024 for its proportionate share of the net OPEB liability was measured as of June 30, 2023 based on an actuarial valuation that was rolled forward to June 30, 2024. UMG's proportion of the net OPEB liability was based on UMG's percentage of total overall contributions to the plan.

Due to the legislative changes effective after June 30, 2023, UMG's proportionate share was reduced to zero as of the June 30, 2024 measurement date, reflecting the State's full funding of contributions.

With a zero percent proportionate share, UMG removed all related OPEB liabilities, deferred inflows, and deferred outflows from its financial statements. This removal was recorded as a special item in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025, rather than being amortized as a change in proportionate share through OPEB expense. Additional details are provided in Note 13.

EMPLOYEES COVERED BY BENEFIT TERMS

Demographic data for individual State entities in the SEOPEBP is not readily available. At June 30, 2023, the SEOPEBP was based on plan membership at June 30, 2023, covering the following:

	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefit payments	85,696
Inactive employees entitled to but not yet receiving benefit payments	470
Active employees	<u>50,078</u>
Total covered employees	<u><u>136,244</u></u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

The total OPEB liability in the June 30, 2024 and actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Actuarial valuation year
	June 30, 2024
Actuarial experience study:	July 1, 2015 - June 30, 2020
Payroll growth rate:	3.00%
Inflation:	2.50%
Salary increase:	3.00% to 11.5% varying by years of service and retirement systems, including inflation
Discount rate:	6.9% for contributory members and 3.65% for non-contributory members as of June 30, 2023
Healthcare cost trends rates	
Medical(Non-Medicare)	-.35%, then 5.75% decreasing by .25% each year to an ultimate level of 4.5% each year
Prescription Drug (Non-Medicare)	2.35%, then 6.5% decreasing by .25% each year to an ultimate level of 4.5% each year
Medical and Prescription (Medicare)	32.51%, 59.22%, 28.24% then 5.75% decreasing by .25% each year to an ultimate level of 4.5% per year
Dental	2.6%, 4.45%, then an ultimate level of 3.0% per year
Part B	4.5% per year
Administrative expense	1.85%, 3.3%, then 3.0% per year
Retirees' share of benefit-related costs	Contributions, if required, are determined by plan, employee start date and benefit type

The discount rate is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (6.90% for contributory members and 3.65% for non-contributory members as of June 30, 2023). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (SEOPEBP)

Mortality rates for healthy personnel were based on the Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020. For disabled employees, Pub-2010 General, Disabled Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020.

SENSITIVITY OF UMG's PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents UMG's proportionate share of net OPEB liability as of June 30, 2024, using the discount rate of 6.90%, as well as the proportionate share of the net OPEB liability using a 1.00% increase or decrease from the current discount rate:

	2024		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 324,379	\$ 279,000	\$ 241,843

The following table presents the net OPEB liability of UMG, as well as what UMG's proportionate share of the net OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current health care cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease	Current Valuation	1% Increase
	<i>(in thousands)</i>		
Net OPEB Liability	\$ 241,502	\$ 279,000	\$ 325,023

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – PENSION AND OPEB PLANS (CONTINUED)

GENERAL INFORMATION ABOUT THE SEOPEBP (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the fiscal year ended June 30, 2024, UMG recognized OPEB expense of \$27.7 million. At June 30, 2024, UMG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	(in thousands)	
Changes in proportion	\$ 48,579	\$ -
Net difference between expected and actual experience in total OPEB liability	2,915	19,068
Changes in assumptions or other inputs	23,855	85,840
Net difference between projected and actual earnings	1,750	-
	<u>\$ 77,099</u>	<u>\$ 104,908</u>

EXPECTED RATE OF RETURN ON INVESTMENTS (SEOPEBP)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class in the SEOPEBP are summarized in the following table:

Asset Class	Actuarial Valuation Year	
	June 30, 2024	Long-Term Expected Real Rate of Return
Global Equity	37%	6.8%
Private Equity	15%	11.2%
Core Fixed Income Fund	13%	0.4%
Real Estate Fund	10%	6.2%
Private Credit	10%	6.1%
Infrastructure and Natural Resources	7%	7.7%
Risk Mitigation	5%	0.1%
Public Credit	2%	2.9%
Liquidity Fund	1%	(0.4)%
	100%	

