Audited Financial Report
As of and for the Years Ended June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 3 through 11 and the required supplementary information on pages 59 through 61 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 Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2020 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 16, 2020

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, 2020 and 2019. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

2020

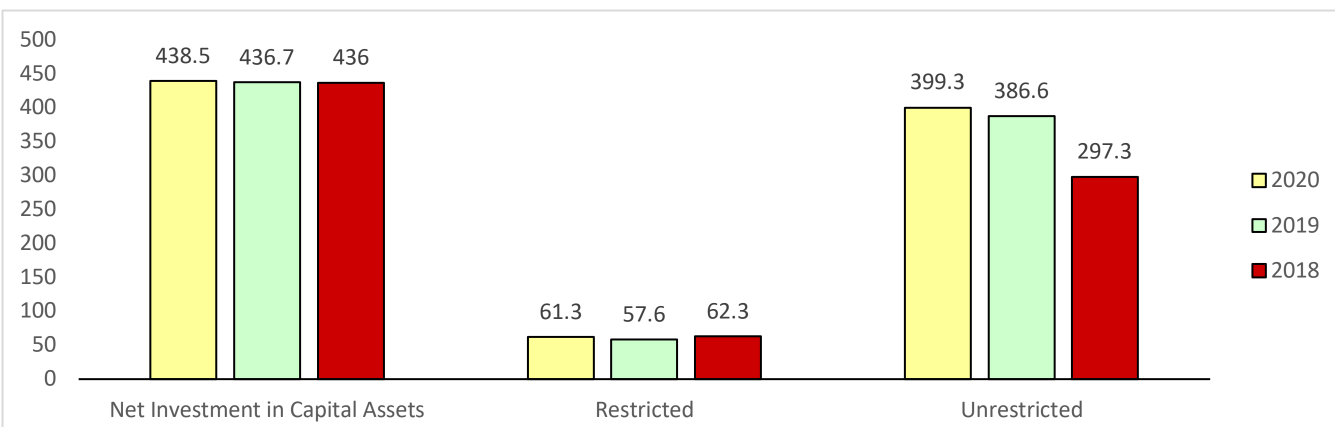
The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2020. Net position increased approximately $18.2 million. The change resulted from increases in net investment in capital assets of $1.8 million, restricted net position of $3.7 million, and unrestricted net position of $12.7 million.

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.

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)

	2020		2019		2018
Assets					
Current assets	$ 815.9		$ 799.5		$ 725.4
Capital assets, net	578.4		582.1		590.8
Other noncurrent assets	235.6		210.8		202.2
Total assets	$ 1,629.9		$ 1,592.4		$ 1,518.4
Deferred outflows of resources	$ 94.1		$ 71.3		$ 76.2
Liabilities					
Current liabilities	$ 141.3		$ 137.4		$ 140.0
Noncurrent liabilities	638.0		588.3		620.6
Total liabilities	$ 779.4		$ 725.7		$ 760.6
Deferred inflows of resources	$ 45.5		$ 57.1		$ 38.4
Net position					
Net investment in capital assets	$ 438.5		$ 436.7		$ 436.0
Restricted	61.3		57.6		62.3
Unrestricted	399.3		386.6		297.3
Total net position	$ 899.1		$ 880.9		$ 795.6
Increase in net position		$ 18.2		$ 85.3	

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

	2020		2019		2018	
Operating revenues	$	957.6	$	964.3	$	911.4
Operating expenses		1,082.8		1,023.0		1,041.1
Operating loss		(125.2)		(58.7)		(129.7)
Net nonoperating revenues		136.9		134.9		124.8
Other revenues, expenses and gains or losses		6.5		9.1		10.3
Net change in net position		18.2		85.3		5.4
Net position at beginning of year		880.9		795.6		884.4
Implementation of GASB 75		-		-		(94.2)
Net position at end of year	$	899.1	$	880.9	$	795.6

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

	2020		2019		2018	
Operating revenues						
Tuition and fees	$	66.8	$	65.0	$	62.7
Patient care		417.8		391.0		422.8
Pharmaceutical sales		102.9		94.2		88.1
Grants and contracts		313.0		356.9		276.3
Sales and services of educational activities		1.6		1.7		1.9
Auxiliary enterprises		40.1		40.8		36.0
Other		15.4		14.7		23.6
Total operating revenues	$	957.6	$	964.3	$	911.4

Changes in operating revenues included the following:

2020

Student tuition and fees revenue had an increase of $1.8 million due to a slight increase in enrollment.

Patient care increased over the past year by $26.8 million. This was primarily due to increases in service contracts, as well as, modest increases in patient volume and procedures.

