



**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Basic Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

This section of the University Hospitals Authority (Authority) and University Hospitals Trust (Trust) Annual Financial Statements presents our discussion and analysis of performance during the fiscal years ended June 30, 2022 and 2021. For comparative purposes, fiscal year 2020 information is also provided. Please read the discussion and analysis in conjunction with the combined financial statements, which follow this section.

Financial Statements Overview

The Authority and Trust report financial results on a combined basis because the Trust is a blended component unit of the Authority. Both the Authority and the Trust are statutorily mandated with the same mission and the financial resources of both entities are expended to accomplish our mission of Indigent Care, Education, and Research. The Authority is a component unit of the State of Oklahoma and the Trust is a blended component unit of the Authority.

The financial statements of the Authority and Trust are prepared on a proprietary basis as a business-like entity. The accrual basis of accounting is utilized and the measurement focus is on economic resources. All short-term and long-term assets and liabilities of the Authority and Trust, both financial and capital, are provided. All revenues and expenses earned during the year are recorded regardless of when cash is received or paid.

The financial statements and information presented include:

Statement of Net Position is the financial report that displays the Authority and Trust assets and deferred outflows of resources and liabilities and deferred inflows of resources and the difference between them (Net Position). Changes in net position, increases or decreases, is one way to measure the financial health of the entity and whether its financial position is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position is the financial report that displays the operating results of the Authority and Trust.

Statement of Cash Flows is the financial report that provides relevant information regarding the Authority's and Trust's sources of cash receipts and purposes for its cash disbursements. It demonstrates our ability to generate cash flows and our ability to pay our debts and obligations.

The cash flow statements presented utilize the direct method of cash reporting, that is, cash receipts and disbursements reported are not netted or combined with other categories presented in the cash flow statements.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2022–2021 Percentage change</u>
	(Dollars in thousands)			
Current assets	\$ 248,304	224,449	218,548	11 %
Restricted assets	224	224	812	—
Capital assets, net	267,543	252,203	252,260	6
Other assets	55,732	47,306	42,307	18
Total assets	\$ 571,803	524,182	513,927	9 %
Total deferred outflows of resources	\$ 348	711	243	(51)%
Current liabilities	\$ 115,004	106,457	106,768	8
Long-term liabilities	—	951	161	(100)
Total liabilities	\$ 115,004	107,408	106,929	7 %
Total deferred inflows of resources	\$ 1,930	5	86	38,500 %
Net investment in capital assets	\$ 267,543	252,203	252,260	6 %
Restricted for donated purposes	224	224	812	—
Unrestricted	187,450	165,053	154,083	14
Total net position	\$ 455,217	417,480	407,155	9 %

Current assets increased approximately \$23.9 million in 2022 from 2021. This increase is due to the buildup of cash balances in anticipation of major capital expenditures in 2023, timing, the amount of Teaching Hospital Reimbursement Payment (THRP) program payments, payments due from OU Medicine Inc. (OUMI), and an improvement in the Federal Medical Assistance Percentage (FMAP) in response to the federal state of emergency in effect during 2022. Current assets increased approximately \$5.9 million in 2021 from 2020. This increase is primarily due to an increase in receivables due to timing and amount of Teaching Hospital Reimbursement Payment (THRP) program payments, payments due from OU Medicine Inc. (OUMI), and improvements in the FMAP.

Restricted assets remained consistent in 2022 from 2021. Restricted assets decreased in 2021 from 2020 as the trustees of the Travis M. Kerr Jr. Memorial Trust Fund (Kerr Trust) voted to make OUMI the trustee of the Kerr Trust. As a result, all funds related to the Kerr Trust were transferred to OUMI during 2021.

Capital assets, net increased approximately \$15.3 million in 2022 due to major capital projects undertaken in 2022. Capital assets, net decreased \$57 thousand in 2021 from 2020 due to depreciation expense.

Other assets increased \$8.4 million in 2022 from 2021 resulting from continued contributions in OUMI Ventures LLC and interest earned on the subordinate debt loan made to OUMI. Other assets increased in 2021 from 2020 by \$5 million. The increase between 2021 and 2020 was also driven by contributions in OUMI Ventures LLC and interest earned on the subordinate debt loan made to OUMI.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

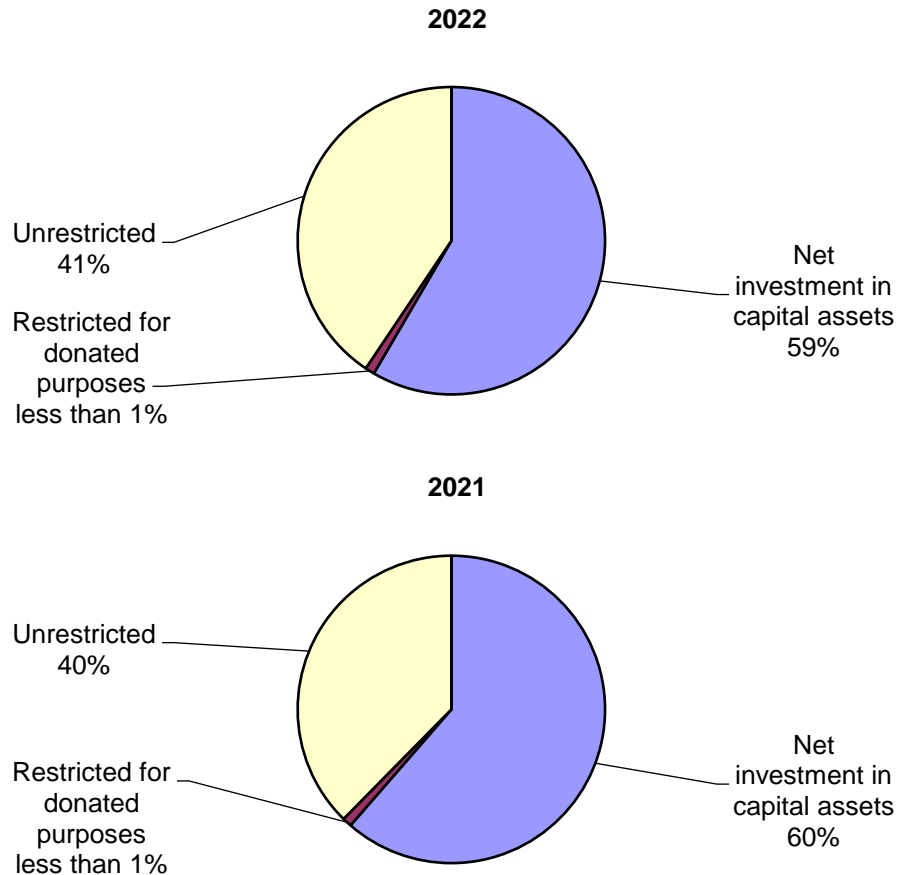
Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Current liabilities increased \$8.5 million between 2022 and 2021 resulting from timing of payments made to the University of Oklahoma Health Sciences Center (OUHSC), timing of payments made to vendors, increases in the amount of payments to vendors related to the increase in capital projects, and a small increase in THRP program receivables. There was a \$311 thousand decrease between 2021 and 2020.

Long-term liabilities decreased approximately \$951 thousand between 2022 and 2021 due to a significant change in the Oklahoma Public Employees Retirement System (OPERS) asset values. Those values increased significantly between 2022 and 2021 resulting in a pension asset. Long-term liabilities increased \$790 thousand between 2021 and 2022 as a result of increases in net pension liability.

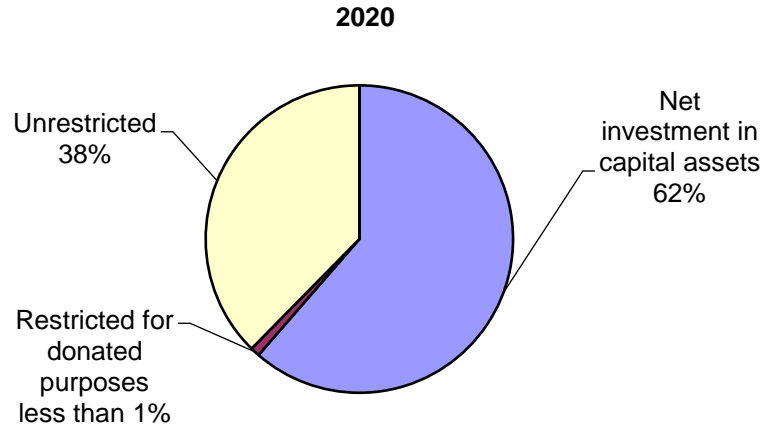
Composition of Net Position (%) as of June 30



**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021



Changes in Net Position

The Authority and Trust total revenues (operating revenues and net non-operating revenues) increased approximately \$116.4 million in 2022 from 2021 and decreased \$3 million in 2021 from 2020. Total revenues for 2022 and 2021 were approximately \$429 million and \$312 million with 20.1% and 21.5% of the total revenues from appropriations for indigent care subsidies (appropriations or subsidies), respectively. Subsidies in 2022 of \$86.6 million increased from fiscal year 2021 by approximately \$19.9 million. Subsidies in 2021 of \$67 million decreased from fiscal year 2020 by approximately \$3.2 million.