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 11 – RELATED PARTY TRANSACTIONS

The expenses reported in the accompanying statements of revenues, expenses, and changes in net position do not include undetermined amounts for salaries, services, and expenses provided to and received from UConn Health and other State agencies

UConn Health performs a Home Office allocation, which allocates substantially all central administrative expenses to its separate business units. The amount charged to the separate business units may not necessarily result in the net costs that are to be incurred by the business units on a stand-alone basis. The Home Office allocation allocates costs based on several different methodologies depending on cost type. The methodologies used are consistent with Medicare cost reporting and other federal costing standards, and include allocations based on square footage occupied, employee full-time equivalent (FTE) counts, as well as overall and total clinical cost breakouts. The Home Office allocation amounts are charged to business units each month based on operational results. Allocated expenses are grouped in their natural classification category for financial reporting purposes.

For the fiscal years ended June 30, 2025 and 2024, these Home Office allocations resulted in the following expenses being recorded by UMG with an offsetting cash transfer back to UConn Health's Central Administrative Services business unit:

Expense Category	2025 Expenses Allocated	2024 Expenses Allocated
Salaries and wages	\$ 10,282,902	\$ 9,880,366
Fringe benefits	2,882,365	2,975,325
Internal contractual support	920,349	840,578
Temporary Per Diem Staff	604,842	237,774
Utilities	2,918,879	2,080,998
Outside and purchased services	7,215,956	7,532,919
Insurance	44,414	87,819
Repairs and maintenance	2,670,866	2,414,113
Other expenses	676,307	771,576
Debt Services	4,121	7,431
Grand Total	\$ 28,221,001	\$ 26,828,899

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

UMG is party to an agreement with UConn Health whereby the salaries of certain employees are reimbursed by UConn Health operations. The reimbursed expenses are accounted for as a transfer from UConn Health under the heading “Net Transfers from UConn Health” in the statements of revenues, expenses, and changes in net position. UConn Health also allocates working capital based on organizational need throughout the year on an as-needed basis. As a result, the total net transfers from UConn Health were \$107,610,740 and \$97,359,433 for the fiscal years ended June 30, 2025 and 2024, respectively in working capital support.

As more fully described in Note 12, UConn Health charges UMG with an annual premium for medical malpractice costs, which is determined annually by UConn Health. UMG is not liable beyond the annual premium but may have future operational subsidies affected by the performance of the malpractice fund.

Included in contract and other revenues of \$9,944,340 and \$8,432,211 in 2025 and 2024, respectively, are professional service revenues arising under contracts with UConn Health, JDH, State agencies and outside agencies.

Effective July 1, 1987, the University of Connecticut Health Center Finance Corporation (Finance Corporation) was established pursuant to Public Act No. 87-458. The purpose of the Finance Corporation is to provide greater flexibility for UMG and other UConn Health units to promote the more efficient provision of health care services. As such, the Finance Corporation has been empowered to enter into purchase agreements, acquire facilities, approve write-offs of patient accounts receivable, process malpractice claims on behalf of UMG and UConn Health, as well as negotiate joint ventures, shared service, and other agreements for the benefit of UMG.

During fiscal years 2025 and 2024, UConn Health Pharmacy Services, Inc. (UHPSI), a wholly-owned subsidiary of the Finance Corporation, provided pharmaceuticals to UMG in the amount of approximately \$8.8 million and \$8.3 million, respectively. UMG records this charge in pharmaceutical/medical supplies expense in its statements of revenues, expenses, and changes in net position. During the fiscal years ended June 30, 2025 and 2024, UMG made payments to UHPSI in the amount of \$9.4 million and \$7.6 million, respectively. UMG had amounts due to Finance Corporation at June 30, 2025 and 2024 of approximately \$696,000 and \$1.4 million, respectively, which are recorded in the statements of net position.