Pharmaceutical sales increased $8.7 million due primarily to increased activity in the Stephenson Cancer Center retail pharmacy.

Federal grants and contracts increased by $5.9 million due to increased federal sponsored research related to Cancer, Diabetes, and Geriatrics. State grants and contracts decreased by $47.9 due to a one-time federal transition program for Graduate Medical Education received in 2019. Private grant and contracts decreased by $1.9 million.

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.

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

	2020	2019	2018
Operating expenses			
Compensation and benefits	$ 752.1	$ 699.0	$ 682.8
Contractual services	95.2	83.9	81.5
Supplies and materials	132.6	114.3	168.0
Depreciation	29.4	29.0	28.4
Utilities	11.7	12.0	13.7
Communications	10.2	10.2	9.7
Scholarships	2.5	2.9	2.5
Other	49.1	71.7	54.4
Total operating expenses	$ 1,082.8	$ 1,023.0	$ 1,041.1

Changes in operating expenses were the result of the following:

2020

Compensation and benefits expense increased by $53.1 million or 7.6% due to an increase in pension and OPEB expense, accrued leave and a modest across the board faculty and staff pay raise distributed during the year.

Supplies and materials expense increased $18.3 million, primarily resulting from pharmaceuticals purchased for resale.

Other expenses decreased by $22.6 million due to Graduate Medical Education match payments as part of the one-time federal transition program paid during fiscal year 2019 and no longer required.

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.

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

	2020	2019	2018
Nonoperating revenue			
State appropriations	$ 77.7	$ 74.1	$ 74.6
On-behalf payments	14.4	15.2	14.2
Private gifts	13.2	11.3	12.5
Interest on indebtedness	(6.8)	(7.1)	(7.2)
Investment income	22.4	25.4	13.8
Endowment income	16.0	16.0	16.9
Net nonoperating revenue	$ 136.9	$ 134.9	$ 124.8

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

2020
State appropriations increased from the prior year by $3.6 million or 4.8%.

Private gifts increased $1.9 million, mainly due to an increase in gifts received from the OU Foundation.

Investment income decreased $3 million for the year. This was primarily due to a $5.6 million decrease in investment income recorded for the SPIV investment held at the OU Foundation and decrease of $.8 million endowment investments. This was offset by an increase in other interest income of $2.0 million.

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.

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)

	2020	2019	2018
Cash provided (used) by			
Operating activities	$ (61.7)	$ (4.0)	$ (85.7)
Noncapital financing activities	98.2	102.4	104.3
Capital and related financing activities	(23.9)	(22.5)	(32.7)
Investing activities	(3.1)	13.7	(19.9)
Net change in cash	9.5	89.6	(34.0)
Cash, beginning of the year	664.4	574.8	608.8
Cash, end of year	$ 673.9	$ 664.4	$ 574.8

2020

The Center's overall liquidity increased during the year, with a net increase to cash of $9.5 million. Cash used in operating activities totaled $61.7 million, an increase of approximately $57.7 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 revenue ($35.6 million), and pharmacy sales ($15.8 million). There was a significant decrease in cash flows from state grants and contracts revenue ($65.9 million).

Overall, cash provided by noncapital and related activities was $98.2 million, a net decrease of approximately $4.2 million over the prior year. This decrease in cash flows was primarily due to a transfer to the Norman campus of $8.3 million. In addition, state appropriations increased ($3.6 million) and private gifts increased by ($2.2 million).

Cash flows used in connection with capital and related financing activities totaled $23.9 million, a decrease of $1.4 million compared to the prior year. This was a result of a decrease in cash used for the purchase of capital assets ($5.3 million) In addition, cash provided by state appropriations for capital projects increased ($5 million).

Cash used by investing activities was $3.1 million, a decrease of $16.8 million. The decrease was substantially the result of cash used in for the purchase of investments ($21.1 million), and an increase of cash received from investment income ($14.3 million).

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).

Capital Asset and Debt Administration

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

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

	2020	2019	2018
Art	$ 1.3	$ 1.3	$ 1.3
Land and infrastructure	38.7	39.0	38.4
Construction in-progress	9.2	3.8	9.1
Buildings	478.9	481.0	481.5
Furniture, fixtures, and equipment	49.6	56.0	59.3
Library materials	0.7	1.0	1.2
Totals	$ 578.4	$ 582.1	$ 590.8

2020

At June 30, 2020, the Center had approximately $578.4 million invested in capital assets, net of accumulated depreciation of $405.3 million. Depreciation charges for the current year remained steady at $29.4 million.

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 $29.4 million.

