Audited Financial Report and Reports Required by Uniform Guidance
As of and for the Years Ended June 30, 2019 and 2018

The University of Oklahoma Health Sciences Center

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Regents of the University of Oklahoma
The University of Oklahoma Health Sciences Center
Norman, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of The University of Oklahoma Health Sciences Center (the Center), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2019 and 2018, 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.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Oklahoma Health Sciences Center as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note 1, the financial statements of the Center reporting entity are intended to present the financial position, changes in financial position and cash flows of only the activities of the Center. They do not purport to, and do not, present fairly the financial position of the Regents as of June 30, 2019 and 2018, the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the required supplementary information on pages 63 through 65 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2019 on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
October 15, 2019

The discussion and analysis of The University of Oklahoma Health Sciences Center's (the Center) financial statements provides an overview of the Center's financial activities for the years ended June 30, 2019 and 2018. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

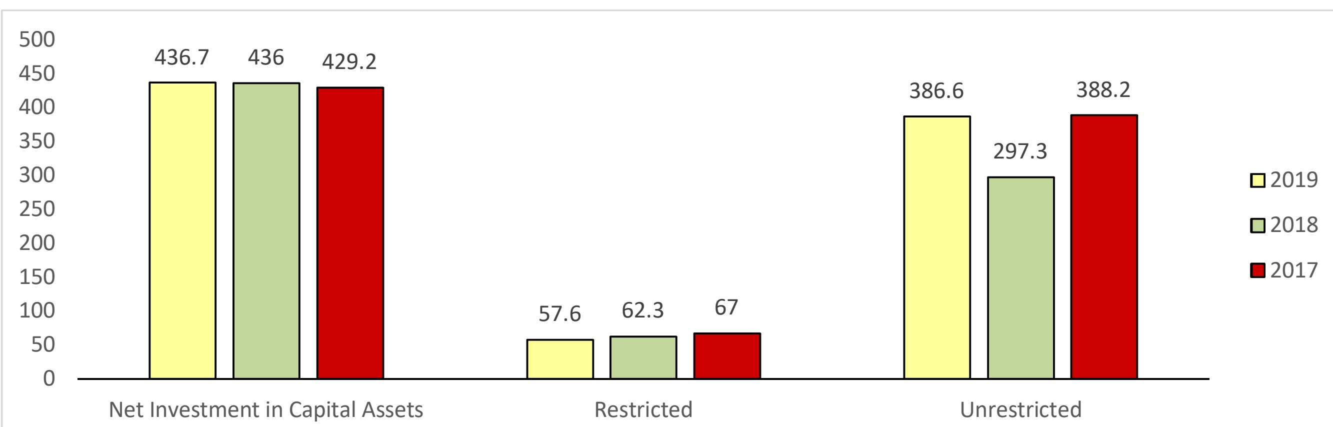
Financial Highlights

2019
The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2019. Net position increased approximately $85.3 million or 10.7% over the previous year ending net position. The change resulted from increases in net investment in capital assets of $.7 million and unrestricted net position of $89.3 million. Restricted net position decreased by $4.7 million

2018
The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2018. Net position increased approximately $5.4 million or .6% over the previous year ending net position (before cumulative effect of change in accounting principle – GASB 75). After the cumulative effect of change in accounting principle, net position reflected an $88.8 million decrease. As a result, the adjusted change in net position reflected an increase in net investment in capital assets of $6.8 million, a decrease in restricted net position of $4.7 million, and a decrease in unrestricted net position of $90.9 million.

The following graph illustrates the comparative change in net position by category for the years ended June 30:

Net Position (in Millions)



Overview of the Financial Statements and Financial Analysis
This report consists of Management's Discussion and Analysis (this part), the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the Center as a whole.

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position
The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report the Center's net position and how it has changed. Net position—the difference between combined assets and deferred outflows of resources and combined liabilities and deferred inflows of resources—is one way to measure the Center's financial health, or position. Over time, increases or decreases in the Center's net position are indicators of whether its financial health is improving. Non-financial factors are also important to consider, including student enrollment, condition of campus buildings, patient census, and trends in national health care reimbursement policies.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Center's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, as well as, the Center's revenues, expenses and changes in net position for the years ended June 30:

Condensed Statements of Net Position, June 30 (In Millions)

	2019		2018		2017
Assets					
Current assets	$ 799.5		$ 725.4		$ 737.7
Capital assets, net	582.1		590.8		592.4
Other noncurrent assets	210.8		202.2		175.8
Total assets	$ 1,592.4		$ 1,518.4		$ 1,505.9
Deferred outflows of resources	$ 71.3		$ 76.2		$ 101.6
Liabilities					
Current liabilities	$ 137.4		$ 140.0		$ 134.4
Noncurrent liabilities	588.3		620.6		580.0
Total liabilities	$ 725.7		$ 760.6		$ 714.4
Deferred inflows of resources	$ 57.1		$ 38.4		$ 8.7
Net position					
Net investment in capital assets	$ 436.7		$ 436.0		$ 429.2
Restricted	57.6		62.3		67.0
Unrestricted	386.6		297.3		388.2
Total net position	$ 880.9		$ 795.6		$ 884.4
Increase (decrease) in net position		$ 85.3		$ (88.8)	

Condensed Statements of Revenues, Expenses, and Changes in Net Position, June 30 (In Millions)

	2019	2018	2017
Operating revenues	$ 964.3	$ 911.4	$ 888.4
Operating expenses	1,023.0	1,041.1	1,016.2
Operating loss	(58.7)	(129.7)	(127.8)
Net nonoperating revenues	134.9	124.8	135.8
Other revenues, expenses and gains or losses	9.1	10.3	11.3
Net change in net position	85.3	5.4	19.3
Net position at beginning of year	795.6	884.4	865.1
Implementation of GASB 75	-	(94.2)	-
Net position at end of year	$ 880.9	$ 795.6	$ 884.4

The following summarizes the Center's operating revenues for the years ended June 30 (In Millions):

	2019	2018	2017
Operating revenues			
Tuition and fees	$ 65.0	$ 62.7	$ 62.9
Patient care	391.0	422.8	395.7
Pharmaceutical sales	94.2	88.1	76.7
Grants and contracts	356.9	276.3	302.2
Sales and services of educational activities	1.7	1.9	1.7
Auxiliary enterprises	40.8	36.0	36.4
Other	14.7	23.6	12.8
Total operating revenues	$ 964.3	$ 911.4	$ 888.4

Changes in operating revenues included the following:

2019

Student tuition and fees revenue had an increase of $2.3 million due to a slight increase in enrollment fees.

Patient care decreased over the past year by $31.8 million. This was primarily due to the transfer of the infusion clinics at the Stephenson Cancer Center and the Jimmy Everest Center to the Center's affiliated teaching hospital (OU Medical Center), resulting in a decrease of $62.2 million. However, other clinical practices increased in patient volume, procedures, and service contracts by $30.4 million.

Pharmaceutical sales increased $6.1 million due primarily to increased activity in the Stephenson Cancer Center retail pharmacy.

Federal grants and contracts increased by $2.8 million due to increased funding for research in Pediatrics, Cancer and Ophthalmology fields. State grants and contracts increased during 2019 by $49.0 million. This was due to an increase in Graduate Medical Education support from a one-time federal transition program. Private grants and contracts increased by $28.8 million due mainly to increased contracts with OU Medical Center.

Sales and services of auxiliary enterprises saw an increase in revenues of $4.8 million. This is due to the expansion of services provided to OU Medical Center.

Other revenues decreased $8.9 million due to a variety of one-time factors during 2018. There were no similar one-time transactions during 2019.

2018

Student tuition and fees revenue had a decrease of $.2 million due to a slight decrease in enrollment in fiscal year 2018.

Patient care increased over the past year with additional revenues of $27.2 million. This was due to increased patient volume and procedures performed within the OU Physicians clinical practice, substantially in the infusion clinic at the Stephenson Cancer Center and Pediatrics.

Pharmaceutical sales increased $11.4 million. This was primarily due to the opening of a retail pharmacy in the Stephenson Cancer Center in fiscal year 2018.

Federal grants and contracts decreased by $7.2 million due to funding losses in various areas. State grants and contracts decreased during 2018 by $18.6 million. This was due to a decrease in Graduate Medical Education support as the program transitions to a different funding model. Private grants and contracts remained stable during the year.

Sales and services of auxiliary enterprises remained steady over the past year with a modest decrease in revenues of $.4 million.

Other revenues increased $10.8 million due to a variety of factors. During 2018, this category included unusual receipts such as a statutory surplus return from APIC of $5.7 million, the sale of the infusion clinic drug inventory for $2.9 million, and the one-time receipt of $2.6 million from the University Hospitals Authority and Trust for use of clinical space.

The following summarizes the Center's operating expenses for the years ended June 30 (In Millions):

	2019	2018	2017
Operating expenses			
Compensation and benefits	$ 699.0	$ 682.8	$ 670.9
Contractual services	83.9	81.5	82.4
Supplies and materials	114.3	168.0	139.7
Depreciation	29.0	28.4	28.5
Utilities	12.0	13.7	12.5
Communications	10.2	9.7	11.2
Scholarships	2.9	2.5	2.4
Other	71.7	54.4	68.6
Total operating expenses	$ 1,023.0	$ 1,041.1	$ 1,016.2

Changes in operating expenses were the result of the following:

2019
Compensation and benefits expense increased slightly by $16.2 million or 2.4% during fiscal year 2019.

Supplies and materials expense decreased $53.7 million. This was due to the transfer of the infusion clinic service line to OU Medical Center during fiscal year 2019, which resulted in a significant decrease of pharmaceutical drug purchases.

Other expenses increased by $17.3 million due to Graduate Medical Education match payments as part of the one-time federal transition program.

2018
Compensation and benefits expense increased slightly by $11.9 million or 1.8% during fiscal year 2018.

Supplies and materials expense increased $28.3 million. This was due to the increased cost of pharmaceutical drugs used in patient care, particularly cancer fighting drugs.

Other expenses decreased by $14.1 million due to a reduction in Graduate Medical Education match payments.

The following summarizes the Center's non-operating revenues and expenses for the years ended June 30 (In Millions):

	2019	2018	2017
Nonoperating revenue			
State appropriations	$ 74.1	$ 74.6	$ 80.1
On-behalf payments	15.2	14.2	14.0
Private gifts	11.3	12.5	13.3
Interest on indebtedness	(7.1)	(7.2)	(8.2)
Investment income	25.4	13.8	18.8
Endowment income	16.0	16.9	17.8
Net nonoperating revenue	$ 134.9	$ 124.8	$ 135.8

Changes in nonoperating revenues and expenses were the result of the following:

2019
State appropriations remained steady from the prior year with only a small decrease of $.5 million or .6%.

On-behalf payments remained steady from the prior year.

Private gifts decreased $1.3 million, due to a decrease in gifts across a variety of areas.

Investment income increased $11.6 million for the year. This was primarily due to the increased value of the SPIV investment held at the OU Foundation.

Endowment income decreased slightly by $.9 million, due to a small decrease in the reimbursement of expenditures by endowed chairs.

2018
State appropriations decreased during 2018 by 6.9% or $5.4 million, due to a shortfall in the State's general revenue.

On-behalf payments remained steady from the prior year.

Private gifts decreased 6 percent or $.8 million, due to a decrease in gifts received from St. John Health System to support graduate medical education.

Investment income decreased $5.0 million for the year. This was largely due to a prior year increase in investments held in equity positions. Fiscal year 2018 did not include a similar transaction.

Endowment income decreased slightly by $.9 million, due to a small decrease in the reimbursement of expenditures by endowed chairs.

The Statement of Cash Flows
The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The following summarizes the Center's cash flows for the years ended June 30:

Condensed Statements of Cash Flows for the Years Ended June 30 (In Millions)

	2019	2018	2017
Cash provided (used) by			
Operating activities	$ (4.0)	$ (85.7)	$ (62.0)
Noncapital financing activities	102.4	104.3	109.4
Capital and related financing activities	(22.5)	(32.7)	(43.1)
Investing activities	13.7	(19.9)	5.9
Net change in cash	89.6	(34.0)	10.2
Cash, beginning of the year	574.8	608.8	598.6
Cash, end of year	$ 664.4	$ 574.8	$ 608.8

2019

The Center's overall liquidity increased during the year, with a net increase to cash of $89.6 million. Cash used in operating activities totaled $4 million, a decrease of approximately $81.7 million over the prior year. The use of cash was due to overall revenues not being sufficient to offset increased compensation, benefits, contractual services and other operating costs. Significant cash flow increases were related to changes in state grants and contracts ($67.2 million), private grants and contracts ($22.8 million), and pharmacy sales ($6.4 million). There was a significant decrease in cash flows from patient revenues ($40.5 million).

Overall, cash provided by noncapital and related activities was $102.4 million, a net decrease of approximately $1.9 million over the prior year. This decrease in cash flows was primarily due to lower endowment income ($1.4 million) and a small decrease in state appropriations ($.5 million).

Cash flows used in connection with capital and related financing activities totaled $22.5 million, a decrease of $10.2 million compared to the prior year. This was a result of a decrease in cash used for the purchase of capital assets ($7.3 million) and debt service ($1.6 million). In addition, cash provided by state appropriations for capital projects increased ($1.4 million).

Cash provided by investing activities was $13.7 million, an increase of $33.6 million. The increase was substantially the result of cash used in the prior year for the purchase of investments ($31.8 million), and an increase of cash received from investment income ($1.8 million).

2018
The Center's overall liquidity declined during the year, with a net decrease to cash of $34 million. Cash used in operating activities totaled $85.7 million, an increase of approximately $23.7 million over the prior year. The use of cash was due to overall revenues not being sufficient to offset increased compensation, benefits, contractual services and other operating costs. Significant cash flow increases were related to changes in patient revenues ($16 million), private grants and contracts ($2.6 million), other additions ($7.8 million), and pharmacy sales ($9 million). There was a significant decrease in cash flows from federal grants and contracts ($9.1 million) and state grants and contracts ($18.9 million)

Overall, cash provided by noncapital and related activities was $104.3 million, a net decrease of approximately $5.1 million over the prior year. This decrease in cash flows was primarily due to lower State appropriations received ($5.5 million). The positive change in cash flows from endowment income ($2.4 million) was offset by a negative change in private gifts ($2.1 million).

Cash flows used in connection with capital and related financing activities totaled $32.7 million, a decrease of $10.4 million compared to the prior year. This was a result of a decrease in cash used for the purchase of capital assets ($12.6 million). In addition, cash provided by State school land funds decreased ($1 million).

Cash used in investing activities totaled $19.9 million, an increase of $25.8 million. The increase was substantially the result of cash used for the purchase of investments ($28.3 million), and a decrease of cash received from investment income ($1.5 million). This was partially offset by an increase in proceeds received from the sale of investments ($4 million).