UMG's pension and OPEB liabilities (Note 10) represent its pro-rata share of the State's overall liabilities for fiscal years prior to 2025 and are not current commitments. The State financed pension and OPEB benefits on a pay-as-you go basis through allocated retirement plan rates, which were part of UMG's reported fringe benefit costs. Effective July 1, 2023, the State charged UMG for only non-retirement fringe benefits. During the fiscal years ended June 30, 2025 and 2024, UMG expensed \$36,042,783 and \$82,275,633 (including GASB 68 and 75 related charges for fiscal year 2024 only), respectively, for employee fringe benefits. Related salary costs for 2025 and 2024 were \$165,964,008 and \$150,302,156, respectively.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In June 2023, the Connecticut General Assembly enacted and the Governor signed Public Act 23-204, which includes the State budget for the fiscal years 2024 and 2025 biennium and amends the State's funding structure for constituent units of the State system of higher education. Effective July 1, 2023, the State began directly funding all of UMG's employee retirement costs related to the State's retirement systems and the Alternate Retirement Plan. UMG remains responsible for funding all employee non-retirement fringe benefit costs.

To achieve a budget-neutral effect, the State reduced the General Fund appropriation that UConn Health receives and no longer associates employee salary and fringe benefit expenses with the General Fund appropriation. For the years ended June 30, 2025 and 2024, the State funded \$39.4 million and \$42.8 million, respectively, of retirement and OPEB costs for UMG, which also includes administrative expenses. These amounts are not reported as on-behalf revenues or expenses in the accompanying financial statements.

NOTE 12 – REPORTING OF THE MALPRACTICE FUND

UConn Health is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under UConn Health's incident reporting system and an estimate of incurred but not reported claims are accrued by UConn Health based on actuarially determined estimates that incorporate UConn Health's past experience, as well as other considerations, including significant year-over-year increases in patient volumes, adverse judgments and/or settlements, if any, the nature of each claim or incident and other relevant trend factors. UMG provides timely incident reporting to UConn Health to assist UConn Health in maintaining appropriate reserve balances.

To the extent that claims for cases exceed current year premiums charged by UConn Health, UConn Health may petition the State to make up the difference. UMG is not responsible for amounts beyond the annual premium allocated by UConn Health. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program.

At June 30, 2025 and 2024, UConn Health's Malpractice Fund had reserves of approximately \$12.7 million and \$10.2 million, respectively, and assets of approximately \$22.2 million and \$20.2 million, respectively. It was estimated that \$3.2 million would be used in fiscal year 2026 for settling cases.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 13 – SPECIAL ITEM – DERECOGNITION OF PENSION AND OPEB BALANCES

As described in Note 1, in fiscal year 2025 UMG recorded a special item for the removal of pension and OPEB balances. This derecognition is classified as a special item under GASB Statements No. 34 *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* because it is infrequent in occurrence and falls within management control, as demonstrated by their participation and influence in decisions regarding State funding.

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* do not require allocation of pension and OPEB liabilities to individual funds within the reporting entity unless those liabilities are directly related to and expected to be paid from those funds. Based on this guidance and legislative changes, UMG no longer recognizes these liabilities. The derecognition was recorded separately in other changes in net position in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025.

The total impact of the derecognition was approximately \$886.2 million. The following table shows the increase (decrease) to net position by plan and balance type as of June 30, 2025:

	<u>SERS</u>	<u>TRS</u>	<u>SECOPEBP</u>	<u>Total</u>
	<i>(in thousands)</i>			
Net Liability (NPL/NOL)	\$ 146,218	\$ 166	\$ 279,000	\$ 425,384
Deferred inflows of resources	42,121	1,098	104,907	148,126
Deferred outflows of resources	(36,538)	(411)	(77,099)	(114,048)
 Total derecognition of pension and OPEB balances	 \$ 151,801	 \$ 853	 \$ 306,808	 \$ 459,462



**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 financial statements of The University of Connecticut Health Center UConn Medical Group (UMG), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise UMG's basic 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 financial statements, we considered UMG'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of UMG'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 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 UMG's 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 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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
November 20, 2025