Approximately 61% of total revenues were from Teaching Hospital Reimbursement and Level I Trauma programs in 2022 and approximately 56.8% in 2021. These receipts increased approximately \$86.5 million in 2022 from 2021 and increased approximately \$4.9 million in 2021 from 2020. For 2022, 2021, and 2020, Joint Operating Agreement (JOA) revenue of \$40 million was earned each year. The Trust earns \$20 million semi-annually or \$3.33 million per month.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Capital Assets, Net

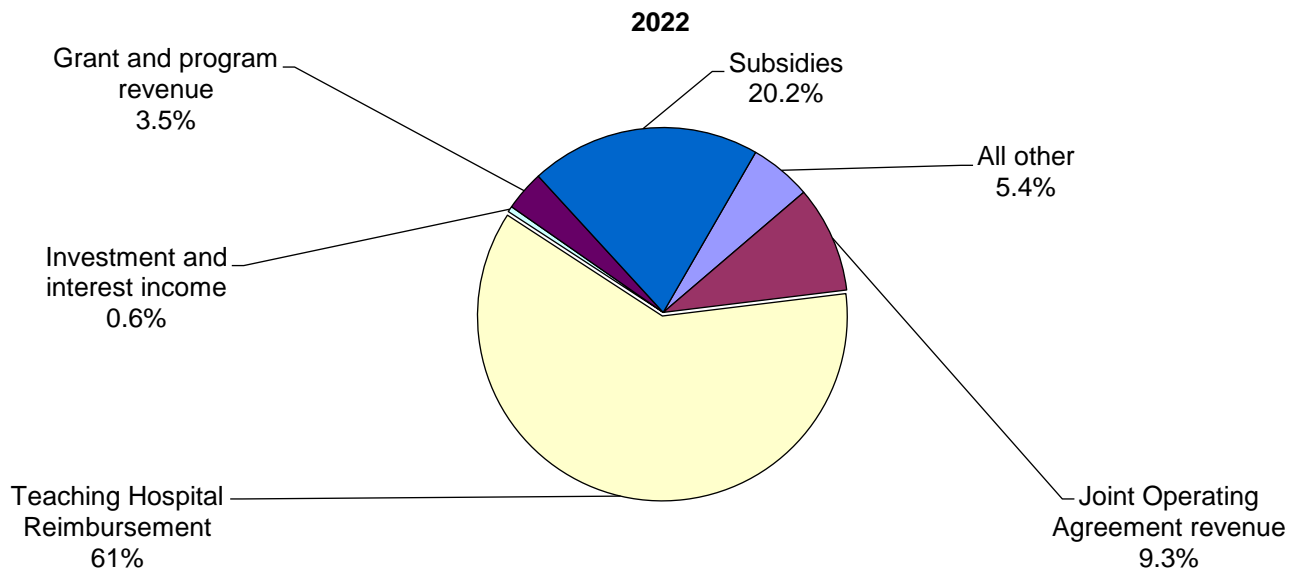
Capital assets net of depreciation increased approximately \$15.3 million in 2022 from 2021. This increase was due to the capital projects undertaken by UHAT in 2022. Annual depreciation was approximately \$11.3 million in 2022. Assets net of depreciation decreased approximately \$57 thousand in 2021 from 2020. This decrease was primarily due to depreciation expense. Annual depreciation was approximately \$12.4 million in 2021.

Capital Assets

(Net of depreciation, dollars in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	2022 to 2021 Change amount
Land	\$ 13,854	5,058	4,009	8,796
Building and improvements	215,836	211,601	211,067	4,235
Equipment	28,992	29,610	32,448	(618)
Infrastructure	5,907	5,934	4,735	(27)
Construction-in-progress	<u>2,954</u>	<u>—</u>	<u>—</u>	2,954
Total	\$ <u>267,543</u>	<u>252,203</u>	<u>252,259</u>	<u>15,340</u>

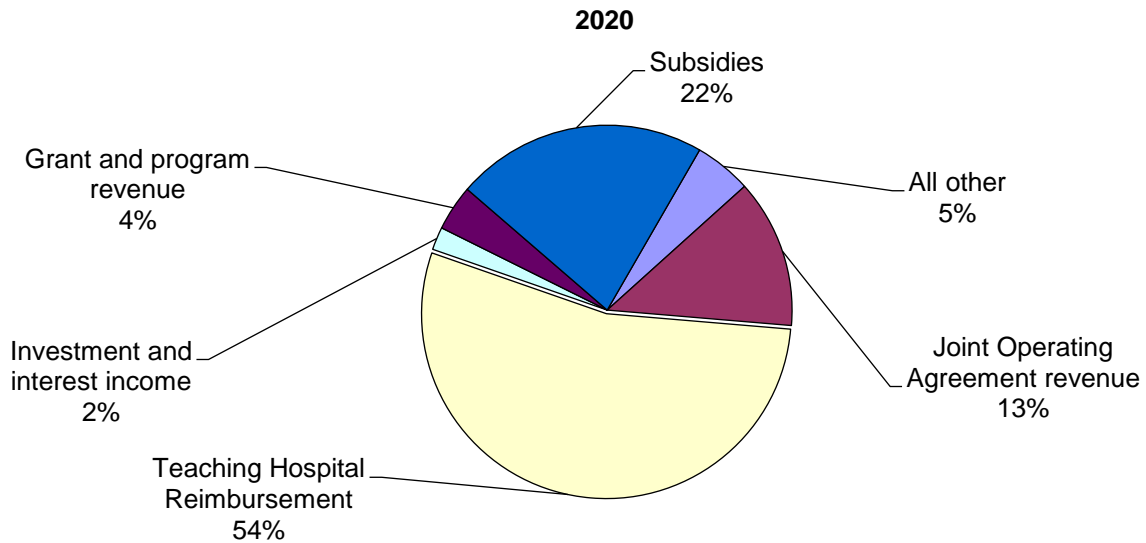
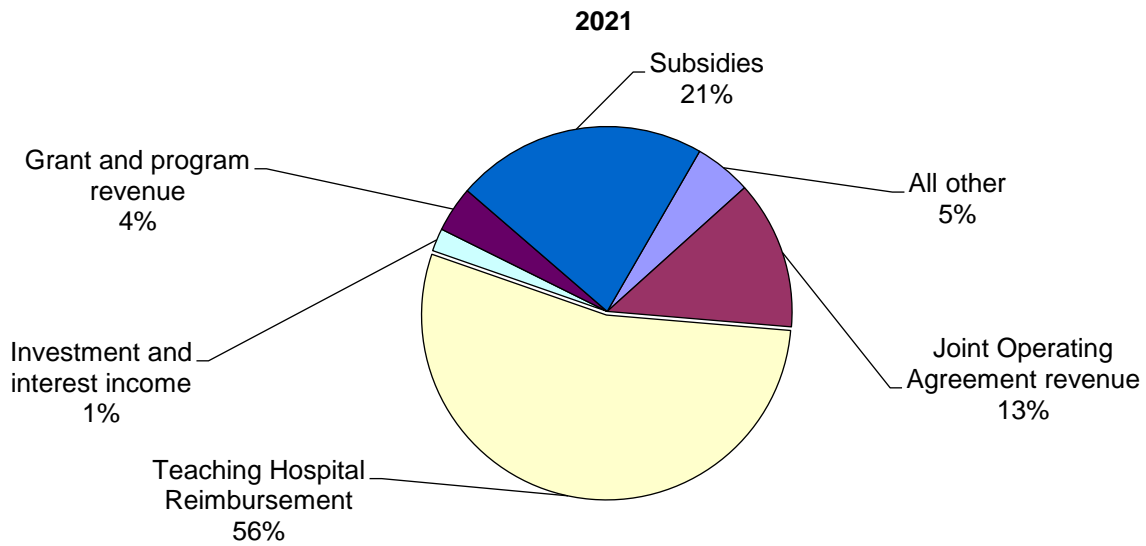
Sources of Revenue



**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021



The University Hospitals Authority and Trust combined sources of revenues are from the following sources:

- *Subsidies* are appropriated for indigent care, medical education, and medical research programs.

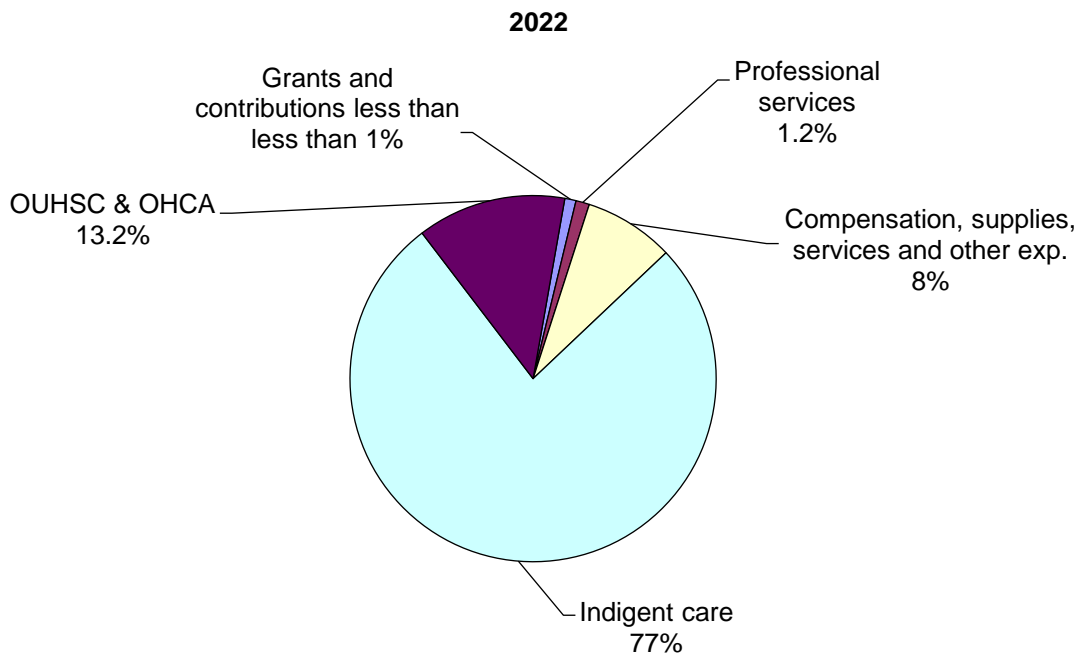
**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