Capital Asset and Debt Administration

The following summarizes the Center's Capital Assets at June 30:

Capital Assets, Net, at Year-End (In Millions)

	2019	2018	2017
Art	$ 1.3	$ 1.3	$ 0.8
Land and infrastructure	39.0	38.4	37.3
Construction in-progress	3.8	9.1	7.7
Buildings	481.0	481.5	496.1
Furniture, fixtures, and equipment	56.0	59.3	49.0
Library materials	1.0	1.2	1.5
Totals	$ 582.1	$ 590.8	$ 592.4

2019
At June 30, 2019, the Center had approximately $582.1 million invested in capital assets, net of accumulated depreciation of $380.5 million. Depreciation charges for the current year remained steady at $29.0 million.

2018
At June 30, 2018, the Center had approximately $590.8 million invested in capital assets, net of accumulated depreciation of $365.1 million. Depreciation charges for the current year remained steady at $28.4 million.

Debt
The following summarizes outstanding debt by type as of June 30:

Outstanding Debt, at Year-End (In Millions)

	2019	2018	2017
General revenue bonds	$ 130.7	$ 136.0	$ 138.5
Auxiliary facility revenue bonds	0.9	1.7	2.5
Lease obligations	15.2	18.5	21.6
Totals	$ 146.8	$ 156.2	$ 162.6

2019
At fiscal year-end 2019, the Center had approximately $146.8 million in outstanding debt, a decrease of approximately $9.4 million over the prior year.

The Center issued no new debt during 2019. Debt repayments of $9.4 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in Note 12 to the financial statements.

2018
At fiscal year-end 2018, the Center had approximately $156.2 million in outstanding debt, a decrease of approximately $6.4 million over the prior year.

The Center advance refunded one bond series during 2018, resulting in a total reduction of $4.5 million in debt service payments. Additional debt repayments of $8.8 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in Note 12 to the financial statements.

Economic Outlook
The Center's economic position is closely aligned with its role as the state's primary resource for the training of health care professionals. Future success is dependent upon the ability to recruit and retain highly qualified students, faculty, and staff, as well as, ongoing financial and political support from state government.

Modest growth in the state's economy resulted in a 4.6% increase in state appropriations for fiscal year 2020, after several years of decreases. The Center's overall financial position enables it to provide consistent levels of service to students, patients, researchers, and citizens state-wide. The most important factor impacting the Center's economic outlook is the operation of its professional practice plans. The professional practice plans continue to contribute significantly to the Center's financial performance and are expected to remain stable.

	2019	2018
	(In Thousands)	
Assets		
Current Assets		
Cash and cash equivalents	$ 640,556	$ 549,945
Restricted cash and cash equivalents	18,406	15,723
Accounts receivable, net of allowances	134,304	153,277
Inventories and supplies	3,299	3,260
Loans to students, net of allowance for uncollectible loans	1,035	1,019
Deposits and prepaid expenses	1,888	2,203
Total current assets	799,488	725,427
Noncurrent Assets		
Restricted cash and cash equivalents	5,450	9,168
Endowment investments	44,860	44,650
Other long-term investments	147,633	136,219
Investments in real estate	3,476	3,476
Loans to students, net	5,468	5,709
Deposits and prepaid expenses	1,606	1,278
Net OPEB	2,309	1,673
Capital assets, net	582,077	590,808
Total noncurrent assets	792,879	792,981
Total assets	$ 1,592,367	$ 1,518,408
Deferred Outflows of Resources		
Deferred outflow - pensions	$ 51,525	$ 67,941
Deferred outflow - OPEB	17,901	6,259
Deferred charge on debt refunding	1,886	1,998
Total deferred outflows of resources	$ 71,312	$ 76,198

		2019		2018
		(In Thousands)		
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	$	84,079	$	82,346
Unearned revenue		11,026		13,089
Accrued interest payable		3,150		3,273
Deposits held in custody for others		1,654		1,536
Long-term liabilities, current portion				
Accrued compensated absences		31,044		30,363
Capital lease payable		637		3,245
Revenue bonds payable		5,833		6,185
Total current liabilities		137,423		140,037
Noncurrent Liabilities				
Accrued compensated absences		5,479		5,783
Net pension liability		220,614		255,733
Total OPEB liability		213,933		204,856
Federal loan program contributions refundable		7,928		7,424
Capital lease payable		14,597		15,234
Revenue bonds payable		125,698		131,530
Total noncurrent liabilities		588,249		620,560
Total liabilities	$	725,672	$	760,597
Deferred Inflows of Resources				
Deferred inflow - pensions	$	40,076	$	32,597
Deferred inflow - OPEB		16,497		5,186
Deferred credit on OCIA lease restructure		531		579
Total deferred inflows of resources	$	57,104	$	38,362
Net Position				
Net investment in capital assets	$	436,667	$	436,033
Restricted for				
Nonexpendable		28,592		28,592
Expendable				
Education and general		8,702		9,280
Capital projects		6,368		10,566
Debt service		13,918		13,892
Unrestricted		386,656		297,284
Total net position	$	880,903	$	795,647

	2019	2018
	(In Thousands)	
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $5,711 and $4,846 for 2019 and 2018, respectively)	$ 64,985	$ 62,721
Patient care (net of provisions for contractual, bad debt and other adjustments of $538,552 and $612,196 for 2019 and 2018, respectively)	391,002	422,807
Pharmaceutical sales	94,210	88,074
Federal grants and contracts	76,874	74,111
State grants and contracts	114,207	65,182
Private grants and contracts	165,825	136,999
Sales and services of educational activities	1,740	1,911
Sales and services of auxiliary enterprises:		
Steam and chilled water plant revenues (revenues are pledged as security for the Utility System, System Revenue Bonds Series 2004)	7,066	6,915
Other	33,701	29,044
Other revenues (including $182 and $185 from interest on student loans for 2019 and 2018, respectively)	14,681	23,701
Total operating revenue	964,291	911,465
Operating Expenses		
Compensation and benefits	698,971	682,793
Contractual services	83,945	81,515
Supplies and materials	114,313	168,005
Depreciation	28,993	28,410
Utilities	11,917	13,729
Communication	10,227	9,701
Scholarships	2,890	2,547
Other	71,731	54,441
Total operating expenses	1,022,987	1,041,141
Operating Loss	(58,696)	(129,676)
Nonoperating Revenues and (Expenses)		
State appropriations	74,123	74,589
On-behalf payments	15,122	14,204
Private gifts	11,274	12,546
Interest on indebtedness	(7,052)	(7,191)
Net investment income	25,408	13,780
Endowment income	15,986	16,892
Net nonoperating revenues and (expenses)	134,861	124,820
Income (loss) before other revenues, (expenses), gains, or (losses)	76,165	(4,856)

	2019	2018
	(In Thousands)	
Other Revenue, (Expenses), Gains, or (Losses)		
Federal grants and contracts for capital projects	$ 64	$ -
State appropriations for capital projects	5,040	6,196
Private gifts for capital projects	63	537
State school land funds	3,924	3,541
Total other revenue, (expenses), gains, or (losses)	9,091	10,274
Change in net position	85,256	5,418
Net Position, Beginning of Year	795,647	790,229
Net Position, End of Year	$ 880,903	$ 795,647

	2019	2018
	(In Thousands)	
Operating Activities		
Tuition and fees	$ 64,246	$ 62,574
Patient revenues	385,736	426,241
Pharmacy sales	89,051	82,678
Federal grants and contracts	75,594	73,599
State grants and contracts	132,380	65,170
Private grants and contracts	160,729	137,931
Sales and services of auxiliary enterprises	33,149	28,109
Sales and services of educational activities	1,743	1,817
Steam and chilled water plant revenues	6,930	6,917
Interest on loans receivable	182	185
Other additions	17,016	20,583
Loans issued to students	(1,011)	(1,249)
Collection of loans	1,248	1,165
Compensation and benefits	(688,546)	(658,329)
Contractual services	(83,679)	(82,411)
Supplies and materials, utilities, communications, scholarships and fellowships, other and deposits held in custody	(198,761)	(250,698)
Net Cash used for Operating Activities	(3,993)	(85,718)
Noncapital Financing Activities		
State appropriations	74,123	74,589
Endowment income	16,748	18,140
Private gifts	10,991	11,434
Direct loan receipts	64,769	66,042
Direct loan disbursements	(64,769)	(66,042)
Net increase to Federal loan program contributions refundable	504	212
Net Cash from Noncapital Financing Activities	102,366	104,375

	2019	2018
	(In Thousands)	
Capital and Capital Related Financing Activities		
State grants and contracts for capital projects	$ 64	$ -
State appropriations for capital projects	6,374	4,981
Private gifts for capital projects	63	537
Purchases of capital assets	(20,630)	(27,941)
Proceeds from issuance of bonds payable	-	46,739
Principal paid on capital debt and leases	(6,820)	(53,083)
Interest paid on capital debt and leases	(5,439)	(7,484)
Receipt of State school land funds	3,924	3,541
Net Cash used for Capital and Capital Related Financing Activities	(22,464)	(32,710)
Investing Activities		
Investment income	11,554	9,778
Proceeds from sales and maturities of investments	2,113	105,284
Purchase of investments	-	(135,000)
Net Cash from (used for) Investing Activities	13,667	(19,938)
Net Change in Cash and Cash Equivalents	89,576	(33,991)
Cash and Cash Equivalents, Beginning of Year	574,836	608,827
Cash and Cash Equivalents, End of Year	$ 664,412	$ 574,836
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	$ 640,556	$ 549,945
Restricted cash and cash equivalents	18,406	15,723
Noncurrent assets		
Restricted cash and cash equivalents	5,450	9,168
Total cash and cash equivalents	$ 664,412	$ 574,836

	2019	2018
	(In Thousands)	
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	$ (58,696)	$ (129,676)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	28,993	28,410
Loss on disposal of capital assets	368	1,260
On-behalf contribution related to pensions	11,906	10,963
Change in assets and liabilities		
Accounts receivable	16,095	(13,925)
Inventories and supplies	(39)	1,700
Loans to students	225	(80)
Deposits and prepaid expenses	(13)	1,860
Net OPEB asset	(636)	(1,673)
Deferred outflows related to pensions and OPEB	4,774	27,356
Accounts payable and accrued expenses	1,850	4,736
Unearned revenue	(2,063)	3,855
Deposits held in custody for others	118	(329)
Compensated absences	377	1,179
Total OPEB liability	9,077	9,160
Net pension liability	(35,119)	(60,235)
Deferred inflows related to pensions and OPEB	18,790	29,721
Net Cash used for Operating Activities	$ (3,993)	$ (85,718)

	2019	2018
Supplemental Schedule of Noncash Investing and Financing Activities		
On-behalf interest paid by OCIA	$ 625	$ 744
On-behalf principal payments made by OCIA	2,591	2,497
Amortization of bond insurance cost	2	2
Amortization of bond discount/premium	(21)	(20)
Amortization of ODFA discount/premium	39	25
Capitalization of interest	-	64

Note 1 - Summary of Significant Accounting Policies

Nature of the Organization

The University of Oklahoma Health Sciences Center (the Center) is a comprehensive university operating under the jurisdiction of the Board of Regents of the University of Oklahoma (the Board of Regents) and the Oklahoma State Regents for Higher Education (the State Regents).

Reporting Entity

The Center is one of the four institutions of higher education in Oklahoma that comprise the Regents of the University of Oklahoma, which in turn is part of the Higher Education Component Unit of the State of Oklahoma. The Board of Regents has constitutional authority to govern, control and manage the Regents of the University of Oklahoma, which consists of: the Center, the University of Oklahoma Norman Campus (the Norman Campus), Rogers State University, and Cameron University. This authority includes but is not limited to the power to designate management; the ability to significantly influence operations; acquire and take title to real and personal property in its name; and appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, the Center is considered an organizational unit of the Regents of the University of Oklahoma reporting entity for financial reporting purposes due to the significance of its legal, operational and financial relationships with the Board of Regents, as defined in Section 2100 of the Governmental Accounting Standards Board (the GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The Center consists of seven academic colleges, including Colleges of Medicine, Public Health, Allied Health, Dentistry, Nursing, and Pharmacy, and also the Graduate College.

Faculty members in the Colleges of Medicine, Public Health, Allied Health, Dentistry, Nursing, and Pharmacy may participate in Professional Practice Plans (PPP's). Faculty who participate in a PPP are primarily committed to the academic and research programs of the Center; however, they also engage in professional practice activities related to patient care and services. A significant portion of PPP revenue is generated from patient care services provided to patients through the OU Medical System. The OU Medical System includes OU Medical Center, OU Medical Center Edmond, and The Children's Hospital. The financial position and operations of the PPPs are included in the accompanying financial statements of the Center.

For financial reporting purposes, the Center has included all funds, organizations, agencies, boards, commissions and authorities within the reporting entity defined above. The Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature of significance of their relationship with the Center are such that the exclusion would cause the Center's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Center. The Center does not have a component unit which meets the GASB criteria.

Although the Center is a beneficiary of the University of Oklahoma Foundation, Inc. (the Foundation), the Foundation is independent of the Center in all respects. The Foundation is not a subsidiary or affiliate of the Center and is not directly or indirectly controlled by the Center or the Board of Regents. Assets that the Center places with the Foundation for investment, together with investment income, are held, administered and distributed to the Center under the direction and supervision of the Foundation based upon Center policies and instructions. With the exception of assets that the Center and others have placed with the Foundation for investment (and the investment income from such assets), the assets held by the Foundation are the exclusive property of the Foundation. The Center is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. Neither the Center nor the Board of Regents has the power or authority to mortgage, pledge or encumber the assets of the Foundation. The trustees of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the Center. Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the Center. Third parties dealing with the Center, Board of Regents, the Oklahoma State Regents for Higher Education and the State of Oklahoma (or any agency thereof) should not rely upon any financial information contained herein about the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Financial Statement Presentation

The GASB is the recognized standard-setting body for accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to public sector institutions of higher education. The Center applies all applicable GASB pronouncements.

Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, in accordance with U.S. GAAP. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated.

Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's investment portfolio, OK INVEST, are considered cash equivalents.

Restricted Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase capital or other noncurrent assets are classified as restricted in the statements of net position. Restricted cash and cash equivalents available to be used for operating expenses, the repayment of liabilities classified as current or other expenditures within a year are classified as current assets.

Investments

The Center accounts for its investments at fair value. GASB Statement No. 72 specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

Level 1 - Unadjusted quoted prices for identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3 - Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the reporting entity's own assumptions, but the market participant's assumptions may be used in pricing the asset or liability.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Center defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Center performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72. The Center establishes the fair value of certain investments that do not have a readily determinable fair value by using net asset value (NAV) per unit. Investments measured at NAV per unit are not categorized within the fair value hierarchy.

Certain investments held by the Foundation are pooled investments (see Note 2). Ownership interest in those pools are unitized. The Foundation calculates the net asset value per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from those pools for the benefit of the unit holders are transmitted at the net asset value per unit on the monthly valuation dates. With the exception of alternative investments, the pooled funds are held in the custody of the Bank of New York-Mellon. Changes in unrealized gain (loss), if any, on the carrying value of the investments are reported as a component of net investment income in the statements of revenues, expenses, and changes in net position.