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	(dollars in thousands)									
Total Pension Liability										
Service cost	\$ -	\$ 3,268	\$ 3,214	\$ 4,048	\$ 3,544	\$ 3,220	\$ 2,778	\$ 2,975	\$ 1,992	\$ 1,800
Interest	-	19,140	18,965	25,259	22,032	18,818	14,320	13,970	13,023	11,900
Differences between expected and actual experience	-	5,288	12,554	7,945	1,898	10,058	3,125	(8,945)	4,779	-
Changes of assumptions	-	-	-	(492)	-	-	-	-	30,671	-
Benefit payments, including refunds of member contributions	-	(18,363)	(17,625)	(22,740)	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)
Change in proportionate allocation of pension liability	(295,904)	(14,201)	(107,794)	40,372	32,540	59,680	9,162	326	10,521	18,039
Net Change in Total Pension Liability	(295,904)	(4,868)	(90,686)	54,392	40,593	75,073	16,678	(3,168)	50,249	22,130
Total Pension Liability - Beginning	<u>295,904</u>	<u>300,772</u>	<u>391,458</u>	<u>337,066</u>	<u>296,473</u>	<u>221,400</u>	<u>204,722</u>	<u>207,890</u>	<u>157,641</u>	<u>135,511</u>
Total Pension Liability - Ending (a)	<u>\$ -</u>	<u>\$ 295,904</u>	<u>\$ 300,772</u>	<u>\$ 391,458</u>	<u>\$ 337,066</u>	<u>\$ 296,473</u>	<u>\$ 221,400</u>	<u>\$ 204,722</u>	<u>\$ 207,890</u>	<u>\$ 157,641</u>
Fiduciary Net Position										
Contributions - employer	\$ -	\$ 22,991	\$ 21,078	\$ 18,242	\$ 14,736	\$ 12,966	\$ 9,338	\$ 9,553	\$ 9,287	\$ 7,953
Contributions - employee	-	1,572	1,496	1,988	1,757	4,018	1,255	821	835	1,086
Net investment income	-	12,369	(11,195)	33,702	2,696	5,840	5,668	9,352	(1)	1,706
Benefit payments, including refunds of member contributions	-	(18,363)	(17,625)	(22,740)	(19,421)	(16,703)	(12,707)	(11,494)	(10,737)	(9,609)
Administrative and other expenses	(149,686)	(13)	17,514	7,919	(7)	24	(23)	(6)	526	-
Change in proportionate allocation of fiduciary net position	-	(6,497)	(48,017)	14,469	11,971	21,853	3,322	102	4,127	7,132
Net Change in Fiduciary Net Position	(149,686)	12,059	(36,749)	53,580	11,732	27,998	6,853	8,328	4,037	8,268
Fiduciary Net Position - Beginning	<u>149,686</u>	<u>137,627</u>	<u>174,376</u>	<u>120,796</u>	<u>109,064</u>	<u>81,066</u>	<u>74,213</u>	<u>65,885</u>	<u>61,848</u>	<u>53,580</u>
Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ 149,686</u>	<u>\$ 137,627</u>	<u>\$ 174,376</u>	<u>\$ 120,796</u>	<u>\$ 109,064</u>	<u>\$ 81,066</u>	<u>\$ 74,213</u>	<u>\$ 65,885</u>	<u>\$ 61,848</u>
UMG's Net Pension Liability - Ending (a) - (b)	<u>\$ -</u>	<u>\$ 146,218</u>	<u>\$ 163,145</u>	<u>\$ 217,082</u>	<u>\$ 216,270</u>	<u>\$ 187,409</u>	<u>\$ 140,334</u>	<u>\$ 130,509</u>	<u>\$ 142,005</u>	<u>\$ 95,793</u>
UMG's Estimated Portion of SERS										
Net Pension Liability	0.00%	0.70%	0.74%	1.02%	0.91%	0.82%	0.65%	0.62%	0.62%	0.58%
Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	50.59%	45.76%	44.55%	35.84%	36.79%	36.62%	36.25%	31.69%	39.23%
UMG's Covered Payroll	\$ -	\$ -	\$ 46,647	\$ 43,496	\$ 40,504	\$ 32,551	\$ 27,090	\$ 26,025	\$ 25,860	\$ 23,424
UMG's Estimated Net Pension Liability as a Percentage of Covered Payroll	0.00%	0.00%	349.74%	499.08%	533.95%	575.74%	518.03%	501.48%	549.13%	408.95%

This schedule is presented as required by accounting principles generally accepted in the United States of America.