- *Teaching Hospital Reimbursement*, known as Teaching Hospital Reimbursement Payment (THRP) program payments from the Oklahoma Health Care Authority (OHCA), reimburse the costs of providing care to Medicaid patients. This payment is based on OU Medical Center's Level I Trauma designation. This also includes Level I Trauma receipts from the Oklahoma State Department of Health that were authorized by the State Legislature to reimburse hospitals for the cost of Level I Trauma centers.
- *Grant and program revenues* relate to the Medicaid Indirect Medical Education (IME) program, which is a state and federal matching program paid to major teaching hospitals with approved resident and intern programs to offset costs associated with such teaching programs and resultant increased Medicaid and indigent volumes. The Trust provided the state matching share and received a net IME revenue available of approximately \$15 million in 2022 and approximately \$13 million in 2021.
- *Joint Operating Agreement (JOA) revenue* relates to the Joint Operating Agreement between the Trust and OUMI. Trust earns \$20 million semi-annually or \$3.33 million per month through the OUMI JOA for a total of \$40 million annually.
- *Investment and interest income* accounted for less than 1% of total revenues in 2022 and approximately 1% in 2021.
- *All other operating and non-operating revenues* are normally income associated with services provided to others such as rental and lease income of Authority and Trust buildings and donations. These revenues are reported net of miscellaneous non-operating expense. In 2022, 2021, and 2020 these revenue categories are comprised almost entirely of rental income.

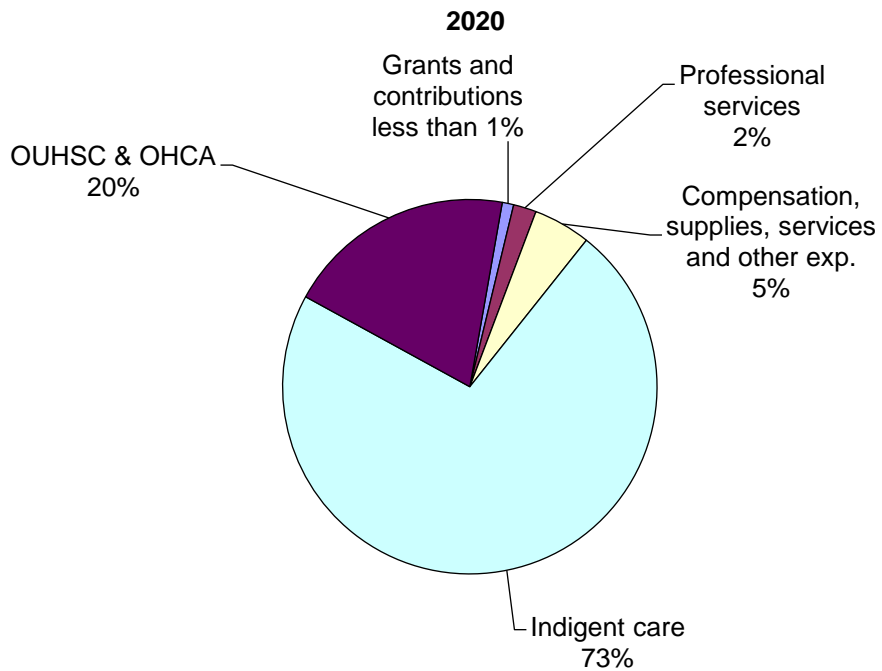
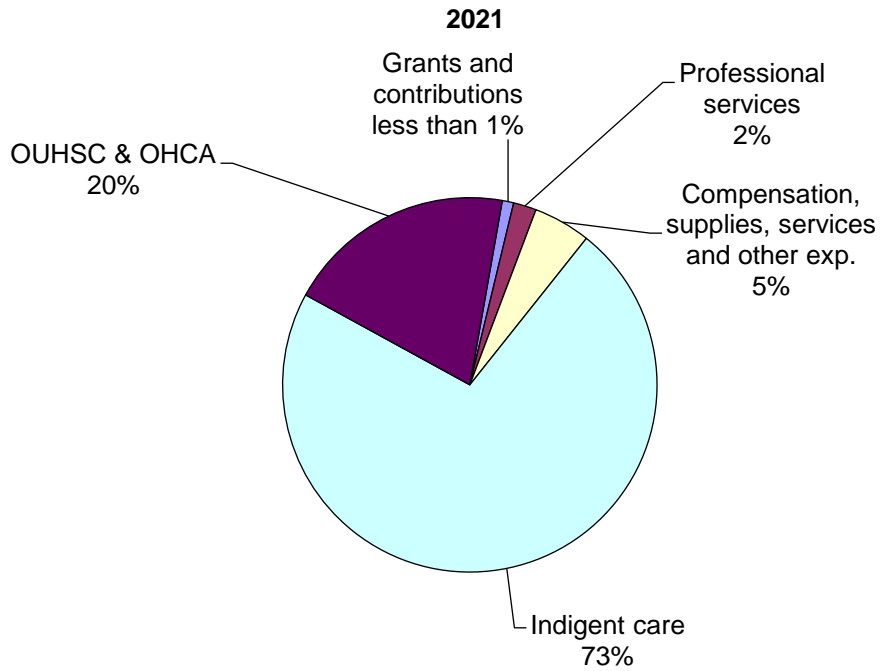
Operating Expenses before Depreciation



**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021



**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

- *Total expenses* including depreciation increased approximately \$89 million in 2022 from 2021 primarily due to increases in indigent care expenditures through the THRP program and support for the University of Oklahoma aerospace program and other organizations receiving subsidies passthrough dollars. Total expenses including depreciation decreased approximately \$1.5 million in 2021 from 2020 primarily due to decreases in support for the University of Oklahoma Health Sciences Center (OUHSC).
- *Indigent care expense* represents certain amounts of state subsidies and Medicaid program receipts from the OHCA paid to OUMI for Indigent Care services to patients based on the terms of the Indigent Care Agreement.
- *OUHSC and OHCA* expenses are state match amounts paid to the OHCA for Hospital GME and other similar programs of approximately \$3.9 million in 2022 and \$9 million in 2021 and OUHSC program expenses of approximately \$46 million in 2022 and approximately \$48 million in 2021.
- *Education and research support* is provided to the University of Oklahoma in support of an aerospace capital project.
- *Grants and contributions* were for medical education and research and patient care improvement purposes.
- *Professional services* were payments for professional auditing, public relations, legal services, pathology, and other medical professional expenses.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

- *Compensation, supplies, services, and other expenses* includes costs associated with building operations support for space leased to others.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2022–2021 percentage change</u>
	(Dollars in thousands)			
Operating revenues:				
Grant and program revenue	\$ 15,084	13,343	11,189	13 %
Rental income and other services	19,562	14,328	11,931	37
Teaching Hospital Reimbursement/ Level 1 Trauma revenue	262,828	176,289	171,405	49
Joint operating agreement revenue	40,000	40,000	40,000	—
Contributions	3,208	—	—	100
Other revenue	512	550	2,661	(7)
Total operating revenues	<u>341,194</u>	<u>244,510</u>	<u>237,186</u>	<u>40</u>
Operating expenses:				
Compensation and benefits	4,186	4,443	3,699	(6)
Professional services	4,509	5,058	5,254	(11)
Grants and contributions	2,403	52	200	4,521
Supplies, services, and other	14,538	11,263	10,959	29
Indigent care expense	292,188	211,464	212,807	38
Education and research support	10,000	—	—	100
Children's services	1,550	—	—	100
OUHSC and OHCA expense	50,217	57,270	58,117	(12)
Total operating expenses before depreciation	<u>379,591</u>	<u>289,550</u>	<u>291,036</u>	<u>31</u>
Depreciation	<u>11,265</u>	<u>12,363</u>	<u>12,331</u>	<u>(9)</u>
Operating loss	<u>(49,662)</u>	<u>(57,403)</u>	<u>(66,181)</u>	<u>(13)</u>
Nonoperating revenues (expenses):				
Investment and interest income	2,379	2,469	6,349	(4)
Subsidies	86,592	66,691	69,953	30
Miscellaneous income (expense), net	(1,572)	(1,431)	1,793	10
Total nonoperating revenues	<u>87,399</u>	<u>67,729</u>	<u>78,095</u>	<u>29</u>
Change in net position	<u>\$ 37,737</u>	<u>10,326</u>	<u>11,914</u>	<u>265 %</u>

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

The Authority and Trust operating revenues increased approximately \$96.7 million in 2022 from 2021 and increased approximately \$7 million in 2021 from 2020.