Equity holdings for which there is no traded market price are carried at historical cost instead of fair value and are evaluated annually for impairment. Changes in fair value are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

June 30, 2019 and 2018 (in thousands)

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students; auxiliary enterprise services provided to students, faculty, and staff; and amounts due for services provided through the PPPs and clinics. Amounts due from federal, state, and local governments, and private sources, in connection with reimbursement of allowable expenditures made pursuant to the Center's grants and contracts, construction projects, and unspent proceeds from capital leases are also included. Accounts receivable are recorded net of contractual adjustments and estimated uncollectible amounts. Payments on patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The Center determines its uncollectible balances and contractual allowances by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous loss history (including historical payment trends by payor for PPP receivable balances), which is indirectly impacted by the condition of the general economy and the industry as a whole. The Center writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to patient care revenue.

The Center grants credit without collateral to its patients. The following summarizes the estimated percentage of net patient accounts receivable from all payors as of June 30, 2019 and 2018:

	2019	2018
Medicare	17%	18%
Medicaid	20%	22%
Other third-party and commercial payors	34%	36%
Other, including self pay	29%	24%
	100%	100%

Inventories and Supplies

Inventories, consisting of merchandise for resale and supplies, are stated at the lower of aggregate cost or aggregate market. Cost is determined for the various types of inventory using the first-in, first-out and average cost methods, as deemed appropriate.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. The Center's capitalization policy for furniture, fixtures, and equipment includes all items with a unit cost of $5 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings; 20 years for infrastructure; 10 years for land improvements, library materials, furniture, fixtures and equipment; and 5 years for vehicles, computers, and computer accessories or the duration of the lease term for capital leases.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. Prior to 2019, the Center capitalized interest as a component of capital assets constructed for its use. In 2018, total interest incurred was $7,191, of which $64 was capitalized.

Intangible assets are reported with capital assets. Intangible assets subject to amortization are amortized over their respective estimated useful lives ranging from 5 to 15 years. Intangible assets with indefinite useful lives are not material to the financial statements.

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the statement of revenues, expenses, and changes in net position. There were no events or changes in conditions requiring recognition of an impairment loss in either 2019 or 2018.

Investments in Real Estate

Real estate held for investment is reported at fair value and changes in fair value are reported as a component of net investment income in the statements of revenues, expenses, and changes in net position.

Unearned Revenues

Unearned revenues consist primarily of grant receipts for which the work on the grant has not yet been completed. They also consist of prepaid patient revenues on long-term contracts received during the year but related to the subsequent accounting period and amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period.

Accrued Compensated Absences

Employees' compensated absences are accrued when earned. The obligation at the end of the year and expenditure incurred during the year are recorded as accrued compensated absences in the statements of net position and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net position. The current portion of the obligation is determined by calculating a five-year average annual usage value and applying it to the total obligation.

Estimated Self Insurance Reserves

The Center provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan, workers' compensation program, unemployment compensation insurance program, and student health insurance. These reserves, which are included in accounts payable and accrued expenses on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Medical Malpractice Coverage Claims

The Center is covered for medical malpractice risks under a medical malpractice insurance policy (See Note 17). The Center pays a fixed premium for coverage of malpractice claims the Center might potentially incur.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year; federal loans liability; amounts for accrued compensated absences; total other postemployment benefits (OPEB) liability; net pension liability; and other liabilities that will not be paid within the next fiscal year. Bond issuance costs are expensed as incurred regardless of whether they are included in bond proceeds.

Pensions

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 and additions to/deductions from the fiduciary net position of the Oklahoma Teacher's Retirement System (OTRS) and other plans have been determined on the same basis as reported by OTRS and other plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by OTRS and other plans are reported at fair value by OTRS and other plans.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the Center that are applicable to a future reporting period. The Center has deferred outflows of resources related to pensions, OPEB, and refunding of debt. The deferred outflows related to pensions and OPEB for contributions subsequent to the measurement date are recognized as a reduction of net pension liability in the following year. All other deferred outflows related to pensions and OPEB are recognized as a component of compensation expense over five years or the average expected remaining service life of the plan. The deferred outflows related to the refunding of debt are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the Center that are applicable to a future reporting period. The Center has deferred inflows of resources related to an OCIA lease restructure, pension and OPEB. The OCIA deferred inflows are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred inflows related to pensions and OPEB are recognized as a component of compensation expense over five years or the average expected remaining service life of the plan.

Net Position

The Center's net position is classified as follows:

Net investment in capital assets represents the Center's investment in capital assets (net of accumulated depreciation) and related deferred outflows reduced by outstanding debt obligations and related deferred inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position—nonexpendable consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net position—expendable includes resources in which the Center is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or enabling legislation.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and patient service revenue. These resources are used for transactions relating to the educational and general operations of the Center and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Center's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Classification of Revenues

The Center has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship allowances; patient revenues; sales and services of educational activities; sales and services of auxiliary enterprises; most federal; state, and local grants and contracts; and interest on student loans.

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB, such as state appropriations and investment income.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the Center and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the Center's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Center has recorded a scholarship allowance.

Contributions

From time to time, the Center receives contributions from individuals and private organizations. Revenues from contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported as capital grants, gifts, and donations.

Endowments are provided to the Center on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, the net appreciation of the investments of endowment funds are recorded with investment income in non-operating revenue.

Tax Status

As a state institution of higher education, the income of the Center is exempt from federal and state income taxes; however, income generated from activities unrelated to the exempt purpose is subject to income tax under Internal Revenue Code Section 511 (a)(2)(B). These amounts are immaterial to the financial statements of the Center.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

New Accounting Pronouncements Adopted in Fiscal Year 2019

The Center adopted new accounting pronouncements during the year ended June 30, 2019, as follows:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued April 2018 and improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The adoption of GASB No. 88 changed the Center's disclosure requirements as seen in Note 12 but did not impact amounts recorded by the Center.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued June 2018 and enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these interest costs will not be included in the historical cost of a capital asset reported in a business-type activity. The early adoption of GASB No. 89 resulted in the Center recognizing all interest costs incurred before the end of a construction period as an expense for the year ended June 30, 2019.

New Accounting Pronouncements Issued Not Yet Adopted

The GASB has also issued several new accounting pronouncements which will be effective to the Center in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

GASB Statement No. 84, *Fiduciary Activities* was issued January 2017 and improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities for all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for the Center's fiscal year beginning July 1, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, was issued June 2017 and improves accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Center's fiscal year beginning July 1, 2020. Earlier application is encouraged.

The Center is currently evaluating the impact that these new standards will have on its financial statements.

Note 2 - Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center’s deposits may not be returned or the Center will not be able to recover collateral securities in the possession of an outside party. Generally, the Center deposits its funds with the Office of the State Treasurer (OST), and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state’s name.

State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST’s responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the Center deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank in the Center’s name, or invested in U.S. government obligations in the Center’s name.

Some deposits with the OST are placed in the State Treasurer’s investment pool, OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the OST; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Deposits with financial institutions primarily consist of money market funds that invest in U.S. Treasury bills, notes, and securities backed by the full faith and credit of the U.S. government, some of which may be subject to repurchase agreements. Repurchase agreements are collateralized with securities backed by the full faith and credit of the U.S. government at 102% of maturity value.

Cash and Cash Equivalents

At June 30, 2019 and 2018, the carrying amount of the Center's deposits with the OST and other financial institutions were $664,412 and $574,836, respectively. These amounts consisted of deposits with the OST ($633,819 and $544,048), deposits with financial institutions ($21,836 and $21,540), deposits with trustees ($8,721 and $9,209), and petty cash and change funds ($36 and $39).

Of funds on deposit with the OST, amounts invested in OK INVEST total $517,240 and $445,709 at June 30, 2019 and 2018, respectively, and are reported as cash equivalents. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's and its funds' and agencies' daily cash flow requirements.

Guidelines in the OK INVEST Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments. The specifics regarding these policies can be found on the OST website at http://www.treasurer.state.ok.us/. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. OK INVEST includes investments in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. OK INVEST maintains an overall weighted average maturity of no more than four years. Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation, or any other government agency.

Unless significant or unusual losses are incurred by OK INVEST, the Center's interest in OK INVEST is stated at cost, plus accrued interest. OK INVEST provides the Center with a stated rate of return rather than an equivalent share of investment gains or losses. Amounts invested in OK INVEST are available for unrestricted withdrawal.

June 30, 2019 and 2018 (in thousands)

The distribution of investments in OK INVEST at June 30, 2019 and 2018, is as follows:

	2019	2018
U.S. agency securities	30.8%	45.4%
Mortgage backed agency securities	40.5%	39.5%
U.S. Treasury obligations	16.1%	0.5%
Money market mutual funds	9.8%	9.8%
Certificates of deposit	2.2%	3.8%
Municipal bonds	0.2%	0.6%
Foreign bonds	0.4%	0.4%
	100%	100%

As of June 30, 2019 and 2018, the Center held approximately 7.1% and 8.1% of the OK INVEST fund. The market value of OK INVEST as of June 30, 2019 and 2018 was $7,332,286 and $5,516,945, respectively, and the amortized cost was $7,242,397 and $5,530,864, respectively.

Investments

At June 30, the Center's investments, including the fair value inputs used, consisted of the following:

	2019	2018
Endowment investments		
Consolidated Investment Fund (CIF) - NAV	$ 36,152	$ 35,606
Expendable Investment Pool II (EIP II) - NAV	8,708	9,044
Total endowment investments	44,860	44,650
Other long-term investments		
Fidelity Revenue Sharing - Level 1	173	347
Special Purpose Investment Vehicle (SPIV) - Level 3	147,460	135,785
Expendable Investment Pool II (EIP II) - NAV	-	87
Total other long-term investments	147,633	136,219
Investments in real estate		
Real property - Level 3	3,476	3,476
Total investments	$ 195,969	$ 184,345

Fidelity Revenue Sharing - Level 1: These investments consist of short-term money market mutual funds accumulated from revenue sharing arrangements in employee defined contribution accounts held and managed by Fidelity.

Special Purpose Investment Vehicle I (SPIV) – Level 3: In fiscal year 2018, certain assets were transferred from EIP II to the SPIV. The investment is held as an alternative investment by the Foundation and valued using the income approach with certain unobservable input measures.

Real property - Level 3: These are investments owned directly by the Center and held for investment purposes. The real property is measured using an internal analysis that considers indications of impairment or changes in property values. Management does not adjust this investment for immaterial changes based on this assessment. In fiscal year 2018, the Center sold real property for $3,023 resulting in a decrease in investments in real estate.

Investments measured at NAV per unit: Title 70, Section 4306 of the Oklahoma Statutes directs, authorizes, and empowers the Center's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws. The Center has entrusted the Foundation with a portion of their funds totaling $44,860 and $44,737 as of June 30, 2019 and 2018, respectively. The investments held at the Foundation on behalf of the Center within two separate investment pools are as follows:

> Consolidated Investment Fund (CIF) – Investments in this pool consist primarily of domestic and international equity securities, U.S. government securities, derivative financial instruments and alternative holdings. The Foundation considers the underlying investments within this pool to include Level 1, 2, 3, and NAV inputs. The Center owns approximately 2.6% and 2.9% of the fund as of June 30, 2019 and 2018.
>
> Expendable Investment Pool II (EIP II) – Investments in this pool primarily consists of liquid money market funds, mutual funds, equities and separate accounts holding U.S. government and corporate fixed income securities. The Foundation considers the underlying investments within this pool to include Level 1, 2, and NAV inputs. The Center owns approximately 16.6% and 16.8% of the fund as of June 30, 2019 and 2018.

Ownership interests in each pool are unitized. The Foundation calculates the NAV per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from these pools for the benefit of the unit holders are transmitted at the NAV per unit on the monthly valuation dates.

The Center's investments have no unfunded commitments and funds may be redeemed daily with no redemption notice. Within the CIF pool, certain investments held do have unfunded commitments and limitations on redemption frequency, including redemption notice periods. The total market value of the CIF fund as of June 30, 2019 totaled $1,366,948. Unfunded commitments within this fund totaled $188,749. There were redemption limitations that ranged from quarterly to 3 years with a 30 to 90 day redemption notice period on investments with a total market value of $263,399. Investments held in real estate funds and private equity funds with a total market value at June 30, 2019 of $361,546 cannot be redeemed and are subject to the terms of the individual funds. These funds typically have lives up to ten years (with the potential for extensions if necessary), and distributions at the discretion of the general partners.

Equity holdings measured at cost: The Center has acquired equity positions in commercial enterprises as consideration for various license agreements. The Center has no cost basis for these positions and their fair value is not subject to a reasonable estimation. Therefore, the value of these investments is not reflected on the statements of net position. If the positions become actively traded equities and the fair value can be determined, then the Center will record the equity on the statement of net position at fair value and recognize related income. Per the individual agreements, the Center receives royalties from companies in which an equity position is held, which are currently recognized when received and are immaterial to the financial statements. The Center monitors their ownership position in each of the companies.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the Center to experience a loss of principal. As a means of limiting exposure to losses arising from credit risk, the Center limits its exposure to this risk as follows:

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the Center are generally limited to direct obligations of the United States government and its agencies, certificates of deposit, and demand deposits.
- The Board has authorized endowment and similar funds to be invested in direct obligations of the United States government and its agencies, certificates of deposit, prime commercial paper, banker's acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities. In addition, the Board authorized investments in the CIF, EIP II, and SPIV with the Foundation.

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Center will not be able to recover the value of investment or collateral securities in the possession of an outside party. As a means of limiting its exposure to losses arising from custodial credit risk, the Center's investment policies limit the exposure to this risk as follows:

- Investment securities held in bond debt service reserve funds are held by the respective bond trustee for the benefit of the Center and bondholders.
- Endowment investments are pooled with the Norman Campus in the CIF and EIP II with the Foundation and held in the Board of Regent's name.
- Long term investments are held in the EIP II and SPIV with the Foundation.

June 30, 2019 and 2018 (in thousands)

Concentration of Credit Risk

The Center's investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. The Center has adopted the Foundation's "Statement of Investment Policy" for the CIF, EIP II, and SPIV investments held with the Foundation. Within the CIF, investments consist of domestic and international equity securities, U.S. government securities, derivative financial instruments and alternative holdings. Within the EIP II, investments consist of liquid money market funds, mutual funds, equities and separate accounts holding U.S. government and corporate fixed income securities. Due to the diversification within the CIF and EIP II investments, the Center believes it does not have any significant concentrations of credit risk. The SPIV consists of one investment, which accounted for approximately 75% and 74% of the Center's total investments as of June 30, 2019 and 2018, respectively.

Interest Rate Risk

Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the value of an investment. The Center has a short term investment strategy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Center has adopted the Foundation's "Statement of Investment Policy" for funds invested at the Foundation. The Center is responsible for determining its operating cash flow requirements and to ensure that adequate funds are available to maintain the Center's operations. In determining liquidity needs, the appropriate mix of short-term, intermediate, and long-term investments will be evaluated.