See accompanying notes to required schedules.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS TO THE STATE EMPLOYEES' RETIREMENT SYSTEM ONLY

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
(dollars in thousands)										
Contractually required contributions	\$ -	\$ -	\$ 22,991	\$ 21,078	\$ 18,243	\$ 14,736	\$ 12,966	\$ 9,338	\$ 9,553	\$ 9,366
Contributions in relation to the contractually required contribution	_____ -	_____ -	22,991	21,078	18,243	14,736	12,966	9,338	9,553	9,287
Contribution deficiency	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ 79
UMG's covered payroll	\$ -	\$ -	\$ 51,189	\$ 46,647	\$ 43,496	\$ 40,504	\$ 32,551	\$ 27,090	\$ 26,025	\$ 25,860
Contributions as a percentage of covered payroll	0.00%	0.00%	44.91%	45.19%	41.94%	36.38%	39.83%	34.47%	36.71%	35.91%

This schedule is presented as required by accounting principles generally accepted in the United States of America.

See accompanying notes to required schedules

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(dollars in thousands)								
Net OPEB Liability									
Service cost	\$ -	\$ 11,113	\$ 14,083	\$ 18,698	\$ 14,542	\$ 12,281	\$ 10,565	\$ 10,474	\$ -
Interest	-	12,590	8,010	9,516	12,101	10,675	7,970	5,571	
Differences between expected and actual experience	-	(17,908)	(4,814)	5,992	(2,693)	(9,348)	-	-	
Changes of assumptions or other inputs	-	14,853	(69,345)	(75,979)	33,379	49,484	(8,485)	(5,567)	
Benefit payments	-	(11,210)	(9,913)	(9,808)	(9,344)	(8,592)	(7,597)	(6,969)	
Change in proportionate allocation of OPEB liability	<u>(279,000)</u>	<u>28,738</u>	<u>2,227</u>	<u>(875)</u>	<u>5,584</u>	<u>42,670</u>	<u>10,610</u>	<u>(2,000)</u>	
Change in Net OPEB Liability	(279,000)	38,176	(59,752)	(52,456)	53,569	97,170	13,063	1,509	-
Net OPEB Liability - Beginning	<u>279,000</u>	<u>240,824</u>	<u>300,576</u>	<u>353,032</u>	<u>299,463</u>	<u>202,293</u>	<u>189,230</u>	<u>187,721</u>	<u>-</u>
Net OPEB Liability - Ending	<u>\$ -</u>	<u>\$ 279,000</u>	<u>\$ 240,824</u>	<u>\$ 300,576</u>	<u>\$ 353,032</u>	<u>\$ 299,463</u>	<u>\$ 202,293</u>	<u>\$ 189,230</u>	<u>\$ 187,721</u>
UMG's proportion of the net OPEB liability	0.00%	1.79%	1.55%	1.54%	1.50%	1.15%	1.11%	1.09%	1.09%
UMG's proportionate share of the net OPEB liability	\$ -	\$ 279,000	\$ 240,824	\$ 300,576	\$ 353,032	\$ 299,463	\$ 202,293	\$ 189,230	\$ 187,721
UMG's covered payroll	\$ -	\$ 107,573	\$ 99,070	\$ 92,070	\$ 87,096	\$ 80,717	\$ 77,725	\$ 76,699	\$ 79,921
UMG's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	259.36%	243.08%	326.46%	405.34%	371.00%	260.27%	246.72%	234.88%
Plan fiduciary net position (assets)	\$ -	\$ 2,667,443	\$ 2,240,138	\$ 2,199,545	\$ 1,537,194	\$ 1,196,008	\$ 849,889	\$ 542,342	\$ 340,618
Plan fiduciary total OPEB liability	\$ -	\$ 18,266,068	\$ 17,738,337	\$ 21,726,989	\$ 25,078,100	\$ 21,878,399	\$ 18,114,287	\$ 17,904,922	\$ 17,583,045
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	14.60%	12.63%	10.12%	6.13%	5.47%	4.69%	3.03%	1.94%