- Grant and program revenue increased approximately \$1.7 million in 2022 from 2021 and increased \$2 million in 2021 from 2020. IME grants paid to the Trust by the OHCA are based on federal matching amounts that vary from year to year but have been increasing the last couple of years.
- Rental income and other services increased more than \$5.2 million in 2022 from 2021 as the Trust implemented certain rental increases to remain in line with market rates and also slightly increased the amount of space rented. The Trust also rented a higher percentage of property to OU Health which requires the charge a full market rate for rent. Rental income and other services increased \$2 million in 2021 from 2020. The increase in 2021 was driven by a return to more normal rental conditions and usage after COVID-19 related changes during 2020.
- Teaching Hospital Reimbursement/Level I Trauma revenue increased approximately \$86.5 million in 2022 from 2021 and increased approximately \$5 million in 2021 from 2020. The large change seen in 2022 was primarily due to the expansion of the Oklahoma Medicaid program eligibility standards. Medicaid expansion was effective on July 1, 2021, and the expanded eligibility criteria added several hundred thousand Oklahomans to the OHCA's enrolled population. This increase in enrollment has driven an increase in the amount of Medicaid care provided by OU Health which has in turn increased the amount of THRP in 2022. The increase between 2021 and 2020 was dependent upon the hospital's costs, case mix intensity, Medicaid utilization, and federal match percentages.
- Joint operating agreement (JOA) revenue remained consistent between 2022 and 2021 with income of \$40 million. JOA revenue was also consistent between 2021 from 2020 as the terms of the JOA have not changed since 2018.
- Compensation and benefits decreased \$257 thousand in 2022 from 2021, which was due to a decrease in retirement plan funding costs. OPERS saw a significant increases in pension asset values during this time. Compensation and benefits increased by \$744 thousand between 2021 and 2020 due to a slight increase in FTE count and cost of living adjustment.
- Professional services cost decreased slightly by \$549 thousand between 2022 and 2021 and had decreased by \$196 thousand between 2021 and 2020. The changes between 2022 and 2021 were due to a decrease in consulting services that were utilized when combining the OUHSC physician practice into the OU Health entity. The small changes between 2022 and 2021 were due to decreases in dollars appropriated for auditory services and dental services.
- The Trust and Authority committed or expended approximately \$2.4 million more in grants in 2022 over 2021. The Trust and Authority committed or expended approximately \$148 thousand less in grants in 2021 over 2020. The change between 2022 and 2021 was due to board commitments to OUHSC and OU Health for early expansion of the OUHSC college of nursing capacity as well as OU Health's work in implementing Medicaid expansion.
- Supplies, services, and other expenses increased \$3.3 million between 2022 and 2021. The increase was due to inflationary activity in the contract labor markets and a slight improvement in the filling of needed position vacancies under the supplies and services contract. These services include maintenance, housekeeping, valet, and many other services necessary for the proper care and maintenance of property owned by UHAT. These services had remained consistent in cost between 2021 and 2020.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

- Indigent care expense increased \$80.7 million between 2022 and 2021. This increase is reflective of the increase in THRP revenue that resulted primarily from Medicaid expansion that became effective July 1, 2021. The expense increased slightly less than the revenue as the FMAP rates that were already enhanced by the federal health emergency were further improved by the significantly enhanced federal match rate that is available for expansion population enrollees.
- Education and research support increased by \$10 million in 2022 from 2021. This increase was due to a new appropriation made by the state legislature to the Authority. The funding was provided for the University of Oklahoma to begin construction and planning for aerospace facility. 2022 was the first year of this program.
- Children's services expense is newly categorized as a result of the integration of the OUHSC physicians practice into OU Health. Previously the funding for the Child Studies Center and Center for Child Abuse and Neglect/Child Protection Team was distributed to OUHSC and as such was categorized as OUHSC and OHCA expense. The integration of the clinical practice has meant that child services funding is now distributed to OU Health.
- The OUHSC and OHCA combined expenses decreased by approximately \$7.1 million in 2022 over 2021 due primarily to a planned \$5 million decrease in state appropriation support for a hospital related program at OHCA. In addition, the movement of Child Study Center, Child Protection Team support, and Level 1 Trauma support to OU Health also decreased the OUHSC funding. These costs had decreased only \$847 thousand between 2021 and 2020.
- Investment and interest income decreased approximately \$90 thousand in 2022 from 2021 due to slightly worsening interest rates during early 2022. OUMI subordinate debt interest earnings stabilized in 2022. Investment and interest income had decreased \$3.9 million in 2021 from 2020 due to interest earnings on the OUMI subordinate debt agreement that were recorded 2020.
- Subsidies increased approximately \$19.9 million in 2022 from 2021 as subsidies were added for UHAT's behavioral health capital projects as well as the University of Oklahoma's aerospace capital project. Subsidies decreased \$3.2 million in 2021 from 2020 as subsidies that year were subject to state-wide budget reductions.
- Miscellaneous expense, remained consistent between 2022 and 2021. The decrease of \$3.2 million between 2021 and 2020 was driven by transfers of historic donations to Oklahoma Children's Hospital and the transfer of trustee responsibilities and the associated funds for the Kerr Trust Fund to OUMI.

Financial Analysis of Fiscal Year 2022 Operations

Total net position increased approximately \$37.7 million in 2022.

Legislative appropriations increased in 2022 over 2021. The increase in funds was due to the legislature appropriating funding for the behavioral health capital project and the University of Oklahoma aerospace capital project.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Economic Factors, Conditions, and Facts Effecting Financial Position or Operations

The Authority and Trust are dependent on subsidies, grants, and entitlements from other government entities in sustaining their primary mission of Indigent Care, Medical Education, and Research. All of these sources of income combine to account for 20% of total income. In 2022 the Oklahoma legislature appropriated \$19.9 million more than in 2021 by adding two new funding projects for the Authority. Sustaining these programs at current levels or expanding them is dependent on several factors, one of which is the ability of the State of Oklahoma to maintain revenue levels, which is primarily through tax revenues. Revenues are also affected significantly by the Medicaid FMAP. 2022 and 2021 saw favorable FMAP rates compared to 2020.



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Independent Auditors' Report

Members of the University Hospitals Authority and
Trustees of the University Hospitals Trust:

Opinion

We have audited the financial statements of the University Hospitals Authority and University Hospitals Trust (together referred to as UHAT), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise UHAT's basic financial statements for the years then ended.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of UHAT as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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 UHAT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 UHAT'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 opinion. 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 UHAT'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 UHAT'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

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Management has omitted the schedule of changes in net pension liability and related ratios and the schedule of employer contributions that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise UHAT's basic financial statements. The supplementary combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records



used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of UHAT'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 UHAT'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 UHAT's internal control over financial reporting and compliance.

KPMG LLP

Oklahoma City, Oklahoma
October 28, 2022

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Statements of Net Position

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 77,562,581	103,198,946
Investments	19,449,177	20,291,415
Receivables:		
Institutional and other	151,229,730	100,909,563
Interest	<u>62,082</u>	<u>49,114</u>
Total current assets	<u>248,303,570</u>	<u>224,449,038</u>
Restricted assets:		
Cash and cash equivalents	188,028	188,028
Real estate	<u>35,989</u>	<u>35,989</u>
Total restricted assets	224,017	224,017
Noncurrent:		
Subordinate debt loan to OUMI, including accrued interest	43,999,376	41,999,373
Other assets	10,041,049	5,306,596
Net pension asset	1,692,481	—
Capital assets, net	<u>267,542,626</u>	<u>252,203,086</u>
Total assets	<u>\$ 571,803,119</u>	<u>\$ 524,182,110</u>
Deferred Outflows of Resources		
Pension amounts	\$ <u>348,187</u>	<u>711,548</u>
Total deferred outflows of resources	<u>\$ 348,187</u>	<u>711,548</u>
Liabilities		
Current liabilities:		
Trade payables	\$ 7,534,947	2,833,495
Accrued expenses	107,211,912	103,386,688
Compensated absences	257,110	237,185
Unearned revenue	<u>249</u>	<u>239</u>
Total current liabilities	115,004,218	106,457,607
Noncurrent:		
Net pension liability	<u>—</u>	<u>950,776</u>
Total liabilities	<u>\$ 115,004,218</u>	<u>\$ 107,408,383</u>
Deferred Inflows of Resources		
Pension amounts	\$ <u>1,930,239</u>	<u>5,213</u>
Total deferred inflows of resources	<u>\$ 1,930,239</u>	<u>5,213</u>
Net Position		
Net position:		
Net investment in capital assets	\$ 267,542,626	252,203,086
Restricted	224,017	224,017
Unrestricted	<u>187,450,206</u>	<u>165,052,959</u>
Total net position	<u>\$ 455,216,849</u>	<u>\$ 417,480,062</u>