Note 3 - Accounts Receivable

Accounts receivable are shown net of contractual allowances and doubtful accounts in the accompanying statements of net position. At June 30, the accounts receivable and allowances are as follows:

	2019	2018
Accounts receivable	$ 233,253	$ 244,829
Less allowance and contractual adjustments	(98,949)	(91,552)
Accounts receivable, net	$ 134,304	$ 153,277

June 30, 2019 and 2018 (in thousands)

The following is a breakdown of the June 30 accounts receivable balances:

	2019	2018
PPP patient billings		
Accounts receivable	$ 149,593	$ 139,901
Less contractual adjustments	(78,843)	(74,311)
Less allowance	(19,553)	(17,100)
Accounts receivable, net	$ 51,197	$ 48,490
Due from federal, state and private sources		
Accounts receivable, no allowance	$ 75,470	$ 93,936
Auxiliary enterprises		
Accounts receivable	$ 5,821	$ 7,285
Less allowance	(553)	(141)
Accounts receivable, net	$ 5,268	$ 7,144
State tuition and fees		
Accounts receivable, no allowance	$ 1,950	$ 1,365
Other accounts receivable, no allowance	$ 419	$ 2,342

Note 4 - Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates that vary accordingly to the Current Procedural Terminology (CPT) code billed by the provider. These codes are established by the American Medical Association and are adopted for use by the Center for Medicaid and Medicare Services (CMS) as a basis for their provider reimbursement methodology.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate or established fee.

Workers' compensation: Inpatient and outpatient services rendered under workers' compensation are reimbursed according to the State of Oklahoma fee schedule or at a predetermined discount from the State of Oklahoma fee schedule.

June 30, 2019 and 2018 (in thousands)

Other carriers: The Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates and discounts from established charges.

Differences between the Center's established patient care rates and agreed upon rates with third party payors total $489,041 and $566,587 for the years ended June 30, 2019 and 2018, respectively, and are reflected as contractual and other adjustments to patient care revenues in the statements of revenues, expenses, and changes in net position. The Center's bad debt expenses related to patient care services, which are determined after application of contractual and other adjustments, total $49,511 and $45,609 for the years ending June 30, 2019 and 2018, respectively, and are included in patient care revenues in the statements of revenues, expenses, and changes in net position.

The following summarizes the estimated percentage of gross patient charges from all payors for the years ended June 30, 2019 and 2018.

	2019	2018
Medicare	23%	26%
Medicaid	33%	30%
Other third-party and commercial payors	38%	39%
Other, including self pay	6%	5%
	100%	100%

Note 5 - Inventories and Supplies

Inventories and supplies consisted of the following at June 30:

	2019	2018
Site support	$ 204	$ 246
Telecommunications	151	130
Other service units	92	104
Dental supply store	556	670
Other auxiliaries	40	9
Pharmacies	2,256	2,101
	$ 3,299	$ 3,260

June 30, 2019 and 2018 (in thousands)

Note 6 - Loans to Students

The Center had student loans outstanding of $6,503 and $6,728 (net of allowance for uncollectible loans of $342 and $354) at June 30, 2019 and 2018, respectively. Student loans made under the Health Professions Student Loan Program and the Nursing Student Loan Program represented approximately $6,503 and $6,728 (net of allowance for uncollectible loans of $342 and $354) of these amounts. Under these programs, the U.S. Department of Health and Human Services, Bureau of Health Professions, provides funds for eight-ninths (8/9) of the loans, and the Center provides the remaining funds. The Center had a cash balance of $2,416 and $1,624, which is included in cash and cash equivalents in the statements of net position, at June 30, 2019 and 2018, respectively, for these programs. At June 30, 2019 and 2018, $7,928 and $7,424, respectively, are included as federal loan program contributions refundable in the statements of net position as these amounts are refundable to the U.S. government upon cessation of the programs.

Note 7 - Capital Assets

Capital asset activity as of and for the year ended June 30, 2019, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Art	$ 1,283	$ -	$ -	$ -	$ 1,283
Land	33,211	-	878	-	34,089
Construction in-progress	9,088	12,021	(17,291)	-	3,818
Total capital assets not being depreciated	43,582	$ 12,021	$ (16,413)	$ -	39,190
Capital assets being depreciated					
Buildings	652,761	$ 1,044	$ 11,250	$ (16)	665,039
Equipment	161,832	7,168	1,464	(11,765)	158,699
Leasehold improvements	42,513	225	2,176	(2,115)	42,799
Land improvements	17,363	16	1,362	(20)	18,721
Infrastructure	7,638	-	161	-	7,799
Library materials	30,186	156	-	-	30,342
Total capital assets being depreciated	912,293	$ 8,609	$ 16,413	$ (13,916)	923,399
Less accumulated depreciation					
Buildings	171,265	$ 12,755	$ -	$ -	184,020
Equipment	116,223	12,245	-	(11,433)	117,035
Leasehold improvements	31,230	2,685	-	(2,095)	31,820
Land improvements	14,915	514	-	(20)	15,409
Infrastructure	2,478	372	-	-	2,850
Library materials	28,956	422	-	-	29,378
Total accumulated depreciation	365,067	$ 28,993	$ -	$ (13,548)	380,512
Total capital assets being depreciated, net	547,226				542,887
Capital assets, net	$ 590,808				$ 582,077

June 30, 2019 and 2018 (in thousands)

Capital asset activity as of and for the year ended June 30, 2018, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Art	$ 805	$ 478	$ -	$ -	$ 1,283
Land	32,672	539	-	-	33,211
Construction in-progress	7,698	12,749	(11,359)	-	9,088
Total capital assets not being depreciated	41,175	$ 13,766	$ (11,359)	$ -	43,582
Capital assets being depreciated					
Buildings	641,064	$ 5,433	$ 6,264	$ -	652,761
Equipment	159,479	8,333	1,046	(7,026)	161,832
Leasehold improvements	39,445	258	2,833	(23)	42,513
Land improvements	17,037	(37)	363	-	17,363
Infrastructure	6,778	7	853	-	7,638
Library materials	29,941	245	-	-	30,186
Total capital assets being depreciated	893,744	$ 14,239	$ 11,359	$ (7,049)	912,293
Less accumulated depreciation					
Buildings	158,354	$ 12,911	$ -	$ -	171,265
Equipment	110,475	11,514	-	(5,766)	116,223
Leasehold improvements	28,592	2,661	-	(23)	31,230
Land improvements	14,481	434	-	-	14,915
Infrastructure	2,140	338	-	-	2,478
Library materials	28,404	552	-	-	28,956
Total accumulated depreciation	342,446	$ 28,410	$ -	$ (5,789)	365,067
Total capital assets being depreciated, net	551,298				547,226
Capital assets, net	$ 592,473				$ 590,808

Note 8 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30:

	2019	2018
Accounts payable and other accrued expenses	$ 30,787	$ 29,754
Accrued payroll	47,217	45,403
Self insurance reserves	6,075	7,189
	$ 84,079	$ 82,346

June 30, 2019 and 2018 (in thousands)

Note 9 - Unearned Revenue

Unearned revenue consists of the following at June 30:

	2019	2018
Prepaid tuition and student fees	$ 1,272	$ 1,426
Auxiliary enterprises and other activities	217	248
Contracts	9,537	11,415
	$ 11,026	$ 13,089

Note 10 - Funds Held in Trust by Others

Commissioners of the Land Office

The Norman Campus has a beneficial interest in the "Section Thirteen State Educational Institutions Fund" and the "New College Fund" held in the care of the Commissioners of the Land Office as trustees. The Norman Campus has the right to receive annually 30% of the distribution of income produced by "Section Thirteen State Educational Institutions Fund" assets and 100% of the distribution of income produced by the Norman Campus's "New College Fund."

The Norman Campus received $9,546 and $10,167 during the years ended June 30, 2019 and 2018, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2019 and 2018, the Norman Campus distributed $3,924 and $3,541, respectively, of these funds to the Center. Current state law prohibits the distribution of any corpus of these funds. The estimated fair value of these trust funds totaled approximately $190,531 ($185,271 restricted corpus) and $177,930 ($182,347 restricted corpus) at June 30, 2019 and 2018, respectively, and have not been reflected in the accompanying financial statements.

Oklahoma State Regents for Higher Education Endowment Fund Program

The State of Oklahoma matches endowment contributions received under this program by the Foundation, and legal title of the state match is retained by the State Regents. After an endowment gift to the Foundation has been matched by the State Regents, the original endowment fund and subsequent returns continue to be invested and managed by the Foundation, while the matching portion is independently invested and managed by the State Regents.

June 30, 2019 and 2018 (in thousands)

The cumulative match amount, plus any retained accumulated earnings, invested by the State Regents on behalf of the Center, as well as the cumulative undisbursed contributions made to the Foundation for the benefit of the Center, are not included in the accompanying financial statements. The Center will receive an annual distribution of earnings on these funds. Only the funds available for distribution, for which the Center has incurred allowable reimbursable expenses, have been included in accounts receivable in the statements of net position and are reflected on the table below as of June 30:

	2019		2018	
	Funds Held by Others	Reimbursable Expenses	Funds Held by Others	Reimbursable Expenses
State Regents	$ 225,545	$ 7,577	$ 190,797	$ 6,919
OU Foundation	269,408	8,046	263,226	9,458
	$ 494,953	$ 15,623	$ 454,023	$ 16,377

Note 11 - Operating Leases

Lessee Commitments

The Center has entered into certain other operating leases for equipment, office space, vehicles, and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures under all operating leases were approximately $12,876 and $11,995 for the years ended June 30, 2019 and 2018, respectively.

Lessor Agreements

The Center has various non-cancelable operating leases consisting of Center owned building space or land leased to non-Center entities. The majority of the leases are for space leased at the University Research Park (URP) which was purchased by the Center in October 2013. Various other leases from other Center owned property are also in effect. The following schedule presents minimum future rentals receivable by property from these contracts:

	2020	2021	2022	2023	2024	Thereafter
University Research Park	$ 6,052	$ 3,573	$ 260	$ 2	$ -	$ -
Harold Hamm Diabetes Center	132	136	140	144	148	140
Student Union	15	15	15	15	15	60
Land leases	85	86	87	89	90	3,217
	$ 6,284	$ 3,810	$ 502	$ 250	$ 253	$ 3,417

June 30, 2019 and 2018 (in thousands)

The cost and carrying amount of the leased property attributed to non-cancelable leases as of June 30, 2019 was as follows:

	Cost	Accumulated Depreciation	Net Leased Property
University Research Park	$ 33,732	$ (3,504)	$ 30,228
Harold Hamm Diabetes Center	797	(152)	645
Student Union	110	(43)	67
Land leases	596	-	596
Net leased property	$ 35,235	$ (3,699)	$ 31,536

The Center also has various other leases that are cancelable or currently month-to-month. The following schedule includes the cost and carrying amount of the leased property for these leases as of June 30, 2019:

	Cost	Accumulated Depreciation	Net Leased Property
University Research Park	$ 10,810	$ (1,167)	$ 9,643
Biomedical Research Center	67	(23)	44
Basic Sciences Education Building	16	(8)	8
Family Medicine	79	(36)	43
O'Donoghue Building	214	(189)	25
Stephenson Cancer Center	45,535	(7,175)	38,360
Williams Pavilion	364	(172)	192
Tulsa Schusterman Center	1,735	(252)	1,483
Service Center Building	2,261	(1,059)	1,202
Harold Hamm Diabetes Center	2,806	(534)	2,272
Land leases	51	-	51
Net leased property	$ 63,938	$ (10,615)	$ 53,323

June 30, 2019 and 2018 (in thousands)

Note 12 - Debt

The Center did not have any direct borrowings or direct placements of debt during 2019 or 2018. The following is a summary of debt transactions of the Center as of and for the year ended June 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Revenue bonds payable					
Utility System Series 2004 A&B	$ 1,675	$ -	$ (820)	$ 855	$ 855
General Revenue Bonds Series 2008 A&B	13,915	-	(1,805)	12,110	1,920
General Revenue Bonds Series 2010 A&B	16,765	-	(2,175)	14,590	1,635
General Revenue Bonds Series 2013A	59,580	-	(1,180)	58,400	1,215
General Revenue Bonds Series 2017A	46,900	-	(225)	46,675	225
Subtotal revenue bonds payable	138,835	-	(6,205)	132,630	5,850
Premium (Discount)	(1,120)	-	(21)	(1,099)	(17)
Total revenue bonds payable	137,715	-	(6,226)	131,531	5,833
ODFA capital leases payable	2,601	-	(615)	1,986	586
OCIA capital leases payable	15,724	-	(2,591)	13,133	16
Subtotal capital leases payable	18,325	-	(3,206)	15,119	602
Premium (Discount)	154	-	(39)	115	35
Total capital leases payable	18,479	-	(3,245)	15,234	637
Total bonds and capital leases	$ 156,194	$ -	$ (9,471)	$ 146,765	$ 6,470

June 30, 2019 and 2018 (in thousands)

The following is a summary of debt transactions of the Center as of and for the year ended June 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Revenue bonds payable					
Utility System Series 2004 A&B	$ 2,465	$ -	$ (790)	$ 1,675	$ 820
General Revenue Bonds Series 2008 A&B	60,540	-	(46,625)	13,915	1,805
General Revenue Bonds Series 2010 A&B	18,860	-	(2,095)	16,765	2,175
General Revenue Bonds Series 2013A	60,730	-	(1,150)	59,580	1,180
General Revenue Bonds Series 2017A	-	46,900	-	46,900	225
Subtotal revenue bonds payable	142,595	46,900	(50,660)	138,835	6,205
Premium (Discount)	(1,593)	453	(20)	(1,120)	(20)
Total revenue bonds payable	141,002	47,353	(50,680)	137,715	6,185
ODFA capital leases payable	3,342	2,795	(3,536)	2,601	616
OCIA capital leases payable	18,230	-	(2,506)	15,724	2,590
Subtotal capital leases payable	21,572	2,795	(6,042)	18,325	3,206
Premium (Discount)	(2)	181	25	154	39
Total capital leases payable	21,570	2,976	(6,017)	18,479	3,245
Total bonds and capital leases	$ 162,572	$ 50,329	$ (56,697)	$ 156,194	$ 9,430

Revenue Bonds Payable

Beginning in fiscal year 2009 with General Revenue Bonds, Series 2008 A&B, bonds have been issued by the Board of Regents pursuant to the Master Resolution and Supplemental Resolutions (the Resolution) establishing the University of Oklahoma Health Sciences Center General Revenue Financing System. The revenue pledged as security for these obligations is any or all revenues of the Center which are lawfully available for the payment of obligations, excluding revenues appropriated by the State Legislature (except for in certain circumstances the Dedicated Tobacco Tax Revenues), funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for prior encumbered obligations. At June 30, 2019 and 2018, the total principal and interest remaining to be paid on these bonds was $207,131 and $218,923, respectively, and the total pledged revenue received was $649,082 and $676,538, respectively. Debt service payments of $11,674 and $11,247, including both principal and interest, were 1.8% and 1.7% of pledged revenues at June 30, 2019 and 2018, respectively.