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

See accompanying notes to required schedules

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UMG'S OPEB CONTRIBUTIONS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
(dollars in thousands)										
Contractually required contribution	\$ -	\$ -	\$ 15,212	\$ 13,176	\$ 13,362	\$ 13,005	\$ 10,902	\$ 9,396	\$ 7,274	\$ 6,626
Contributions in relation to the contractually required contribution	_____ -	_____ -	15,212	13,176	13,362	13,005	10,902	9,396	7,274	6,626
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
UMG's covered payroll	\$ -	\$ -	\$ 107,583	\$ 99,070	\$ 92,070	\$ 87,096	\$ 80,717	\$ 77,725	\$ 76,699	\$ 79,921
Contributions as a percentage of covered payroll	0.00%	0.00%	14.14%	13.30%	14.51%	14.93%	13.51%	12.09%	9.48%	8.29%

This schedule is presented as required by accounting principles generally accepted in the United States of America.

See accompanying notes to required schedules

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Schedules:

SERS and SEOPEBP

Changes in Legislation

2024 – Present: Public Act 23-204 changed the State's funding structure for employer contributions, effective July 1, 2023. Under this legislation, the State covers all retirement-related costs for UMG employees participating in the State's retirement plans. Accordingly, UMG ceased making contributions and reporting related covered payroll beginning with the fiscal year ended June 30, 2024. For the fiscal year ended June 30, 2025, UMG's proportionate share was reduced to zero for the June 30, 2024 measurement date, reflecting the State's full funding of contributions.

SERS

Changes of Benefit Terms

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

Changes in Assumptions

2022 – Wage inflation assumed rate changed from 3.50% to 3.00%; assumed salary scale changed to reflect experience in wage inflation rates of increase; assumed rates of mortality have been revised to the Pub-2010 above median mortality tables (amount-weighted) projected

2020 – Reduction in the inflation assumption from 2.75% to 2.50%; decrease in the investment rate of return assumption from 8.0% to 6.9%; increase in the annual rate of wage increase assumption from 0.50% to 0.75%; phase in to a level dollar amortization method for the June 30, 2024 valuation.

**UNIVERSITY OF CONNECTICUT HEALTH CENTER
UCONN MEDICAL GROUP**

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Schedules (*continued*):

SEOEBCP

Changes in Assumptions

The discount rate was updated in accordance with GASB 75 to 6.90% for contributory members and 3.65% for non-contributory members for the fiscal year 2024. For the fiscal years 2023, 2022, 2021, 2020, 2019, and 2018, the rates were 3.90%, 2.31%, 2.38%, 3.58%, 3.95%, and 3.68%, respectively.

2024 – Per capita health costs, administrative costs, and retiree contributions were updated for recent experience. Actuarial factors used to estimate individual retiree and spouse costs by age and gender were adjusted. In addition, healthcare cost trend rates and retiree contribution rates were adjusted. The Medicare prescription drug trend rates were also updated to reflect an estimate for the impact of the Inflation Reduction Act. 2021, 2017 – Amounts reported reflect adjustments to rates of withdrawal, disability, retirement, mortality and assumed rates of salary to more closely reflect actual and anticipated experience.

2022 – The demographic assumptions (mortality, disability, retirement, withdrawal and salary scale), were updated to be consistent with the corresponding retirement system assumptions. In addition, per capita health costs, administrative costs, and retiree contributions were updated for recent experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

2021 – The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.

2020, 2018 – The salary scale and mortality rates for certain retirement plans and eligible groups were updated to be consistent with the corresponding retirement system assumptions. In addition, demographic assumptions, per capita health costs, administrative costs, and contributions were updated to better reflect actual experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.



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