See accompanying notes to basic financial statements.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Teaching Hospital Reimbursement/Level I Trauma revenue	\$ 262,827,770	176,289,012
Grant and program revenue	15,084,268	13,342,976
Joint operating agreement revenue	39,999,998	40,000,000
Rental income and other services	19,561,603	14,328,378
Contributions	3,208,313	—
Other revenue	512,302	550,280
Total operating revenues	<u>341,194,254</u>	<u>244,510,646</u>
Operating expenses:		
OUHSC and OHCA expense	50,216,605	57,270,030
Indigent care expense	292,187,634	211,464,278
Education and research support	10,000,000	—
Grants and contributions	2,403,136	52,240
Professional services	4,509,456	5,058,182
Compensation and benefits	4,186,490	4,442,800
Children's services	1,550,000	—
Supplies, services, and other	14,538,162	11,263,225
Total operating expenses before depreciation	<u>379,591,483</u>	<u>289,550,755</u>
Operating loss before depreciation	(38,397,229)	(45,040,109)
Depreciation	<u>(11,264,733)</u>	<u>(12,363,164)</u>
Operating loss	<u>(49,661,962)</u>	<u>(57,403,273)</u>
Nonoperating revenues (expenses):		
Subsidies	86,591,554	66,691,554
Investment and interest income	2,379,291	2,468,639
Miscellaneous income (expense), net	<u>(1,572,096)</u>	<u>(1,431,066)</u>
Total nonoperating revenues	<u>87,398,749</u>	<u>67,729,127</u>
Change in net position	37,736,787	10,325,854
Net position, beginning of year	<u>417,480,062</u>	<u>407,154,208</u>
Net position, end of year	<u>\$ 455,216,849</u>	<u>417,480,062</u>

See accompanying notes to basic financial statements.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from customers	\$ 19,376,287	15,753,759
Joint operating agreement receipts	36,666,666	40,000,000
Grant receipts (IME, GME, MTH)	253,705,775	188,807,132
Indigent care payments	(298,732,050)	(210,517,057)
OUHSC and OHCA payments	(76,924,734)	(61,861,424)
Goods and service payments	(14,161,027)	(14,043,976)
Payments to employees	(4,515,872)	(4,168,707)
Other operating receipts	3,515,309	1,319,571
	<u>(81,069,646)</u>	<u>(44,710,702)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activity:		
Subsidies	86,591,554	66,691,554
Cash flows from capital and related financing activities:		
Purchase of capital assets	(27,723,131)	(12,453,956)
Nonoperating revenue	1,396,849	920,468
	<u>(26,326,282)</u>	<u>(11,533,488)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Investment and interest income	118,809	104,045
Purchase of equity interest	(4,950,799)	(3,000,000)
Interest income on loan to OUMI	—	5,019,377
	<u>(4,831,990)</u>	<u>2,123,422</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(25,636,364)	12,570,786
Cash and cash equivalents, beginning of year	<u>103,386,973</u>	<u>90,816,187</u>
Cash and cash equivalents, end of year	<u>\$ 77,750,609</u>	<u>103,386,973</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (49,661,962)	(57,403,273)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,264,733	12,363,164
Increase in receivables, net	(47,934,336)	(2,506,871)
Increase in payables and accrued expenses	5,616,779	2,295,737
Decrease in unearned revenue	10	(239)
Decrease (increase) in prepaid expenses	—	299,577
(Increase) decrease in deferred outflows of resources	363,361	(468,223)
Decrease (increase) in net pension liability	(2,643,257)	790,123
Increase (decrease) in deferred inflows of resources	1,925,026	(80,697)
	<u>(31,407,684)</u>	<u>12,692,571</u>
Total adjustments		
Net cash used in operating activities	<u>\$ (81,069,646)</u>	<u>(44,710,702)</u>
Noncash capital financing and investing activity:		
Capital assets purchased remaining in accrued expenses	\$ 1,947,282	1,367,182

See accompanying notes to basic financial statements.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

(1) Nature of the Entity and Summary of Significant Accounting Policies

(a) Nature of the Entity

The University Hospitals Authority (the Authority) was created in July 1993 by Oklahoma State Senate Bill 423. The bill transferred substantially all assets, liabilities, fund balance, and operations of Oklahoma Medical Center from the Oklahoma Department of Human Services to the Authority at historical cost. The Authority is a non-major component unit of the State of Oklahoma (the State). The Authority consists of the University Hospital, Oklahoma Children's Hospital, and their related clinics and other services, collectively called the University Hospitals. For management and reporting purposes, these facilities collectively comprise the Authority. The Authority is governed by a six-member board. Three of the six members are appointed as follows: one by the President Pro Tempore of the Senate, one by the Speaker of the House of Representatives, and one by the Governor. The other three members serve based on their position as Administrator of the Oklahoma Health Care Authority (OHCA), or his or her designee, the Provost of the University of Oklahoma Health Sciences Center (OUHSC), and the Chief Executive Officer of the Authority (ex officio). All the Authority's facilities are located in Oklahoma City, Oklahoma.

During 1995, Oklahoma State House Bill 1751 was passed, which, among other actions, allowed for the creation of the University Hospitals Trust (the Trust). The Trust can accept a leasehold interest in the University Hospitals from the Authority and negotiate with private entities for the operation of the University Hospitals. The Trust was created September 18, 1997. The members of the Authority are the trustees of the Trust. The Trust is included in the financial statements of the Authority as a blended component unit. The operations and activities of the Authority and the Trust are hereinafter referred to as "UHAT."

UHAT is affiliated with the OUHSC, whose medical school residents and staff provide patient care, in-service education, and certain administrative functions for the benefit of UHAT.

UHAT operated the University Hospitals until February 4, 1998, when the first Joint Operating Agreement (JOA) went into effect.

On February 4, 1998, the Authority, through an agreement with the Trust, entered into an agreement to lease and jointly operate substantially all of the operations and facilities of UHAT with a subsidiary of Columbia/HCA (HCA). The jointly operated hospitals and other healthcare facilities were collectively known as OU Medical System (OUMS). The agreement with the Trust provided that the Authority will lease certain buildings, structures, improvements, and personal property utilized in connection with the operation of the University Hospitals to the Trust. The Trust then entered into the agreement with HCA.

Between February 4, 1998, and January 31, 2018, UHAT, (through the Trust) was eligible to share in the net profits of the joint operations of OUMS.

Termination of the JOA with HCA Health Services of Oklahoma occurred on January 31, 2018, and a new JOA with OU Medicine Inc. (OUMI) dba OU Health, was signed. The new JOA was approved by the Contingency Review Board, Attorney General and Supreme Court in compliance with statute.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

All leases for land, buildings, improvements, and equipment that were in place with HCA Health Services of Oklahoma were assumed by OUMI. The Trust's investment in joint PP&E was merged with HCA Health Services of Oklahoma and purchased by OUMI. The Trust's Proton Therapy System was transferred to OUMI in consideration of OUMI's redemption of the Trust's outstanding debt on the series 2005 A and 2005 B bonds.

Academic programs of the OUHSC continue to be affiliated with University Hospitals Authority and OUMI will continue to provide statutorily mandated indigent care. A new Academic Affiliation Agreement was signed between OUMI and OUHSC. OUMI and the Trust have entered into agreements setting forth terms and conditions of the joint operation of the hospital.

In consideration for the right to operate the University Hospitals from and after February 1, 2018, OUMI will pay the Trust \$20 million semi-annually. OUMI assumed responsibility for several previous grants the Trust provided to OUHSC.

On July 1, 2021, the OU Physicians clinical operations and physicians practice that was previously operated by the University of Oklahoma was merged with OUMI. At the time of this merger, OUMI began utilizing the dba OU Health. This merger did not amend the JOA arrangement between OUMI and the Trust.

(b) Basis of Accounting and Presentation

As discussed previously, the Trust is considered to be a blended component unit of the Authority and the financial position and results of operations of the Trust and Authority are presented together as "UHAT." For ease of presentation, certain agreements between either the Authority or Trust and OUMI are described herein as between UHAT and other parties.

UHAT's basic financial statements are prepared in accordance with U.S. generally accepted accounting principles as they apply to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The operations of UHAT are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operations of UHAT are included in the statements of net position. UHAT recognizes revenue related to the JOA, teaching hospitals and grant and program as operating revenues. Operating expenses for UHAT include the costs of administering the funds, grants and contributions expense, indigent care costs, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislations.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

(c) Cash, Cash Equivalents, and Investments

UHAT considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The carrying amount of the cash equivalents and investments is fair value. The net change in fair value of investments and interest income are recorded as investment and interest income in the statements of revenues, expenses, and changes in net position and includes the unrealized and realized gains and losses on investments.

(d) Restricted Assets

Certain assets of UHAT are classified as restricted assets because their use is restricted by grant agreements or by donor agreements. Management has adopted the policy to spend restricted funds before the use of unrestricted resources when donor-imposed stipulations and funding agreement requirements have been met.

The Authority has certain assets that are restricted by donor-imposed stipulations. The majority of these funds have been restricted for construction or specific purposes at Children's Hospital.

(e) Capital Assets

All capital assets are stated at cost at the date of acquisition or fair value at the date of donation. Capital assets are defined as long-lived assets with initial costs equal to or greater than \$2,500. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets:

Building and improvements	25–40 years
Equipment	5–25 years
Infrastructure	40 years

Expenses that increase value, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and renewals are charged to operations. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the period in which the asset is disposed. Substantial capital assets, except construction-in-progress, as of June 30, 2022 and 2021 have been leased to the joint operations of OUMI or the OU Board of Regents for uses related to the mission of UHAT.

(f) Compensated Absences

Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death. Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. Sick leave does not vest to the employee and therefore is not recorded as a liability.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

(g) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(h) Income Taxes

As an integral part of the State, the income of the Authority and of the Trust is exempt from federal and state income taxes.