June 30, 2019 and 2018 (in thousands)

In fiscal year 2018, General Revenue Bonds, Series 2017A, were issued by the Board of Regents pursuant to the Resolution to advance refund Series 2008A bond issue which provided funding support for the OU Cancer Institute. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $2,085. This difference, recorded as deferred refunding costs and reported in the accompanying financial statements as a deferred outflow of resources, is being amortized through interest expense during the term of the Series 2017A Bonds using the straight-line method. The Center completed its advance refunding to reduce its total debt service payments over the next 19 years by approximately $4,454, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $3,219.

Utility System Revenue Bonds issued prior to the Resolution (prior encumbered obligations) are payable both to principal and interest from the net revenues arising from operations of the physical plant utilities system. At June 30, 2019 and 2018, the Center had $581 and $562 respectively, of cash and investments, reported as restricted cash on the statements of net position, held in trust for the bond indentures, restricted to the payment of principal and interest.

Capital Lease Obligations

OCIA Capital Lease Obligations
The Oklahoma Capital Improvement Authority (OCIA) periodically issues bonds, which are allocated to the State Regents, to be used for specific projects at Oklahoma higher education institutions. The Center has participated in these projects as discussed below. In each of the transactions, OCIA and the Center have entered into a lease agreement with terms characteristic of a capital lease. As a result, the Center recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired, in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly lease principal and interest payments on-behalf of the Center.

In the fall of 2005, the Center entered into a 25 year lease agreement with the OCIA and the State Regents as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F and 2005G. The Center received $26,146 of the proceeds for capital improvement projects on the Oklahoma City and Tulsa campuses. In August 2010 and April 2014, OCIA issued new bonds, Series 2010A, 2010B, and 2014A as a partial refunding of 2005F. The 2014A refunding resulted in the Center recording a deferred inflow of resources of $783, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt.

The assets under these capital leases as of June 30, have been recorded as follows:

				2019		2018	
OCIA State Facilities Revenue Bonds	Issued	Term	Proceeds Received	Accumulated Depreciation*	Net Book Value	Accumulated Depreciation*	Net Book Value
2005F, 2005G, 2010A 2010B, 2014A	Fall 2005	25 years	$ 26,146	$ 5,651	$ 20,495	$ 5,128	$ 21,018

*Depreciation expense on these capital lease assets is included on the statements of revenues, expenses and changes in net position.

June 30, 2019 and 2018 (in thousands)

The Center's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues.

During the years ended June 30, 2019 and 2018, the State Regents made lease principal and interest payments totaling $3,216 and $3,241 on behalf of the Center. These on-behalf payments have been recorded in the Center's statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

ODFA Master Lease Obligations
The Center has entered into various master lease agreements with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds. These proceeds have been used by the Center to fund major capital projects on both the Oklahoma City and Tulsa campuses and the assets under the capital leases as of June 30, have been recorded as follows:

				2019		2018	
ODFA Master Leases	Issued	Term	Amount Financed	Accumulated Depreciation*	Net Book Value	Accumulated Depreciation*	Net Book Value
2007B/2017C	December 2007	15 years	$ 6,067	$ 1,333	$ 4,734	$ 1,212	$ 4,855
2007C/2017D	December 2007	15 years	1,304	289	1,015	263	1,041
2014C	December 2014	5 years	401	367	34	287	114
			$ 7,772	$ 1,989	$ 5,783	$ 1,762	$ 6,010

*Depreciation expense on these capital lease assets is included on the statements of revenues, expenses and changes in net position.

In fiscal year 2018, Master Lease Revenue Bonds Series 2007B and 2007C were refunded with Series 2017C and 2017D. The lease restructuring has resulted in an aggregate debt service difference for principal and interest between the original leases agreement and the restructured leases agreement of $208. The Center has recorded a deferred outflow of resources of $15, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the life of the new debt.

June 30, 2019 and 2018 (in thousands)

Maturities of principal and interest requirements on revenue bonds payable and capital lease obligations are as follows at June 30, 2019:

Years Ending June 30,	Principal	Interest
2020	$ 6,452	$ 6,881
2021	5,803	6,594
2022	6,085	6,298
2023	7,264	5,947
2024	7,393	5,556
2025-2029	36,046	22,831
2030-2034	32,950	15,412
2035-2039	26,975	8,151
2040-2044	18,781	2,759
	$ 147,749	$ 80,429

Note 13 - Retirement Plans

The Center's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to Center personnel include:

Name of Plan/System	Type of Plan
Oklahoma Teachers' Retirement System (OTRS)	Cost Sharing Multiple Employer Defined Benefit Plan
Oklahoma Law Enforcement Retirement System (OLERS) – certain University employees	Cost-Sharing Multiple Employer Defined Benefit Plan
Oklahoma Public Employees Retirement Plan (OPERS) - certain University employees	Cost-Sharing Multiple Employer Defined Benefit Plan
University of Oklahoma Defined Contribution Plan (DCP)	Defined Contribution Plan
University of Oklahoma Optional Retirement Plan (ORP)	Defined Contribution Plan

Oklahoma Teachers Retirement System

Plan Description

The Center participates in the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma State Statutes assigns the authority for management and operation of OTRS to the Board of Trustees of the System. OTRS issues a publicly available annual financial report that can be obtained at www.ok.gov/TRS/.

Benefits Provided

OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

- Members who joined OTRS prior to November 1, 2017 are 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Those who became members on or after November 1, 2017 will require seven years of service to be fully vested. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

- Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40 or $25, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.

- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- Upon the death of a retired member, OTRS will pay $5 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.

- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions

The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7% of their annual compensation. The Center's contribution rate is 8.55% for the years ended June 30, 2019 and 2018. In addition, the Center is required to contribute 2.5% as a result of the adoption of the ORP. There is also a federal match required on all compensation paid from federal funds, which had a contribution rate of 7.7% for 2019 and 7.8% for 2018. The Center's contributions to OTRS in 2019 and 2018, which include the 8.55% regular employer contribution and the 2.5% ORP contribution, and the federal match were approximately $18,234 and $17,655, respectively, equal to the required contributions each year. In addition, the State of Oklahoma also contributed 5% of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the Center and recognized in the Center's statement of revenues, expenses and changes in net position as both revenues and compensation and benefits expense in 2019 and 2018 were $11,362 and $10,465, respectively. These on-behalf payments do not meet the definition of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the Center reported a liability of $218,129 and $252,920, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively. The Center's proportion of the net pension liability was based on the Center's contributions to OTRS relative to total contributions of OTRS for all participating employers for the years ended June 30, 2018 and 2017. Based upon this information, the Center's proportion was 3.57% and 3.75% as of June 30, 2018 and 2017, respectively.

June 30, 2019 and 2018 (in thousands)

For the years ended June 30, 2019 and 2018, the Center recognized pension expense of $18,508 and $25,716, respectively. At June 30, 2019 and 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	2018
Deferred outflows of resources		
Changes of assumptions	$ 20,233	$ 29,481
Center contributions subsequent to the measurement date	18,234	17,655
Changes in proportion	11,927	15,806
Net difference between projected and actual earnings on pension plan investments	-	3,531
	$ 50,394	$ 66,473
Deferred inflows of resources		
Differences between expected and actual experience	$ 14,919	$ 16,961
Changes of assumptions	11,054	14,850
Net difference between projected and actual earnings on pension plan investments	3,752	-
Changes in proportion	10,065	510
	$ 39,790	$ 32,321

Deferred pension outflows and inflows related to changes in proportion, changes in assumptions and differences between expected and actual experience are recognized in pension expense using the average expected remaining life of the plan. The average expected remaining service life of the plan is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the Plan are determined using the mortality, termination, retirement, and disability assumptions associated with the Plan. The average expected service life of the Plan equals 5.38 and 5.59 years at June 30, 2018 and 2017, respectively, as of the valuation date.

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years Ended June 30,	Deferred Outflows	Deferred Inflows
2020	$ 11,768	$ (3,925)
2021	11,768	(8,389)
2022	7,885	(18,055)
2023	835	(8,431)
2024	(96)	(990)
	$ 32,160	$ (39,790)

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined based on actuarial valuations prepared as of June 30, 2018, using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—2.50%
- Future Ad Hoc Cost-of-living Increases—None
- Salary Increases—Composed of 3.25% inflation, plus 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return—7.50%
- Retirement Age— Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement— Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

The total pension liability as of June 30, 2018, was determined based on actuarial valuations prepared as of June 30, 2017, using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—2.50%
- Future Ad Hoc Cost-of-living Increases—None
- Salary Increases—Composed of 3.25% inflation, plus 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return—7.50%
- Retirement Age— Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement— Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

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

June 30, 2019 and 2018 (in thousands)

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2018 and 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return 2018	Long-Term Expected Real Rate of Return 2017
Domestic Equity	38.5%	7.5%	7.5%
International Equity	19.0%	8.5%	8.5%
Fixed Income	23.5%	2.5%	2.5%
Real Estate*	9.0%	4.5%	4.5%
Alternative Assets	10.0%	6.1%	6.1%
	100.0%		

*The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value Added Real Estate (unleveraged).

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5% of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the Center calculated using the discount rate of 7.5%, as well as what the Center's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
June 30, 2019			
Center's net pension liability	$ 309,743	$ 218,129	$ 141,784
June 30, 2018			
Center's net pension liability	$ 359,147	$ 252,920	$ 171,986

June 30, 2019 and 2018 (in thousands)

Oklahoma Law Enforcement Retirement System

Certain Center employees are members of the OLERS. The Center has recorded the following amounts related to these employees participation in OLERS:

	2019	2018
Net pension liability	$ 2,466	$ 2,759
Deferred outflows related to pensions	1,097	1,404
Deferred inflows related to pensions	263	236
Pension expense	804	857

Because the Center’s participation in OLERS is not material to the Center’s financial statements, additional information and disclosures are not included in these financial statements. OLERS issues a publicly available annual financial report that can be obtained at www.olers.state.ok.us.

Oklahoma Public Employees Retirement System

Certain Center employees are members of the OPERS. The Center has recorded the following amounts related to these employees’ participation in OPERS:

	2019	2018
Net pension liability	$ 19	$ 54
Deferred outflows related to pensions	34	64
Deferred inflows related to pensions	23	40
Pension expense	3	(90)

Because the Center’s participation in OPERS is not material to the Center’s financial statements, additional information and disclosures are not included in these financial statements. OPERS issues a publicly available annual financial report that can be obtained at www.opers.ok.gov.

Defined Contribution Plan

Plan Description

The Center offers two 401(a) defined contribution plans which are administered by Fidelity Investments Inc., the DCP and the ORP. All contributions to these plans are made by the Center and directed by the plan participants to a variety of different fund options and companies within the plans. All new employees eligible for either of the plans must complete a 12-month waiting period before receiving contributions from the Center. There is a three year vesting period for both plans.

Participation

Eligible salaried employees hired prior to July 1, 2004 are automatically enrolled in OTRS, which includes participation in the DCP. Eligible salaried employees hired on or after July 1, 2004 have the option to elect either OTRS, which includes participation in the DCP, or the ORP within the first 30 days of employment. This is a one-time irrevocable election. If an employee does not make an election, the employee defaults into OTRS and will also participate in the DCP. Eligible hourly employees are automatically enrolled in the DCP but can elect to participate in OTRS at any time.

Contributions

Contributions to the DCP are based on the hire date of the plan participants. For participants hired prior to July 1, 1995, and enrolled in OTRS, the rate is 15% of regular salary, supplemental salary and wages paid during the plan year in excess of $9. For participants hired on or after July 1, 1995, and enrolled in OTRS, the rate is 8% of regular salary, supplemental salary and wages paid during the plan year in excess of $9. The Center's contributions to the DCP for the years ended June 30, 2019 and 2018 were $17,807 and $17,160, respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan," amended and restated November 1, 2011.

The contribution rate for the ORP and hourly DCP participants is 9% of regular salary, supplemental salary and wages paid for the plan year. The Center's contributions to the ORP for the years ended June 30, 2019 and 2018 were $23,559 and $22,489, respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Optional Retirement Plan," amended and restated November 1, 2011.

Note 14 - Other Postemployment Benefits

Plan Description

The Center's retiree insurance plan is considered a single-employer defined benefit plan and does not issue a standalone financial report. The Center, with approval by the Board of Regents, has the authority to establish and amend the benefit provisions and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

Employees eligible for retirement that have been enrolled in the Center's medical insurance plan for five years immediately prior to retirement are eligible to participate in the group medical insurance plan as a retiree. Premiums are subsidized for employees hired prior to January 1, 2008 as described below. Employees hired on or after January 1, 2008 may participate in the retiree medical plan at the group rates at the retiree's own expense. Retirees may also elect the Center's medical coverage for eligible dependents at their own expense. Retirees will be allowed a one-time opportunity to opt-out of the Center's retiree medical plan coverage if the individual is enrolled in other coverage. The retiree may return to the Center's plan if medical coverage is maintained during the opt-out period. After retirees become eligible for Medicare primary coverage, the Center's insurance continues in a secondary role.

June 30, 2019 and 2018 (in thousands)

There are currently two eligible groups for subsidized retiree medical benefits.

- Group 1—Employees that were eligible for retirement on or before December 31, 2015. The Center provides a 100% premium subsidy for retirees in this group.

- Group 2—Employees that were eligible for retirement on or after January 1, 2016. The Center will subsidize premiums for retirees in this group as follows:

Retirement Age	Years of Service			
	10-14	15-19	20-24	25+
Under 55	Employees can retire with 25 years of service. No university subsidy until age 55.			
55-61	Not eligible	55%—must meet rule of 80	65%—must meet rule of 80	75%
62-64	55%	65%	75%	85%
65+	65%	75%	85%	100%

Employees eligible for retirement that have been enrolled in the Center's dental insurance plan for five years immediately prior to retirement are eligible to participate in the group dental plan as a retiree. Dental premiums will be fully subsidized by the Center for employees hired prior to January 1, 2008. Retirees may also elect the Center's dental coverage for eligible dependents at their own expense.

On June 30, 2018, there were 1,476 active employees eligible for subsidized benefits and 1,191 were retired and participated in the Center's retiree insurance plan. All active employees who are eligible for subsidized benefits are assumed to elect coverage at retirement and are included in the calculation of the total OPEB liability. Active employees without subsidized benefits, who are required to pay the full cost of coverage, are not included in the calculation of the total OPEB liability.