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

Outstanding Debt, at Year-End (In Millions)

	2020	2019	2018
General revenue bonds	$ 125.7	$ 130.7	$ 136.0
Auxiliary facility revenue bonds	-	0.9	1.7
Lease obligations	15.4	15.2	18.5
Totals	$ 141.1	$ 146.8	$ 156.2

2020
At fiscal year-end 2020, the Center had approximately $141.1 million in outstanding debt, a decrease of approximately $5.7 million over the prior year.

Besides a new lease obligation, $.9 million, the Center issued no new debt during 2020. Debt repayments of $6.6 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.

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.

Economic Outlook
The Center's economic position is closely related to 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. While support of the Center's mission remains strong, declines in the State's general revenue resulted in a 3.95% decrease in appropriations for fiscal year 2021.

The impact of the ongoing COVID-19 pandemic has been manageable to date. The Center has continued to provide essential services throughout the course of the pandemic. However, due to the nature of the disease and uncertainty of availability of therapeutics and a vaccine future impact of continued disruption cannot be accurately projected.

Despite the recent downturn in the State's economy and disruption due to the COVID-19 pandemic, 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.

	2020	2019
	(In Thousands)	
Assets		
Current Assets		
Cash and cash equivalents	$ 644,712	$ 640,556
Restricted cash and cash equivalents	18,691	18,406
Short term investments and accrued interest receivable	6,158	-
Accounts receivable, net of allowances	131,865	134,304
Inventories and supplies	4,042	3,299
Loans to students, net of allowance for uncollectible loans	1,177	1,035
Deposits and prepaid expenses	9,260	1,888
Total current assets	815,905	799,488
Noncurrent Assets		
Restricted cash and cash equivalents	10,467	5,450
Endowment investments	44,589	44,860
Other long-term investments	168,677	147,633
Investments in real estate	2,025	3,476
Loans to students, net	5,699	5,468
Deposits and prepaid expenses	1,785	1,606
Net OPEB	2,366	2,309
Capital assets, net	578,375	582,077
Total noncurrent assets	813,983	792,879
Total assets	$ 1,629,888	$ 1,592,367
Deferred Outflows of Resources		
Deferred outflow - pensions	$ 66,251	$ 51,525
Deferred outflow - OPEB	26,068	17,901
Deferred charge on debt refunding	1,772	1,886
Total deferred outflows of resources	$ 94,091	$ 71,312

		2020		2019
		(In Thousands)		
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	$	88,094	$	84,079
Unearned revenue		8,015		11,026
Accrued interest payable		3,026		3,150
Deposits held in custody for others		2,047		1,654
Long-term liabilities, current portion				
Accrued compensated absences		34,160		31,044
Capital lease payable		781		637
Revenue bonds payable		5,219		5,833
Total current liabilities		141,342		137,423
Noncurrent Liabilities				
Accrued compensated absences and other		7,933		5,479
Net pension liability		256,377		220,614
Total OPEB liability		230,899		213,933
Federal loan program contributions refundable		7,710		7,928
Capital lease payable		14,641		14,597
Revenue bonds payable		120,479		125,698
Total noncurrent liabilities		638,039		588,249
Total liabilities	$	779,381	$	725,672
Deferred Inflows of Resources				
Deferred inflow - pensions	$	27,224	$	40,076
Deferred inflow - OPEB		17,828		16,497
Deferred credit on OCIA lease restructure		483		531
Total deferred inflows of resources	$	45,535	$	57,104
Net Position				
Net investment in capital assets	$	438,544	$	436,667
Restricted for				
Nonexpendable		28,592		28,592
Expendable				
Education, scholarships, and other		9,043		8,702
Capital projects		9,254		6,368
Debt service		14,380		13,918
Unrestricted		399,250		386,656
Total net position	$	899,063	$	880,903

	2020	2019
	(In Thousands)	
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $5,864 and $5,711 for 2020 and 2019, respectively)	$ 66,762	$ 64,985
Patient care (net of provisions for contractual, bad debt and other adjustments of $484,561 and $538,552 for 2020 and 2019, respectively)	417,749	391,002
Pharmaceutical sales	102,926	94,210
Federal grants and contracts	82,730	76,874
State grants and contracts	66,283	114,207
Private grants and contracts	163,961	165,825
Sales and services of educational activities	1,649	1,740
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)	7,360	7,066
Other	32,720	33,701
Other revenues (including $166 and $182 from interest on student loans for 2020 and 2019, respectively)	15,414	14,681
Total operating revenuε t	957,554	964,291
Operating Expenses		
Compensation and benefits	752,082	698,971
Contractual services	95,199	83,945
Supplies and materials	132,555	114,313
Depreciation	29,384	28,993
Utilities	11,722	11,917
Communication	10,190	10,227
Scholarships	2,489	2,890
Other	49,141	71,731
Total operating expenses	1,082,762	1,022,987
Operating Loss	(125,208)	(58,696)
Nonoperating Revenues and (Expenses)		
State appropriations	77,687	74,123
On-behalf payments	14,358	15,122
Private gifts	13,218	11,274
Interest on indebtedness	(6,815)	(7,052)
Net investment income	22,370	25,408
Endowment income	16,057	15,986
Net nonoperating revenues and (expenses)	136,875	134,861
Income before other revenues, (expenses), gains, or (losses)	11,667	76,165