(i) Use of Estimates

Management of UHAT has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities related to accrued payables to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(j) Teaching Hospital Reimbursement/Level I Trauma Income

UHAT receives reimbursement for the cost of providing care to Medicaid patients based on the OU Medical Center's Level I trauma designation. THRP program payments are received from OHCA. UHAT also receives Level I Trauma payments from the Oklahoma State Department of Health that were authorized by the State Legislature to reimburse hospitals for the cost of Level I Trauma centers. THRP payments are received every six months and the revenue is recorded in the fiscal year for which the patient care was provided.

(k) Subsidy Income

UHAT receives an annual appropriation or subsidy from the State Legislature. The mission support subsidy is recorded as revenue in the fiscal year for which the appropriation is made. Indigent care expense, medical education expense, and research expense is recorded when funds are paid out to cover mission support. Future state subsidies will be used to offset the cost of indigent care provided by the joint operations of the OUMS.

(l) Recently Issued Accounting Standards

GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective dates of certain accounting and financial reporting provisions of other GASB Statements. After consideration of the extended effective dates in GASB 95, the following GASB Statements will become effective for the fiscal years noted below:

For the year ended June 30, 2022:

- Statement No. 87, *Leases*

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

UHAT implemented GASB 87 for the year ended June 30, 2022. Management has determined that GASB 87 did not have a material impact on UHAT's financial statements.

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Management evaluated statement number 89 and found that it has no impact on UHAT's financial statements. UHAT did not have any borrowings or other forms of financing in place during the fiscal year ended June 30, 2022.

- GASB No. 93, *Replacement of Interbank Offered Rates*

For the year ended June 30, 2022, UHAT did not have any agreements or arrangements linked to Interbank Offered Rates. This statement was evaluated and found to have no impact on UHAT's financial statements.

For the year ended June 30, 2023:

- Statement No. 91, *Conduit Debt obligations*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*

Management has not yet determined the effects of these statements on UHAT's financial statements.

(2) Deposits and Investments

(a) Deposits

At June 30, 2022 and 2021, UHAT held deposits and cash equivalents with the State Treasurer and other financial institutions. The State Treasurer requires all state funds be either insured by federal deposit insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in United States government obligations. UHAT's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

The Authority's unrestricted deposits with the State Treasurer at June 30, 2022 and 2021 are \$14,827,805 and \$10,908,751, respectively. The Authority's reserve deposits with the State Treasurer at June 30, 2022 and 2021 are \$188,028 and \$188,028 respectively.

At June 30, 2022 and 2021, the bank balance of the Trust's cash equivalents were \$62,734,776 and \$92,290,195, respectively, which equals carrying amount. The bank balance is collateralized with securities held by an agent in the Trust's name. No funds were restricted at June 30, 2022 or 2021.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

(b) Investments

UHAT investment policies are aligned with the Oklahoma State Treasurer's investment policy. This policy allows for investments in the following categories:

- United States Treasury bills, notes and bonds
- United States government agency securities
- Prime banker's acceptances
- Investment grade obligations of state and local governments
- Short-term bond funds
- Foreign bonds
- Collateralized or insured certificates of deposit
- Negotiable certificates of deposit
- Prime commercial paper
- Repurchase agreements
- Money market funds

UHAT's investment policy attempts to reduce portfolio risk through diversification by security, institution, and maturity.

At June 30, UHAT's investments consisted of the following:

	2022	2021
U.S. Treasury, Agency, and municipal securities	\$ 12,414,986	11,110,424
Institutional money market funds	253,169	252,882
Certificates of deposit and commercial paper	6,781,022	8,928,109
Total	\$ 19,449,177	20,291,415

UHAT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted or published prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

inputs. The following table details the fair value of investments held by the primary government at June 30, 2022 and 2021:

2022				
	Amounts measured at fair value	Quoted prices in active for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
U.S. Treasury, Agency and municipal securities	\$ 12,414,986	—	12,414,986	—
Certificates of deposit and commercial paper	6,781,022	—	6,781,022	—
Equity securities:				
Institutional money market funds	253,169	253,169	—	—
Total investments measured at fair value	<u>\$ 19,449,177</u>	<u>253,169</u>	<u>19,196,008</u>	<u>—</u>
2021				
	Amounts measured at fair value	Quoted prices in active for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
U.S. Treasury, Agency and municipal securities	\$ 11,110,424	—	11,110,424	—
Certificates of deposit and commercial paper	8,928,109	—	8,928,109	—
Equity securities:				
Institutional money market funds	252,882	252,882	—	—
Total investments measured at fair value	<u>\$ 20,291,415</u>	<u>252,882</u>	<u>20,038,533</u>	<u>—</u>

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

(c) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, UHAT will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of UHAT, or held by the counterparty or its trust department but not in UHAT's name.

UHAT requires that financial institutions deposit collateral securities to secure the deposits of UHAT in each such institution. The minimum amount of collateral securities to be pledged for the security of deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage.

As of June 30, 2022, UHAT's bank balances of deposits are fully insured or collateralized and all investments are insured, registered, or held in the name of UHAT.

(d) Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. UHAT utilizes the credit quality ratings issued by Moody's, Standard and Poor's (S&P), or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

As of June 30, 2022, UHAT's fixed-income investments were held 100% in U.S. Treasury or U.S. Government Agency securities.

(e) Concentration of Credit Risk

UHAT's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits.

(f) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. UHAT uses weighted average years outstanding as the standard measures for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk. The weighted average years to maturity of UHAT's investments is less than four years.

UHAT is not subject to foreign currency risk.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

(3) Receivables

At June 30, the accounts receivable are as follows:

	2022	2021
Institutional and other	\$ 151,229,730	100,909,563

These accounts receivable are due from the OHCA, OUMI, and OUHSC.

(4) Capital Assets

A substantial portion of all capital assets is leased to the joint operations of OUMI or to OUHSC. At June 30, capital assets consisted of the following:

	2022	2021
Land	\$ 13,853,821	5,058,453
Construction-in-progress	2,954,175	—
Buildings and improvements	409,663,236	427,864,041
Equipment	79,941,802	83,137,340
Infrastructure	12,083,020	11,964,608
	518,496,054	528,024,442
Less accumulated depreciation	(250,953,428)	(275,821,356)
	\$ 267,542,626	252,203,086

The following summarizes the additions and deductions from net capital assets during fiscal years 2022 and 2021:

	July 1, 2021	Additions and transfers in	Depreciation, deductions and transfers out	June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 5,058,453	8,795,368	—	13,853,821
Construction-in-progress	—	2,954,175	—	2,954,175
Capital assets, being depreciated:				
Buildings and improvements	211,600,711	12,221,257	(7,986,367)	215,835,601
Equipment	29,609,908	2,747,576	(3,365,057)	28,992,427
Infrastructure	5,934,014	312,652	(340,064)	5,906,602
Net capital assets	\$ 252,203,086	27,031,028	(11,691,488)	267,542,626

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

	<u>July 1, 2020</u>	<u>Additions and transfers in</u>	<u>Depreciation, deductions and transfers out</u>	<u>June 30, 2021</u>
Capital assets, not being depreciated:				
Land	\$ 4,009,252	1,049,201	—	5,058,453
Capital assets, being depreciated:				
Buildings and improvements	211,067,422	8,057,344	(7,524,055)	211,600,711
Equipment	32,447,984	1,768,012	(4,606,088)	29,609,908
Infrastructure	4,734,974	1,514,224	(315,184)	5,934,014
Net capital assets	<u>\$ 252,259,632</u>	<u>12,388,781</u>	<u>(12,445,327)</u>	<u>252,203,086</u>

For the years ended June 30, 2022 and 2021, depreciation expense related to capital assets was \$11,264,733 and \$12,363,164, respectively.

(5) Joint Operating Agreement

On January 31, 2018 a joint operating agreement JOA with OU Medicine Inc. (OUMI), was signed. All leases for land, buildings, improvements and equipment that were previously in place under an old JOA were assumed by OUMI. Certain assets were transferred and are now operated by OUMI. Academic programs of the OUHSC continue to be affiliated with University Hospitals Authority and OUMI will continue to provide statutorily mandated indigent care. OUMI and the Trust have entered into agreements setting forth terms and conditions of the joint operation of the University Hospitals. In consideration for the right to operate the University Hospitals from and after February 1, 2018, OUMI will pay the Trust \$20 million semi-annually. On July 1, 2021, the OU Physicians Practice – previously managed by OUHSC – was merged with OUMI. Upon effectuation of this merger, OUMI established the dba OU Health. The integration of the physicians practice did not alter the existing JOA arrangement in place between the Trust and OUMI.

On February 1, 2018, the Trust issued a \$40 million subordinate debt loan to OUMI with a maturity date of December 15, 2032. This loan is subordinate to all other debt of OUMI. Conditions for interest and principal payments are detailed in the loan agreement and are generally required when certain cash flow targets are achieved by OUMI. As of June 30, 2022 and 2021, OUMI did not meet conditions that would require an interest payment; however, interest earned during that time continues to accrue. The Trust accrued interest income of approximately \$2 million in the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2022 and 2021.