Total OPEB Liability

The Center's total OPEB liability of $213,933 and $204,855 were measured as of June 30, 2019 and 2018, respectively, and were determined by an actuarial valuation as of that date. The following schedule shows the changes in the Center's total OPEB liability for fiscal year 2019 and 2018:

	2019	2018
Total OPEB Liability, July 1,	$ 204,855	$ 195,696
Service cost	2,858	3,231
Interest	7,969	7,050
Changes in assumptions	18,362	(5,085)
Differences between expected an actual experience	(16,467)	8,019
Benefit payments	(3,644)	(4,056)
Net change	9,078	9,159
Total OPEB Liability, June 30,	$ 213,933	$ 204,855

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

- Discount Rate – 3.87% as of July 1, 2018 and 3.51% as of June 30, 2019
- Inflation – 2.50%
- Payroll Growth – Composed of general wage inflation of 3.25% (includes 2.5% inflation assumption and 0.75% real wage inflation), plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Healthcare Trend Rates – 8.00% for 2020, decreasing annually to an ultimate rate of 4.50% for 2027 and later years.
- Cost Method – Entry Age Normal
- Mortality – RPH-2018 Total Dataset Mortality table fully generational using scale MP-2018.
- Experience Study – Completed for the fiscal year ending June 30, 2015 with data through January 1, 2015.
- Retiree Share of Benefit Related Costs – Projections of sharing benefit-related costs between subsidized retiree groups and all other retirees follow established practices as described above.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

- Discount Rate – 3.58% as of July 1, 2017 and 3.87% as of June 30, 2018
- Inflation – 2.50%
- Payroll Growth – Composed of general wage inflation of 3.25% (includes 2.5% inflation assumption and 0.75% real wage inflation), plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Healthcare Trend Rates – 8.50% for 2019, decreasing annually to an ultimate rate of 4.50% for 2026 and later years.
- Cost Method – Entry Age Normal
- Mortality – RPH-2017 Total Dataset Mortality table fully generational using scale MP-2017.
- Experience Study – Completed for the fiscal year ending June 30, 2015 with data through January 1, 2015.
- Retiree Share of Benefit Related Costs – Projections of sharing benefit-related costs between subsidized retiree groups and all other retirees follow established practices as described above.

The discount rate was based on a range of indices, including the Bond Buyer Go 20-Bond Municipal Bond Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year Go Municipal Bond Index.

June 30, 2019 and 2018 (in thousands)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following tables present the total OPEB liability of the Center as of June 30, 2019 calculated using the current healthcare trend rate at an initial rate of 8.0%, decreasing to an ultimate rate of 4.5%, and the current discount rate of 3.51%, as well as what the Center's total OPEB liability would be if calculated using rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease (7.0% decreasing to 3.5%)	Current Healthcare Trend Rate (8.0% decreasing to 4.5%)	1% Increase (9.0% decreasing to 5.5%
Total OPEB liability	$ 180,260	$ 213,933	$ 256,443

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	$ 253,192	$ 213,933	$ 182,977

The following tables present the total OPEB liability of the Center as of June 30, 2018 calculated using the current healthcare trend rate at an initial rate of 8.5%, decreasing to an ultimate rate of 4.5%, and the current discount rate of 3.87%, as well as what the Center's total OPEB liability would be if calculated using rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease (7.5% decreasing to 3.5%)	Current Healthcare Trend Rate (8.5% decreasing to 4.5%)	1% Increase (9.5% decreasing to 5.5%
Total OPEB liability	$ 173,202	$ 204,855	$ 244,708

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$ 241,563	$ 204,855	$ 175,821

June 30, 2019 and 2018 (in thousands)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the years ended June 30, 2019 and 2018, the Center recognized OPEB expense of $12,035 and $11,015, respectively. At June 30, 2019 and 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	2018
Deferred outflows of resources		
Differences between expected and actual experience	$ 4,009	$ 6,014
Changes of assumptions or other inputs	13,771	-
	$ 17,780	$ 6,014
Deferred inflows of resources		
Differences between expected and actual experience	$ 12,350	$ -
Changes of assumptions or other inputs	2,543	3,814
	$ 14,893	$ 3,814

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense using the average expected remaining service life of the plan as follows:

Years Ending June 30	Deferred Outflows	Deferred Inflows
2020	$ 6,595	$ (5,388)
2021	6,595	(5,389)
2022	4,590	(4,116)
	$ 17,780	$ (14,893)

The average expected remaining service life of the plan is determined by taking the calculated total future service years of the plan divided by the number of people in the plan including retirees. The average expected remaining service life of the plan equals 4 years at June 30, 2019 and 2018.

Oklahoma Teachers Retirement System

There is a closed group of 55 retirees at June 30, 2019, who are enrolled in the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) plans. The Center pays the premiums for these retirees. The liability (asset) for these retirees is included in the OTRS valuation. The Center has recorded the following amounts related to these retirees participation in the OTRS:

June 30, 2019 and 2018 (in thousands)

	2019	2018
Net OPEB asset	$ 2,308	$ 1,673
Deferred outflows related to OPEB	118	242
Deferred inflows related to OPEB	1,599	1,367
OPEB expense	(311)	(62)

Because the Center's participation in OTRS is not material to the Center's financial statements, additional information and disclosures are not included in these financial statements. OTRS issues a publicly available annual financial report that can be obtained at www.ok.gov/TRS/.

Oklahoma Public Employees Retirement System

Certain Center retirees are members of the OPERS. The Center has recorded the following amounts related to these retirees' participation in OPERS:

	2019	2018
Net OPEB asset (liability)	$ 1	$ (1)
Deferred outflows related to OPEB	3	3
Deferred inflows related to OPEB	5	5
OPEB expense	(1)	1

Because the Center's participation in OPERS is not material to the Center's financial statements, additional information and disclosures are not included in these financial statements. OPERS issues a publicly available annual financial report that can be obtained at www.opers.ok.gov.

Note 15 - Affiliates and Related Party Transactions

HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center: The Center had contracts with HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center (HCA) for the Center's staff to provide in-service education and administrative duties within OU Medical System as well as campus services and space rental in properties owned by the Center. Total sales and services under the above transactions were approximately $0 and $23,318 for fiscal years 2019 and 2018, respectively. At June 30, 2019 and 2018, amounts due from HCA for auxiliary enterprises and private contracts were $0. These amounts are included in accounts receivable, net of allowances, on the statements of net position. As of February 1, 2018, ownership and management of the OU Medical System transferred from HCA to OU Medicine, Inc.

OU Medicine, Inc. d/b/a OU Medical Center: On February 1, 2018, the Center entered into several contracts with OU Medicine, Inc. d/b/a OU Medical Center (OUMI) for the Center's staff to provide in-service education and administrative duties within the OU Medical System as well as campus services and space rental in properties owned by the Center. Total sales and services under the above transactions were approximately $49,951 and $18,592 for fiscal years 2019 and 2018, respectively. At June 30, 2019 and 2018, amounts due from OUMI for auxiliary enterprises were $2,430 and $2,109, respectively, and for private contracts were $8,361 and $7,263, respectively. These amounts are included in accounts receivable, net of allowances, on the statements of net position.

The Academic Physicians Insurance Company: The Academic Physicians Insurance Company (APIC), formed in 2006, is a nonprofit insurance company formed and domiciled in the State of Vermont as an Alternative Risk Financing Vehicle for the purpose of financing the medical professional liability insurance for College of Medicine faculty practicing as OU Physicians. As of February 1, 2018, APIC became a non-member, nonprofit, public benefit corporation. Premiums paid by the Center to obtain professional liability coverage from APIC totaled $9,700 and $10,044 for fiscal years 2019 and 2018, respectively, thus eliminating the Center's deductible expense for current and future claims.

Note 16 - The University of Oklahoma Foundation, Inc.

The Foundation is a public foundation organized to receive and administer gifts for the benefit of the Norman Campus and the Center. The Foundation expended on behalf of the Norman Campus and the Center approximately $203,161 and $199,826 in fiscal years 2019 and 2018, respectively, for facilities and equipment, salary supplements, general educational assistance, faculty awards, and scholarships. Of these expenditures, $16,659 and $19,127 in fiscal years 2019 and 2018, respectively, are reflected in the Center's financial statements as revenue. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes and amounts reflected in the Norman Campus financial statements.

The Center's investments are also held by the Foundation (Note 2).

Note 17 - Risk Management

Due to the diverse risk exposure of the Center, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all State agencies in basic general liability, tort claim coverage, educators' legal liability, crime, and property and casualty programs provided by the Office of Management and Enterprise Services Division of Capital Assets Management Risk Management Department (OMES Risk Management). In addition to these basic policies, the Center's Office of Enterprise Risk Management (ERM) establishes protocols/guidelines in risk identification assessment, risk avoidance, risk acceptance, and risk transfer.

The Center and its individual employees are provided sovereign immunity when performing official business within the course and scope of their employment in accordance with the Oklahoma Governmental Tort Claims Act.

Beyond acceptable retention levels, complete risk transfer is practiced by purchasing conventional insurance coverage either directly from a provider or through OMES Risk Management. These coverages are as follows:

- The buildings and contents are insured for replacement value. For most buildings, each loss incident is subject to a $500 deductible. A small portion of buildings are subject to a $100 deductible per loss.

- In addition, certain fine arts and valuable papers are covered under a separate policy of insurance.

- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, leased vehicles, and equipment) are provided to the Center by OMES Risk Management. Also included in OMES Risk Management coverages are Out-of-State Liability, Foreign General Liability and ACE Executive Services to employees traveling internationally in the course and scope of their employment. The Governmental Crime Policy has differing deductibles, ranging from $5 to $25, depending on the type of coverage invoked. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the Center as a whole. The Center has filed two claims with the State in the past three fiscal years.

- Educators' Legal Liability, with a $150 retention (deductible).

- Medical malpractice losses are insured by APIC (Note 15).

To the best of the Center's knowledge, settled claims have not exceeded coverage in any of the three preceding years.

Self-Funded Programs

The Center is self-funded for unemployment compensation, workers' compensation, employee health and dental care, and student health care. These programs are all administered by a third party and the estimated liabilities for incurred but not reported claims recorded on the Center's financial statements are based on annual actuarial valuations.

Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission (OESC). As a reimbursing employer, the Center is billed quarterly by the OESC for benefits paid to former employees. The Center's reserve with the OESC is the average claims paid over the past three years.

Workers' compensation benefits are prescribed by State Statute and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The Center maintains a cash deposit with the administrator and reimburses the administrator for claims paid on a monthly basis, and administrative expenses are paid on a quarterly basis.

June 30, 2019 and 2018 (in thousands)

Employee health and dental insurance premiums are collected and recorded in a self-insurance fund at the Center. The claims and administrative expenses are paid as incurred directly from this fund. The Center records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2019 and 2018, the cash balance for the plan was $11,181 and $6,982, respectively, which is included in the cash and cash equivalents on the statements of net position.

Student health insurance premiums are paid by the student directly to Academic HealthPlans (AHP) into a fund managed by AHP. The claims and administrative expenses are paid as incurred directly from this fund. The Center records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2019 and 2018, the cash balance for the plan was $1,122 and $829, respectively, which is included in the cash and cash equivalents on the statements of net position.

The changes in incurred but not reported claims, recorded as accounts payable and accrued expenses on the statements of net position, for the years ended June 30, 2019 and 2018 were as follows:

	Unemployment	Workers' Compensation	Employee Health and Dental	Student Health	Total
Liabilities at June 30, 2017	$ 357	$ 1,823	$ 3,825	$ 157	$ 6,162
Claims incurred and changes in estimates	616	1,085	65,093	1,879	68,673
Claim payments	(573)	(1,153)	(64,160)	(1,851)	(67,737)
Liabilities at June 30, 2018	400	1,755	4,758	185	7,098
Claims incurred and changes in estimates	358	613	62,343	1,936	65,250
Claim payments	(347)	(1,023)	(63,079)	(1,947)	(66,396)
Liabilities at June 30, 2019	$ 411	$ 1,345	$ 4,022	$ 174	$ 5,952

Note 18 - Contingencies and Commitments

At June 30, 2019 and 2018, the Center had outstanding commitments under construction contracts of $634 and $1,420, respectively.

In the normal course of operations, the Center is a defendant in several lawsuits; however, Center officials are of the opinion, based on the advice of in-house legal counsel, that the ultimate outcome of this litigation will not have a material effect on the future operations or financial position of the Center.

The U.S Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigation and compliance audits of health care providers. The Center is subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which will have material adverse effect on the Center’s financial position or results of operations.

June 30, 2019 and 2018 (in thousands)

The Center receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that the liability, if any, for reimbursement which may arise as the result of audits would not be material.

On August 31, 2018, a notice was sent to Oklahoma Health Care Authority (OHCA) from the Centers for Medicare and Medicaid Services (CMS) which indicated that a five-year extension to SoonerCare has been approved. Along with this approval, a one-year transition period for the Graduate Medical Education Program (GME) was approved. However, CMS disallowed certain federal matching funds that Oklahoma claimed in 2017, and those payments are being recovered by CMS. Subsequent to year-end, the Center entered into a settlement agreement with OHCA associated with the CMS disallowance totaling $9,487, which will be repaid in quarterly installments during fiscal year 2020. The Center recorded a reduction of accounts receivable on the statements of net position as of June 30, 2019 and a reduction in state grants and contracts revenue for the year ended June 30, 2019 of $9,487 associated with the retroactive GME settlement.

Note 19 - Functional Classifications

For the years ended June 30, 2019 and 2018, the following table represents operating expenses within functional classification:

	2019	2018
Function		
Instruction	$ 224,787	$ 220,223
Research	88,878	88,447
Public service	22,952	23,574
Academic support	53,269	35,303
Student services	5,597	5,616
Institutional support	20,231	23,347
Operations and maintenance of plant	29,362	32,537
Scholarships/Fellowships	658	738
Clinical operations	537,123	571,924
Agency	6	3
Auxiliary enterprises	18,655	16,318
Service unit	17,414	19,167
Plant	4,055	3,944
Total operating expenses	$ 1,022,987	$ 1,041,141

Note 20 - Subsequent Events

The Center has evaluated events and transactions that occurred subsequent to June 30, 2019, through October 15, 2019, the date these financial statements were available to be issued, for potential recognition or disclosure in the financial statements. With the exception of the GME contingency disclosed on Note 18, there were not additional subsequent events requiring recognition or disclosure.

Required Supplementary Information
June 30, 2019 and 2018

The University of Oklahoma Health Sciences Center

Last 10 Fiscal Years *
(Dollar Amounts In Thousands)

	2019	2018
Service cost	$ 2,858	$ 3,231
Interest	7,969	7,050
Changes in assumptions	18,362	(5,085)
Differences between expected an actual experience	(16,467)	8,019
Benefit payments	(3,644)	(4,056)
Net change in total OPEB liability	9,078	9,159
Total OPEB Liability - beginning	204,855	195,696
Total OPEB Liability - ending	$ 213,933	$ 204,855
Covered employee payroll	$ 331,023	$ 325,233
Total OPEB Liability as a percentage of covered payroll	64.6%	63.0%

Notes to Schedule

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

* Only the current and prior fiscal years are presented because 10-year data is not yet available.

Last 10 Fiscal Years *
(Dollar Amounts In Thousands)

	2019	2018	2017	2016	2015
Center's proportion of the net pension liability	3.6%	3.8%	3.6%	3.4%	3.4%
Center's proportionate share of the net pension liability	$ 218,129	$ 252,920	$ 312,670	$ 215,886	$ 196,223
Center's covered-employee payroll	162,784	159,862	156,440	159,865	156,304
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.0%	158.2%	199.9%	135.0%	125.5%
Plan fiduciary net position as a percentage of the total pension liability	72.7%	69.3%	62.2%	70.3%	72.4%

Notes to Schedule

* Only the current and prior four fiscal years are presented because 10-year data is not yet available.

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 14,183	$ 13,799	$ 13,531	$ 13,734	$ 13,364	$ 13,291	$ 13,174	$ 13,279	$ 12,711	$ 12,480
Contributions in relation to the contractually required contribution	(14,183)	(13,799)	(13,531)	(13,734)	(13,364)	(13,291)	(13,174)	(13,279)	(12,711)	(12,480)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 162,784	$ 159,862	$ 156,440	$ 159,865	$ 156,304	$ 155,156	$ 153,450	$ 154,379	$ 147,297	$ 148,491
Contributions as a percentage of covered-employee payroll	8.71%	8.63%	8.65%	8.59%	8.55%	8.57%	8.59%	8.60%	8.63%	8.40%

Other Supplementary Information
Year Ended June 30, 2019

The University of Oklahoma Health Sciences Center

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*

Board of Regents of the University of Oklahoma
The University of Oklahoma Health Sciences Center
Norman, Oklahoma

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 Oklahoma Health Science Center (the Center), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2019, 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, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated October 15, 2019. Our report includes an emphasis of matter paragraph describing the acknowledgement that the Center is an organizational unit of the Regents and these financial statements reflect only the assets, liabilities, and revenues and expenses of the Center and not the Regents as a whole.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 over financial reporting 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 the Center'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 determination of financial statement amounts. 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.

Eide Bailly LLP

Oklahoma City, Oklahoma
October 15, 2019

Eide Bailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Regents of the University of Oklahoma
The University of Oklahoma Health Science Center
Norman, Oklahoma

Report on Compliance for the Major Federal Program
We have audited the University of Oklahoma Health Science Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2019. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on the Major Federal Program
In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance
Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

The Center's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.
Eide Bailly Signature

Eide Bailly LLP

Oklahoma City, Oklahoma
October 15, 2019

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Department of Agriculture						
Department of Agriculture	Direct	10.314	20176800126355		**$ 162,777**	**$ 28,354**
Department of Defense						
Department of the Army	Direct	12.420	W81XWH1410392	$ 75,524		
Department of the Army	Direct	12.420	W81XWH1610295	2,639		
Department of the Army	Direct	12.420	W81XWH1710226	182,275		
Department of the Army	Direct	12.420	W81XWH1720048	394,187		
Department of the Army	Direct	12.420	W81XWH1810054	152,366		
Department of the Army	Direct	12.420	W81XWH1810066	72,241		
Department of the Army	Direct	12.420	W81XWH1810073	60,636		
Department of the Army	Direct	12.420	W81XWH1810457	64,191		
Department of the Army	Direct	12.420	W81XWH1810637	36,657		
John Hopkins University	Pass through	12.420	2001214293	881	1,041,597	
Henry M Jackson Found Adv Military Med	Pass through	12.750	HU0001-16-2-0006		592	
Total Department of Defense					**1,042,188**	
National Science Foundation						
National Science Foundation	Direct	47.074	1616845		52,101	
National Science Foundation	Direct	47.076	1849507		43,234	
National Science Foundation	Pass through	47.083	20205		5,800	
Total National Science Foundation					**101,135**	
Department of Education						
National Center for Special Education	Pass through	84.324	R324A160226		**260,471**	**13,523**
Department of Health and Human Services						
Natl Cancer Inst	Direct	93.000	75N91019D00020	2,187		
Natl Cancer Inst	Direct	93.000	HHSN261201500038I	1,073,175		74,532
Natl Heart, Lung and Blood Institue	Direct	93.000	75N92019D00027	118,867		
Natl Heart, Lung and Blood Institue	Direct	93.000	75N92019D00028	105,044		
Duke Clinical Research Institute	Pass through	93.000	HHSN275201000003I	14,650		
Duke Clinical Research Institute	Pass through	93.000	NICHD2011POP01	1,032		
Illinois Institute of Technology	Pass through	93.000	14102573001RL	92,707		
Leidos	Pass through	93.000	18X103	2,560		
Social & Scientific Systems, Inc.	Pass through	93.000	HHSN261200800001E	114,997		
Via Therapeutics, LLC	Pass through	93.000	5070747	15,881	1,541,100	

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Natl Inst on Drug Abuse	Direct	93.077		387,883		6,379
Georgetown University	Pass through	93.077	413029GR412964UOHSC	62,120		
University of Oklahoma - Norman	Pass through	93.077	2019-38	12,181		
Univ of Texas MD Anderson Cancer Center	Pass through	93.077	5P50CA180906	9,057		
Virginia Commonwealth University	Pass through	93.077	FP000064777SA005	36,893	508,133	
Univ of Arkansas for Medical Sciences	Pass through	93.110	51952OUHSCPEDS		22,753	
University of Oklahoma - Norman	Pass through	93.113	201924		2,139	
Natl Inst of Dental & Craniofacial Research	Direct	93.121		378,805		30,983
Penn State University	Pass through	93.121	UOKDE024964	61,902	440,707	
Maternal & Child Health Bureau	Direct	93.127	H33MC06689	132,044		
University of Arizona	Pass through	93.127	307872	133,162	265,206	
Oregon State University	Pass through	93.136	P0430AC		1,682	
Agency for Healthcare Research & Quality	Direct	93.226		2,684,351		47,842
City of Hope	Pass through	93.226	60648200511466900O	23,216	2,707,567	
Natl Inst of Mental Health	Direct	93.242		42,151		
Laureate Institute for Brain Research	Pass through	93.242	R21MH113871	8,365	50,516	
Natl Inst on Alcohol Abuse & Alcoholism	Direct	93.273		524,833		170,071
Univ of North Texas Health Science Ctr	Pass through	93.273	RF00140-2018-0325	61,221	586,054	
National Institute on Drug Abuse	Direct	93.279		22,019		
Alere Wellbeing, Inc.	Pass through	93.279	1R21DA042960	14,559		
The Miriam Hospital	Pass through	93.279	7107147113	11,885	48,463	
Oklahoma Medical Research Foundation	Pass through	93.286	0310-01MET	28,186		
Oklahoma Medical Research Foundation	Pass through	93.286	0310-01WELL	12,143	40,328	
Natl Ctr on Minority Health & Health Disparities	Direct	93.307		810,531		64,885
Univ of Texas Health Sciences Ctr	Pass through	93.307	0013081C	288,344		
Washington State University	Pass through	93.307	127687G003657	130,650	1,229,524	
Massachusetts General Hospital	Pass through	93.310	233284		1,840	
Office of the Director, NIH	Direct	93.351	P40OD010988		1,086,632	59,418
Cincinnati Children's Hospital Medical Center	Pass through	93.361	132514	24,175		
University of Pittsburgh	Pass through	93.361	0043908-1260614	11,147	35,322	
University of South Florida	Pass through	93.389	0000242071		43,107	
Natl Cancer Inst	Direct	93.393		2,537,512		241,676
Medical Univ of South Carolina	Pass through	93.393	MUSC170448C819	15,124		
Ohio State University	Pass through	93.393	R01CA204891	4,134		
Univ of Texas MD Anderson Cancer Center	Pass through	93.393	3001090700	537	2,557,308	
Natl Cancer Inst	Direct	93.394		210,360		
University of Oklahoma - Norman	Pass through	93.394	2016-86	9,665		
Univ of Texas MD Anderson Cancer Center	Pass through	93.394	3001146097	17,726	237,751	

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Natl Cancer Inst	Direct	93.395		2,045,626		
Brigham and Women's Hospital	Pass through	93.395	OK003	368,240		
Children's Hospital of Philadelphia	Pass through	93.395	1U10CA180886	144,054		
COARE Biotechnology, Inc.	Pass through	93.395	20180330	17,716		
COARE Biotechnology, Inc.	Pass through	93.395	20181074	15,075		
ECOG-ACRIN	Pass through	93.395	U10CA180820	16,602		
NRG Oncology Foundation, Inc.	Pass through	93.395	1U10CA180868	73,289		
NRG Oncology Foundation, Inc.	Pass through	93.395	ESite Support-Oklahoma	45,000		
NRG Oncology Foundation, Inc.	Pass through	93.395	FORTE01-Moxley	5,000		
NRG Oncology Foundation, Inc.	Pass through	93.395	NCTN05	14,999		
NRG Oncology Foundation, Inc.	Pass through	93.395	UG1CA189867	133,617		
NRG Oncology Foundation, Inc.	Pass through	93.395	20191553	20,556		
NRG Oncology Foundation, Inc.	Pass through	93.395	20191985	6,560		
NRG Oncology Foundation, Inc.	Pass through	93.395	20141429	982,322		16,626
Washington University in St. Louis	Pass through	93.395	WU19101	42,718	3,931,376	
Natl Cancer Inst	Direct	93.396			1,804,210	328,363
Natl Cancer Inst	Direct	93.397		2,080,601		97,874
University of Oklahoma - Norman	Pass through	93.397	P20CA202921	138,948	2,219,549	
Natl Cancer Inst	Direct	93.399	UG1CA233193	493,400		
NRG Oncology Foundation, Inc.	Pass through	93.399	DP2	80,099	573,499	
Association of University Centers on Disabilities	Pass through	93.421	1188813		97,320	12,037
Association of University Centers on Disabilities	Pass through	93.424	28188812		19,446	3,030
Hongwu Wang, LLC	Pass through	93.433	90SF001901		5,969	5,513
Oklahoma Department of Human Services	Pass through	93.658	17000314		301,395	
Academic Pediatric Association	Pass through	93.733	NH23IP0009500500		51,023	
Iowa Healthcare Collaborative	Pass through	93.779	1L1CMS331451010004		348,278	
OK Dept Mental Hlth Substance Abuse Svcs	Pass through	93.788	4529057805		686,633	
Natl Heart, Lung and Blood Institue	Direct	93.837		3,090,475		237,810
Boston Children's Hospital	Pass through	93.837	GENFD0001593521	177,221		
Hexakit, Inc.	Pass through	93.837	Hexakit01	37,993		
New England Research Institute	Pass through	93.837	U01HL107407	19,155		
Seattle Children's Hospital Rsch Found	Pass through	93.837	11303SUB	14,519		
Texas Tech Univ Health Sciences Center	Pass through	93.837	R01HL132953	140,312		
University of Alabama at Birmingham	Pass through	93.837	U01HL120338	31,587		
University of California San Diego	Pass through	93.837	99198911	191,943		
Univ of Texas Health Sciences Ctr	Pass through	93.837	6017SC17024	26,253		
Washington State University	Pass through	93.837	127880G003917	21,733	3,751,190	

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Natl Heart, Lung and Blood Institue	Direct	93.838			438,900	
Natl Heart, Lung and Blood Institue	Direct	93.839		141,871		
Emory University	Pass through	93.839	5U01HL128566	317		
National Marrow Donor Program	Pass through	93.839	BMTCTN1101	16,224		
Washington University in St. Louis	Pass through	93.839	WU-18-222	33,712	192,124	
Natl Inst of Arthritis & Musculoskeletal Disease	Direct	93.846		343,385		
University of Michigan	Pass through	93.846	3002095843	166	343,552	
Natl Inst Diabetes Digestive Kidney Disease	Direct	93.847		1,139,123		
Children's Mercy Hospital - Kansas City, MO	Pass through	93.847	130018	1,701		
Children's Mercy Hospital - Kansas City, MO	Pass through	93.847	180023	746		
Emory University	Pass through	93.847	T891132	1,752		
George Washington University	Pass through	93.847	16D14	288,276		
Glycologix, LLC	Pass through	93.847	R41DK116356	64,942		
Nationwide Children's Hospital	Pass through	93.847	7000430518	7,372		
Research Foundation of State Univ of New York	Pass through	93.847	113894677867	6,606		
Texas Biomedical Research Institute	Pass through	93.847	18-04613-301	362,955		
University of Colorado	Pass through	93.847	FY17001022	19,977		
University of South Florida	Pass through	93.847	TrialNet	36,857		
University of Texas Rio Grande Valley	Pass through	93.847	R21DK1059913	118,149	2,048,456	
Natl Inst of Neurological Disorders and Stroke	Direct	93.853		1,036,797		168,735
University of Cincinnati	Pass through	93.853	010785138586	10,285		
Medical College of Wisconsin	Pass through	93.853	R21NS099789	59,947	1,107,029	
Natl Inst of Allergy & Infectious Disease	Direct	93.855		3,282,714		90,460
Massachusetts General Hospital	Pass through	93.855	225488	2,984		
Massachusetts General Hospital	Pass through	93.855	229712	2,446		
Oklahoma Medical Research Foundation	Pass through	93.855	017014OUHSCJM	271,367		
Oklahoma Medical Research Foundation	Pass through	93.855	017015065OUHSCLZ	84,653		
Oklahoma Medical Research Foundation	Pass through	93.855	0170-15OUHSC/JB	291,113		
Stanford University	Pass through	93.855	6184139328291	165,595	4,100,872	
Natl Inst of General Medical Sciences	Direct	93.859		12,304,412		2,448,707
Bayesic Technologies, LLC	Pass through	93.859	20180920	56,669		
Cherokee Nation of Oklahoma	Pass through	93.859	S06GM127983	10,477		
Laureate Institute for Brain Research	Pass through	93.859	P20GM121312	78,601		
Oklahoma Medical Research Foundation	Pass through	93.859	02490505OUHSC	7,930		
Oklahoma Medical Research Foundation	Pass through	93.859	02490604OUHSCMW	263,853		
Oklahoma Medical Research Foundation	Pass through	93.859	0249-0606OUHSCMW	5,429		