On February 2, 2021, the Trust entered into an agreement with OUMI to be a member of OUMI's subsidiary, OUMI Ventures, LLC (OUMI Ventures). OUMI Ventures was created to further OUMI and the Trust's missions through the addition of combined ED Urgent Care facilities in strategic locations around the greater Oklahoma City metro area. The Trust has also agreed to lease land to OUMI Ventures for the purpose of providing sites on which OUMI Ventures will construct the facilities. The Trust's interest in OUMI Ventures does not meet the criteria for the application of equity method accounting nor does it meet the criteria for either a component unit or joint venture and as such, will be accounted for using cost

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

accounting. In fiscal year 2021 and 2022, the Trust contributed \$3,000,000 and \$4,950,799, respectively to OUMI Ventures.

(6) Deferred Compensation Plan

The State offers to its own employees, state agency employees and other duly constituted authority or instrumentality employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 and Chapter 45 of Title 74, Oklahoma Statutes. The Oklahoma State Employees Deferred Compensation Plan (the 457 Plan), also known as SoonerSave, is a voluntary plan that allows participants to defer a portion of their salary into the 457 Plan. Participation allows a person to shelter the portion of their salary that they defer from current federal and state income tax. Taxes on the interest or investment gains on this money, while in the 457 Plan, are also deferred. The deferred compensation is not available to employees until termination, retirement, death, or approved unforeseeable emergency.

Under SoonerSave, the untaxed deferred amounts are invested as directed by the participant among various 457 Plan investment options. Effective January 1, 1998, a Trust and Trust Fund covering the 457 Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the 457 Plan participants and their beneficiaries. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the years ended June 30, 2022 and 2021. UHAT believes that it has no liabilities in respect to the State's plan.

(7) Risk Management

UHAT participates in the Oklahoma Risk Management Division's (a division of the Oklahoma Office of Management and Enterprise Services) insurance pool, which covers all governmental tort claims against UHAT. UHAT pays a monthly premium to participate in the insurance pool. Premiums paid are not subject to retroactive adjustment.

Workers' compensation claims arising from incidents occurring during the year are paid with current operating funds. UHAT accrues estimated annual amounts to cover claims arising from each year's operations. Payments for claims in excess of a certain retention amount are made by CompSource Mutual Insurance Company.

(8) Commitments and Contingencies

The U.S. Department of Justice and other federal and state agencies are increasing resources dedicated to regulatory investigations and compliance audits of healthcare providers. UHAT is subject to these regulatory efforts. Costs questioned as a result of investigations or audits, if any, may result in refunds to these governmental agencies.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2022 and 2021

(9) Impacts of Coronavirus Pandemic

On March 11, 2020, the World Health Organization announced a new strain of coronavirus (COVID-19) worldwide, resulting in COVID-19 being declared a pandemic. On March 13, 2020, the U.S. President announced a National Emergency relating to the disease. There is a possibility of continued widespread infection in the United States and abroad, with national, state, and local authorities imposing social distancing, quarantine, and self-isolation measures. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The extent to which COVID-19 impacts UHAT's business will depend on future developments, which are highly uncertain and cannot be predicted, including additional actions taken to contain COVID-19 or treat its impact, among others. Due to the nature of the organization, UHAT's business and financial results are not likely to be materially adversely impacted.

(10) Subsequent Events

UHAT has evaluated the impact of subsequent events for inclusion or disclosure from the financial statements date through October 28, 2022, the date at which the financial statements were issued. UHAT has determined there are no other items to disclose.



KPMG LLP
210 Park Avenue, Suite 2650
Oklahoma City, OK 73102-5683

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*

Members of the University Hospitals Authority and
Trustees of the University Hospitals Trust:

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 Hospitals Authority and University Hospitals Trust (together referred to as UHAT), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UHAT'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UHAT's internal control. Accordingly, we do not express an opinion on the effectiveness of UHAT'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UHAT'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 UHAT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UHAT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Oklahoma City, Oklahoma
October 28, 2022

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Net Position

June 30, 2022

Assets	Authority Fund	Trust Fund	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 14,827,805	62,734,776		77,562,581
Investments	—	19,449,177		19,449,177
Receivables:				
Institutional and other	26,793,218	124,436,512		151,229,730
Interest	7,085	54,997		62,082
Prepaid expenses	—	—		—
Total current assets	<u>41,628,108</u>	<u>206,675,462</u>	—	<u>248,303,570</u>
Restricted assets:				
Cash and cash equivalents	188,028	—		188,028
Investments	—	—		—
Real estate	35,989	—		35,989
Total restricted assets	<u>224,017</u>	<u>—</u>	—	<u>224,017</u>
Noncurrent:				
Subordinate debt loan to OUMI, including accrued interest	—	43,999,376		43,999,376
Other assets	—	10,041,049		10,041,049
Net pension asset	—	1,692,481		1,692,481
Capital assets, net	13,155,717	254,386,909		267,542,626
Total assets	<u>\$ 55,007,842</u>	<u>516,795,277</u>	—	<u>571,803,119</u>
Deferred Outflows of Resources				
Pension amounts	\$ —	348,187		348,187
Total deferred outflows of resources	<u>\$ —</u>	<u>348,187</u>	—	<u>348,187</u>
Liabilities				
Current liabilities:				
Trade payables	\$ 1,816,494	5,718,453		7,534,947
Accrued expenses	36,366,484	70,845,428		107,211,912
Compensated absences	—	257,110		257,110
Unearned revenue	—	249		249
Total current liabilities	<u>38,182,978</u>	<u>76,821,240</u>	—	<u>115,004,218</u>
Noncurrent:				
Total liabilities	<u>\$ 38,182,978</u>	<u>76,821,240</u>	—	<u>115,004,218</u>
Deferred Inflows of Resources				
Pension amounts	\$ —	1,930,239		1,930,239
Total deferred inflows of resources	<u>\$ —</u>	<u>1,930,239</u>	—	<u>1,930,239</u>
Net Position				
Net position:				
Invested in capital assets	\$ 13,155,717	254,386,909		267,542,626
Restricted	224,017	—		224,017
Unrestricted	3,445,130	184,005,076		187,450,206
Total net position	<u>\$ 16,824,864</u>	<u>438,391,985</u>	—	<u>455,216,849</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Net Position

June 30, 2021

Assets	Authority Fund	Trust Fund	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 10,908,751	92,290,195	—	103,198,946
Investments	—	20,291,415	—	20,291,415
Receivables:				
Institutional and other	24,724,053	78,571,341	(2,385,831)	100,909,563
Interest	7,790	41,324	—	49,114
Prepaid expenses	—	—	—	—
Total current assets	<u>35,640,594</u>	<u>191,194,275</u>	<u>(2,385,831)</u>	<u>224,449,038</u>
Restricted assets:				
Cash and cash equivalents	188,028	—	—	188,028
Investments	—	—	—	—
Real estate	35,989	—	—	35,989
Total restricted assets	<u>224,017</u>	<u>—</u>	<u>—</u>	<u>224,017</u>
Noncurrent:				
Subordinate debt loan to OUMI, including accrued interest	—	41,999,373	—	41,999,373
Other assets	—	5,306,596	—	5,306,596
Capital assets, net	5,564,120	246,638,966	—	252,203,086
Total assets	<u>\$ 41,428,731</u>	<u>485,139,210</u>	<u>(2,385,831)</u>	<u>524,182,110</u>
Deferred Outflows of Resources				
Pension amounts	\$ —	711,548	—	711,548
Total deferred outflows of resources	<u>\$ —</u>	<u>711,548</u>	<u>—</u>	<u>711,548</u>
Liabilities				
Current liabilities:				
Trade payables	\$ 207,668	2,625,827	—	2,833,495
Accrued expenses	32,119,327	73,653,192	(2,385,831)	103,386,688
Compensated absences	—	237,185	—	237,185
Unearned revenue	—	239	—	239
Total current liabilities	<u>32,326,995</u>	<u>76,516,443</u>	<u>(2,385,831)</u>	<u>106,457,607</u>
Noncurrent:				
Net pension liability	—	950,776	—	950,776
Total liabilities	<u>\$ 32,326,995</u>	<u>77,467,219</u>	<u>(2,385,831)</u>	<u>107,408,383</u>
Deferred Inflows of Resources				
Pension amounts	\$ —	5,213	—	5,213
Total deferred inflows of resources	<u>\$ —</u>	<u>5,213</u>	<u>—</u>	<u>5,213</u>
Net Position				
Net position:				
Invested in capital assets	\$ 5,564,120	246,638,966	—	252,203,086
Restricted	224,017	—	—	224,017
Unrestricted	3,313,599	161,739,360	—	165,052,959
Total net position	<u>\$ 9,101,736</u>	<u>408,378,326</u>	<u>—</u>	<u>417,480,062</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