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Oklahoma State University Center for Health Sciences	Pass through	93.859	1154402	11,256		
Oklahoma State University Center for Health Sciences	Pass through	93.859	1-567837-01	3,384		
Oklahoma State University Center for Health Sciences	Pass through	93.859	3110357113701	247,853		
Oklahoma State University Center for Health Sciences	Pass through	93.859	581138-PP-01	38,860		
Oklahoma State University	Pass through	93.859	5553999	13,009		
Oklahoma State University	Pass through	93.859	5554009	248,541		
Oklahoma State University	Pass through	93.859	P20GM103648	2,932		
University of Oklahoma - Norman	Pass through	93.859	201724	4,834		
University of Oklahoma - Norman	Pass through	93.859	2018-34	473,730		
University of Oklahoma - Norman	Pass through	93.859	2019-07	50,539	13,822,309	
Natl Inst of Child Health & Human Development	Direct	93.865		198,886		
Office of the Director, NIH	Direct	93.865		401,809		
Loma Linda University	Pass through	93.865	2150113UO	71,852		
Miyazaki Enterprises	Pass through	93.865	1-0002	3,297		
Oklahoma State University	Pass through	93.865	1571918OUHSC	20,273		
Univ of Arkansas for Medical Sciences	Pass through	93.865	51460	62,755		
Univ of Arkansas for Medical Sciences	Pass through	93.865	U24OD024957	16,850		
University of Michigan	Pass through	93.865	3004694008	49,636		
University of Minnesota	Pass through	93.865	1R01HD080444	120,622		
Vanderbilt University	Pass through	93.865	UNIV59500	24,231		
Yale University	Pass through	93.865	GR101952	177,066	1,147,277	
Natl Inst on Aging	Direct	93.866		3,610,717		491,677
Cleveland Clinic Foundation	Pass through	93.866	990SUB	4,486		
Oklahoma Medical Research Foundation	Pass through	93.866	029603OUHSC	18,517		
Oklahoma Medical Research Foundation	Pass through	93.866	030002OUHSC	931		
University of California Los Angeles	Pass through	93.866	1557GVC148	51,049		
University of California Los Angeles	Pass through	93.866	1558GVA160	47,991		
University of Kentucky	Pass through	93.866	320000222319098	28,501		
University of Michigan	Pass through	93.866	3004121226	469,675		
University of New Mexico	Pass through	93.866	765335-87X6	125,577		
University of Washington	Pass through	93.866	UWSC9853	114,493	4,471,937	
Natl Eye Inst	Direct	93.867		5,715,694		187,683
Dartmouth-Hitchcock Medical Center	Pass through	93.867	R1028-GC100060001	37,297		
Jaeb Center for Health Research	Pass through	93.867	ATS17	2,768		
Oklahoma Medical Research Foundation	Pass through	93.867	0299-02OUHSC	283		
University of Oklahoma - Norman	Pass through	93.867	2019-13	19,017		
University of Michigan	Pass through	93.867	3003705558	32,049	5,807,106	

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Oklahoma State Department of Health	Pass through	93.870	3409020651	122,907		
Oklahoma State Department of Health	Pass through	93.870	3409021758	194,689		50,138
Oklahoma State Department of Health	Pass through	93.870	3409022549	358,491		
Oklahoma State Department of Health	Pass through	93.870	3409023011	101,795	777,884	
Univ of North Texas Health Science Ctr	Pass through	93.879	UG4LM012345	9,959		
Univ of Texas Health Sciences Ctr	Pass through	93.879	HS763-0000148954	5,956	15,915	
Cherokee Nation of Oklahoma	Pass through	93.933	S06GM123546		241,353	
Total Department of Health and Human Services					**59,710,734**	**4,834,438**
Total Research Cluster					**61,277,305**	**4,876,316**
Other Programs						
Department of Agriculture						
Oklahoma Department of Agriculture	Pass through	10.170	0409017582	5,074		
Oklahoma Department of Agriculture	Pass through	10.170	0409017772	30,855	35,929	
Department of Agriculture	Direct	10.545	FSNSNAPFSUPOK		82,455	
Oklahoma Department of Human Services	Pass through	10.561	0506756		971,138	
Total Department of Agriculture					**1,089,522**	
Department of Justice						
Office of Justice Programs	Direct	16.543			581,119	18,068
Oklahoma District Attorneys Council	Pass through	16.575	2017VOCAOUHSC178	7,049		
Oklahoma District Attorneys Council	Pass through	16.575	2017VOCAOUHSC090	36,126		
Oklahoma District Attorneys Council	Pass through	16.575	2017VOCAOUHSC201	57,869	101,044	
Oklahoma District Attorneys Council	Pass through	16.576	2018VOCAOUHSC067	72,329		
Oklahoma District Attorneys Council	Pass through	16.576	2018VOCAOUHSC051	142,180		
Oklahoma District Attorneys Council	Pass through	16.576	2018VOCAOUHSC073	147,046	361,555	
Office of Justice Programs	Direct	16.731	2015MUMUK011		906,089	
Total Department of Justice					**1,949,808**	**18,068**
US Embassy	Direct	19.900	SRS50016CA182		**189**	
Department of Transportation						
Oklahoma Highway Safety Office	Pass through	20.600	OHSOFFY2012OUHSC00145		**29,241**	

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Department of Education						
Oklahoma State Department of Education	Pass through	84.027	2659017403	656,123		
Oklahoma State Department of Education	Pass through	84.027	2659017452	143,233	799,357	
Department of Education	Direct	84.325			117,757	
Total Department of Education					**917,114**	
Department of Health and Human Services						
Natl Center for Child Abuse & Neglect	Direct	93.000	HHSP233201400045C		328,172	
Univ of Texas Health Sciences Ctr	Pass through	93.080	0011472C		26,140	
Okla Dept of Mental Health & Substance Abuse Services	Pass through	93.087	4529057681	39,880		
Okla Dept of Mental Health & Substance Abuse Services	Pass through	93.087	4529058329	141,334	181,214	
Maternal & Child Health Bureau	Direct	93.110		633,869		1,718
American College of Obstetricians/Gynecologists	Pass through	93.110	UC4MC28042	923		
Univ of Arkansas for Medical Sciences	Pass through	93.110	51952OUHSCDMF	79,863		
Univ of Texas Health Sciences Ctr	Pass through	93.110	0012728A	21,935	736,590	
Parkland Health and Hospital System	Pass through	93.145	OTHER9912		118,410	
HIV/Aids Bureau	Direct	93.153	H12HA24834		388,617	
Bureau of Health Professions	Direct	93.191	D40HP26871-		365,313	
Okla Dept of Mental Health & Substance Abuse Services	Pass through	93.243	4529053713	4,364		
Okla Dept of Mental Health & Substance Abuse Services	Pass through	93.243	4529057794	71,359	75,723	
Health Resources & Services Administration	Direct	93.253	H4BHS15502		209,106	
Natl Inst of Occupational Safety & Health	Direct	93.262	T03OH008614	77,516		
Univ of Texas Health Sciences Ctr	Pass through	93.262	0011059C	1,530	79,046	
Association of University Centers on Disabilities	Pass through	93.421	4-18-8813	121,958		
Association of University Centers on Disabilities	Pass through	93.421	6NU38OT000280	1,285	123,243	
Association of University Centers on Disabilities	Pass through	93.424	6NU38OT0001400402		3,127	
Tulane University	Pass through	93.516	TULHSC5556631718	17,025		
Tulane University	Pass through	93.516	TULHSC5563221819	28,339	45,363	
Administration on Developmental Disabilities	Direct	93.632	90DDUC0028		471,781	23,000
Oklahoma Department of Human Services	Pass through	93.643	18000499	1,685		
Oklahoma Department of Human Services	Pass through	93.643	18000500	10,597		
Oklahoma Department of Human Services	Pass through	93.643	19000361	34,777		
Oklahoma Department of Human Services	Pass through	93.643	19000362	75,308	122,366	
Oklahoma Department of Human Services	Pass through	93.652	16000634		50,852	
Oklahoma Department of Human Services	Pass through	93.669	16000491	4,579		
Oklahoma Department of Human Services	Pass through	93.669	19000124	100,924	105,502	

Sponsor	Direct/ Pass through	CFDA	Award Number		Expenditures	Subrecipient Expenditures
A+ Government Solutions, Inc.	Pass through	93.719	7760128000007		25,084	
Health Resources & Services Administration	Direct	93.732	M01HP31375		171,997	
Administration for Community Living	Direct	93.761	90FPSG0025		4,664	
Oklahoma Department of Human Services	Pass through	93.778	18000185	20,703		
Oklahoma Department of Human Services	Pass through	93.778	19000263	148,083		
Oklahoma Department of Human Services	Pass through	93.778	19000315	174,491		
Oklahoma Health Care Authority	Pass through	93.778	8079002858	4,630,184	4,973,461	
Oklahoma State Department of Health	Pass through	93.870	3409020652	596,494		461,533
Oklahoma State Department of Health	Pass through	93.870	3409023010	32,488	628,981	
Oklahoma State Department of Health	Pass through	93.917	3409019633	38,685		
Oklahoma State Department of Health	Pass through	93.917	3409022107	927,426		
Oklahoma State Department of Health	Pass through	93.917	3409022159	142,286	1,108,397	
HIV/Aids Bureau	Direct	93.918	H76HA00185		955,211	
Cherokee Nation of Oklahoma	Pass through	93.933	ONARCH		35,046	
Okla Dept of Mental Health & Substance Abuse Services	Pass through	93.959	4529057804		105,168	
Oklahoma Department of Human Services	Pass through	93.994	16000441	106,717		
Oklahoma Department of Human Services	Pass through	93.994	18000224	376,124		
Oklahoma Department of Human Services	Pass through	93.994	19000250	21,568		
Oklahoma Department of Human Services	Pass through	93.994	17000357	288,824		
Oklahoma Department of Human Services	Pass through	93.994	0010299	1,538		
Oklahoma State Department of Health	Pass through	93.994	3409020834	91,792		
Oklahoma State Department of Health	Pass through	93.994	3409021762	66,078	952,640	
Total Department of Heath and Human Services					**12,391,215**	**486,250**
Total Other Programs					**16,377,089**	**504,318**
Student Financial Assistance Cluster						
Department of Education						
Department of Education	Direct	84.268			63,806,992	
University of Oklahoma - Norman (SEOG)	Pass Through	84.007	17-18002		50,000	
University of Oklahoma - Norman (Perkins)	Pass Through	84.038	17-18003		-	
University of Oklahoma - Norman (Pell)	Pass Through	84.063	17-18001		911,775	
Total Department of Education					**64,768,767**	

Sponsor	Direct/ Pass through	CFDA	Award Number	Expenditures		Subrecipient Expenditures
Department of Health and Human Services						
Health Professions Student Loan (HPSL & PCL) - Advances	Direct	93.342		597,000		
June 30, 2018 HPSL & PCL Programs	Loan Balance	93.342		5,519,218	6,116,218	
Health Professions Undergraduate Nursing Student Loan - Advances	Direct	93.364		211,506		
June 30, 2018 Nursing Student Loan Program	Loan Balance	93.364		1,562,373	1,773,879	
Total Department of Health and Human Services					**7,890,098**	
Total Student Financial Aid & Federal Direct Student Loan Cluster					**72,658,865**	
Total Federal Expenditures					**$ 150,313,258**	**$ 5,380,634**

Note 1

The purpose of the Schedule of Expenditures of Federal Awards (the Schedule) is to present a summary of the activities of the University of Oklahoma Health Sciences Center (the Center) which have been financed by the U.S. Government for the year ended June 30, 2019.

For purposes of the Schedule, federal awards have been classified into two types:

- Direct federal awards consisting of federal assistance and federal student financial aid, and
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

Because the Schedule presents only a selected portion of the activities of the Center, it is not intended to and does not present the financial position, changes in fund balances, or the revenues, expenditures, and other changes of the Center.

Complete Catalog of Federal Domestic Assistance (CFDA) numbers are presented for those programs for which such numbers were available. CFDA prefixes and other identifying numbers are presented for programs for which a complete CFDA is not available.

The Center passes through certain Funds to subgrantee organizations. Expenditures incurred by the subgrantees and reimbursed by the Center are included in the Schedule.

The Center is also the subrecipient of federal funds that are reported as expenditures and included in the Schedule. The detailed Schedule of Federal Award Expenditures denotes funding sources for pass-through funds. Federal awards other than those indicated as pass-through are denoted as federal direct funds.

Note 2

For purposes of the Schedule, expenditures for federal award programs are recognized on a modified accrual basis of accounting. Federal financial assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient.

Note 3

The University of Oklahoma Norman Campus administers the Pell, Supplemental Education Opportunity Grants, and The Perkins Loan student award programs for students attending the Norman and Health Sciences Center Campuses. Grant revenues and expenditures under such programs for students attending the Center campus is considered pass through funds and are, therefore, included in the Schedule.

Note 4

Under the Federal Direct Student Loan Program (Direct Loan Program), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The Center began participation in the Direct Loan Program on July 1, 2010. The Center administers the origination and disbursement of the loans to eligible students or parents. The Center is not responsible for the collection of these loans. Outstanding loans at June 30, 2019 under the Health Professions Student Loan Program (HPSL, PCL) and the Nursing Student Loan Program are $5,389,980 and $1,455,788, respectively.

Section I – Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No
Federal Awards	
Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Section 516:	No
Name of Federal Program or Cluster	CFDA number
Student Financial Aid Cluster	84.268, 84.007, 84.038, 84.063, 93.342, & 93.364
Dollar threshold used to distinguish between Type A and Type B programs	$ 3,000,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

2019-001	**Direct Program from U.S. Department of Education** **Student Financial Aid Cluster (CFDA #'s 84.268, 84.038, 84.063, 84.007)** **Special Tests: Enrollment Reporting** **Significant Deficiency in Internal Control over Compliance**
Criteria:	A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.
Condition:	In our student testing, there were students that had a change in enrollment status (i.e. withdrawal, graduation, reduction from fulltime to part-time) selected for testwork. We identified instances where status changes per the institution's records did not agree to the Department of Education's National Student Loan Data System (NSLDS) final records and other instances where the status change was not reported to NSLDS within the 60-day requirement.
Questioned Costs:	None reported.
Cause:	Internal controls do not appear to be in place to accurately and timely report to NSLDS.
Effect:	Inaccurate reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.
Repeat finding From Prior Year:	Yes, 2018-001, 2017-001
Context:	Out of the 82 sample of enrollment status changes, three status changes were not reported to NSLDS within the time required by federal guidelines and one of the status changes did not agree with NSLDS. Non-statistical sampling was used.
Recommendation:	We recommend that management update their control processes to ensure that the proper and timely status date changes are being reported to NSLDS.
Views of Responsible Officials:	Management acknowledges the finding and is implementing internal processes to ensure timely and accurate reporting of enrollment status date changes to NSLDS.

2019-002	**Direct Program from U.S. Department of Education** **Student Financial Aid Cluster (CFDA #'s 84.268)** **Special Tests: Borrow Transmission and Reconciliation (Direct Loans)** **Significant Deficiency in Internal Control over Compliance**
Criteria:	Direct Loans: Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 15 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303).
Condition:	There were 3 instances where the Direct Student Loan data was not accurately or timely reported to the COD system.
Questioned Costs:	None as this is a reporting matter.
Effect:	Data is not always timely reported to the Department of Education via the COD system.
Cause:	It appears that controls were not in operation to ensure that all information is accurately and timely submitted to the COD.
Context:	In our sample of 40 students with direct student loans, there were three instances where the student's loan disbursement was not reported within the required 15-day time frame. Non-statistical sampling was used.
Repeat Finding from Prior Year:	No.
Recommendation:	We recommend that management update their control processes to ensure that COD submissions are timely and accurate for both the direct student loans.
Views of Responsible Officials:	Management agrees with the finding and has implemented procedures to assure the University submits timely and accurate data to the COD.