	<u>Authority Fund</u>	<u>Trust Fund</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Teaching Hospital Reimbursement/Level I				
Trauma revenue	\$ 77,229,826	185,597,944	—	262,827,770
Grant and program revenue	—	15,084,268	—	15,084,268
Joint operating agreement revenue	—	39,999,998	—	39,999,998
Rental income and other services	2,400	19,559,203	—	19,561,603
Contributions	31,680	19,076,633	(15,900,000)	3,208,313
Other revenue	—	512,302	—	512,302
Total operating revenues	<u>77,263,906</u>	<u>279,830,348</u>	<u>(15,900,000)</u>	<u>341,194,254</u>
Operating expenses:				
OUHSC and OHCA expense	50,216,605	—	—	50,216,605
Indigent care expense	83,587,741	208,599,893	—	292,187,634
Education and research support	10,000,000	—	—	10,000,000
Grants and contributions	15,900,000	2,403,136	(15,900,000)	2,403,136
Professional services	2,567,032	1,942,424	—	4,509,456
Compensation and benefits	—	4,186,490	—	4,186,490
Children's services	1,550,000	—	—	1,550,000
Supplies, services, and other	4,569	14,533,593	—	14,538,162
Total operating expenses before depreciation	<u>163,825,947</u>	<u>231,665,536</u>	<u>(15,900,000)</u>	<u>379,591,483</u>
Operating (loss) income before depreciation	(86,562,041)	48,164,812	—	(38,397,229)
Depreciation	(696,704)	(10,568,029)	—	(11,264,733)
Operating (loss) income	<u>(87,258,745)</u>	<u>37,596,783</u>	<u>—</u>	<u>(49,661,962)</u>
Nonoperating revenues (expenses):				
Subsidies	86,591,554	—	—	86,591,554
Contributed capital	8,290,000	(8,290,000)	—	—
Investment and interest income	57,231	2,322,060	—	2,379,291
Miscellaneous income (expense), net	43,088	(1,615,184)	—	(1,572,096)
Total nonoperating revenues	<u>94,981,873</u>	<u>(7,583,124)</u>	<u>—</u>	<u>87,398,749</u>
Change in net position	7,723,128	30,013,659	—	37,736,787
Net position, beginning of year	<u>9,101,736</u>	<u>408,378,326</u>	<u>—</u>	<u>417,480,062</u>
Net position, end of year	<u>\$ 16,824,864</u>	<u>438,391,985</u>	<u>—</u>	<u>455,216,849</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2021

	<u>Authority Fund</u>	<u>Trust Fund</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Teaching Hospital Reimbursement/Level I				
Trauma revenue	\$ 61,631,669	117,043,174	(2,385,831)	176,289,012
Grant and program revenue	—	13,342,976	—	13,342,976
Joint operating agreement revenue	—	40,000,000	—	40,000,000
Rental income and other services	2,400	14,325,978	—	14,328,378
Other revenue	47,014	503,266	—	550,280
Total operating revenues	<u>61,681,083</u>	<u>185,215,394</u>	<u>(2,385,831)</u>	<u>244,510,646</u>
Operating expenses:				
OUHSC and OHCA expense	57,270,030	—	—	57,270,030
Indigent care expense	67,696,913	146,153,196	(2,385,831)	211,464,278
Grants and contributions	—	52,240	—	52,240
Professional services	2,563,295	2,494,887	—	5,058,182
Compensation and benefits	—	4,442,800	—	4,442,800
Supplies, services, and other	4,299	11,258,926	—	11,263,225
Total operating expenses before depreciation	<u>127,534,537</u>	<u>164,402,049</u>	<u>(2,385,831)</u>	<u>289,550,755</u>
Operating (loss) income before depreciation	(65,853,454)	20,813,345	—	(45,040,109)
Depreciation	<u>(855,364)</u>	<u>(11,507,800)</u>	<u>—</u>	<u>(12,363,164)</u>
Operating (loss) income	<u>(66,708,818)</u>	<u>9,305,545</u>	<u>—</u>	<u>(57,403,273)</u>
Nonoperating revenues (expenses):				
Subsidies	66,691,554	—	—	66,691,554
Investment and interest income	92,600	2,376,039	—	2,468,639
Miscellaneous income (expense), net	(1,332,192)	(98,874)	—	(1,431,066)
Total nonoperating revenues	<u>65,451,962</u>	<u>2,277,165</u>	<u>—</u>	<u>67,729,127</u>
Change in net position	(1,256,856)	11,582,710	—	10,325,854
Net position, beginning of year	<u>10,358,592</u>	<u>396,795,616</u>	<u>—</u>	<u>407,154,208</u>
Net position, end of year	<u>\$ 9,101,736</u>	<u>408,378,326</u>	<u>—</u>	<u>417,480,062</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Cash Flows

Year ended June 30, 2022

	Authority Fund	Trust Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ —	19,376,287	19,376,287
Joint operating agreement receipts	—	36,666,666	36,666,666
Grant receipts (IME, GME, MTH)	75,098,723	178,607,052	253,705,775
Indigent care payments	(83,308,154)	(215,423,896)	(298,732,050)
OUHSC and OHCA payments	(74,657,243)	(2,267,491)	(76,924,734)
Goods and service payments	(4,569)	(14,156,458)	(14,161,027)
Payments to employees	—	(4,515,872)	(4,515,872)
Other operating receipts	96,018	3,419,291	3,515,309
Net cash (used in) provided by operating activities	(82,775,225)	1,705,579	(81,069,646)
Cash flows from noncapital financing activity:			
Subsidies	86,591,554	—	86,591,554
Cash flows from capital and related financing activities:			
Purchase of capital assets	(8,290,000)	(19,433,131)	(27,723,131)
Nonoperating revenue (expense), net	8,334,789	(6,937,940)	1,396,849
Net cash provided by (used in) capital and related financing activities	44,789	(26,371,071)	(26,326,282)
Cash flows from investing activities:			
Investment and interest income	57,936	60,873	118,809
Purchase of equity interest	—	(4,950,799)	(4,950,799)
Interest income on loan to OUMI	—	—	—
Net cash provided by investing activities	57,936	(4,889,926)	(4,831,990)
Net increase in cash and cash equivalents	3,919,054	(29,555,418)	(25,636,364)
Cash and cash equivalents, beginning of year	11,096,783	92,290,190	103,386,973
Cash and cash equivalents, end of year	\$ 15,015,837	62,734,772	77,750,609
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating income (loss)	\$ (87,258,745)	37,596,783	(49,661,962)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:			
Depreciation	696,704	10,568,029	11,264,733
(Increase) decrease in receivables, net	(2,069,165)	(45,865,171)	(47,934,336)
Increase (decrease) in payables and accrued expenses	5,855,981	(239,202)	5,616,779
Decrease in unearned revenue	—	10	10
Decrease in prepaid expenses	—	—	—
Increase in deferred outflows of resources	—	363,361	363,361
Decrease (increase) in net pension liability	—	(2,643,257)	(2,643,257)
Increase (decrease) in deferred inflows of resources	—	1,925,026	1,925,026
Total adjustments	4,483,520	(35,891,204)	(31,407,684)
Net cash (used in) provided by operating activities	\$ (82,775,225)	1,705,579	(81,069,646)
Noncash capital financing and investing activity:			
Capital assets purchased remaining in accrued expenses	\$ —	1,947,282	1,947,282

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Cash Flows

Year ended June 30, 2021

	Authority Fund	Trust Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ —	15,753,759	15,753,759
Joint operating agreement receipts	—	40,000,000	40,000,000
Grant receipts (IME, GME, MTH)	48,947,405	139,859,727	188,807,132
Indigent care payments	(50,607,321)	(159,909,736)	(210,517,057)
OUHSC and OHCA payments	(59,809,978)	(2,051,446)	(61,861,424)
Goods and service payments	(4,305)	(14,039,671)	(14,043,976)
Payments to employees	—	(4,168,707)	(4,168,707)
Other operating receipts	49,676	1,269,895	1,319,571
	<u>(61,424,523)</u>	<u>16,713,821</u>	<u>(44,710,702)</u>
Net cash (used in) provided by operating activities			
Cash flows from noncapital financing activity:			
Subsidies	66,691,554	—	66,691,554
Cash flows from capital and related financing activities:			
Purchase of capital assets	—	(12,453,956)	(12,453,956)
Nonoperating revenue (expense), net	(744,646)	1,665,114	920,468
	<u>(744,646)</u>	<u>(10,788,842)</u>	<u>(11,533,488)</u>
Net cash used in capital and related financing activities			
Cash flows from investing activities:			
Investment and interest income	92,893	11,152	104,045
Purchase of equity interest	—	(3,000,000)	(3,000,000)
Interest income on loan to OUMI	—	5,019,377	5,019,377
	<u>92,893</u>	<u>2,030,529</u>	<u>2,123,422</u>
Net cash provided by investing activities			
Net increase in cash and cash equivalents			
	4,615,278	7,955,508	12,570,786
Cash and cash equivalents, beginning of year	6,481,505	84,334,682	90,816,187
Cash and cash equivalents, end of year	<u>\$ 11,096,783</u>	<u>92,290,190</u>	<u>103,386,973</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating income (loss)	\$ (66,708,818)	9,305,545	(57,403,273)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:			
Depreciation	855,364	11,507,800	12,363,164
(Increase) decrease in receivables, net	(12,684,002)	10,177,131	(2,506,871)
Increase (decrease) in payables and accrued expenses	17,112,933	(14,817,196)	2,295,737
Decrease in unearned revenue	—	(239)	(239)
Decrease in prepaid expenses	—	299,577	299,577
Increase in deferred outflows of resources	—	(468,223)	(468,223)
Increase in net pension liability	—	790,123	790,123
Decrease in deferred inflows of resources	—	(80,697)	(80,697)
	<u>5,284,295</u>	<u>7,408,276</u>	<u>12,692,571</u>
Total adjustments	<u>5,284,295</u>	<u>7,408,276</u>	<u>12,692,571</u>
Net cash (used in) provided by operating activities	<u>\$ (61,424,523)</u>	<u>16,713,821</u>	<u>(44,710,702)</u>
Noncash capital financing and investing activity:			
Capital assets purchased remaining in accrued expenses	\$ —	1,367,182	1,367,182

See accompanying independent auditors' report.