	2020	2019
	(In Thousands)	
Other Revenue, (Expenses), Gains, or (Losses)		
Federal grants and contracts for capital projects	$ -	$ 64
State grants and contracts for capital projects	5,000	-
State appropriations for capital projects	5,443	5,040
Private gifts for capital projects	246	63
State school land funds	4,104	3,924
Transfer to University of Oklahoma Norman Campus	(8,300)	-
Total other revenue, (expenses), gains, or (losses)	6,493	9,091
Change in net position	18,160	85,256
Net Position, Beginning of Year	880,903	795,647
Net Position, End of Year	$ 899,063	$ 880,903

	2020	2019
	(In Thousands)	
Operating Activities		
Tuition and fees	$ 65,129	$ 64,246
Patient revenues	421,370	385,736
Pharmacy sales	104,871	89,051
Federal grants and contracts	79,845	75,594
State grants and contracts	66,508	132,380
Private grants and contracts	162,602	160,729
Sales and services of auxiliary enterprises	32,734	33,149
Sales and services of educational activities	1,595	1,743
Steam and chilled water plant revenues	7,471	6,930
Interest on loans receivable	166	182
Other additions	15,225	17,016
Loans issued to students	(1,560)	(1,011)
Collection of loans	1,167	1,248
Compensation and benefits	(723,350)	(688,546)
Contractual services	(96,337)	(83,679)
Supplies and materials, utilities, communications, scholarships and fellowships, other and deposits held in custody	(199,138)	(198,761)
Net Cash used for Operating Activities	(61,702)	(3,993)
Noncapital Financing Activities		
State appropriations	77,687	74,123
Endowment income	15,808	16,748
Private gifts	13,174	10,991
Transfer to University of Oklahoma Norman Campus	(8,300)	-
Direct loan receipts	57,922	64,769
Direct loan disbursements	(57,922)	(64,769)
Net increase (decrease) to Federal loan program contributions refundable	(218)	504
Net Cash from Noncapital Financing Activities	98,151	102,366

		2020		2019
		(In Thousands)		
Capital and Capital Related Financing Activities				
Federal and state grants and contracts for capital projects	$	5,000	$	64
State appropriations for capital projects		5,455		6,374
Private gifts for capital projects		246		63
Purchases of capital assets		(25,892)		(20,630)
Principal paid on capital debt and leases		(6,541)		(6,820)
Interest paid on capital debt and leases		(6,267)		(5,439)
Receipt of state school land funds		4,104		3,924
Net Cash used for Capital and Capital Related Financing Activities		(23,895)		(22,464)
Investing Activities				
Investment income		14,341		11,554
Proceeds from sales and maturities of investments		3,654		2,113
Purchase of investments		(21,091)		-
Net Cash from (used for) Investing Activities		(3,096)		13,667
Net Change in Cash and Cash Equivalents		9,458		89,576
Cash and Cash Equivalents, Beginning of Year		664,412		574,836
Cash and Cash Equivalents, End of Year	$	673,870	$	664,412
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Current assets				
Cash and cash equivalents	$	644,712	$	640,556
Restricted cash and cash equivalents		18,691		18,406
Noncurrent assets				
Restricted cash and cash equivalents		10,467		5,450
Total cash and cash equivalents	$	673,870	$	664,412

	2020	2019
	(In Thousands)	
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	$ (125,208)	$ (58,696)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	29,384	28,993
Loss on disposal of capital assets	1,140	368
On-behalf contribution related to pensions	13,718	11,906
Change in assets and liabilities		
Accounts receivable	2,709	16,095
Inventories and supplies	(743)	(39)
Loans to students	(373)	225
Deposits and prepaid expenses	(7,551)	(13)
Net OPEB asset	(57)	(636)
Deferred outflows related to pensions and OPEB	(22,893)	4,774
Accounts payable and accrued expenses	4,012	1,850
Unearned revenue	(3,011)	(2,063)
Deposits held in custody for others	393	118
Compensated absences	5,570	377
Total OPEB liability	16,966	9,077
Net pension liability	35,763	(35,119)
Deferred inflows related to pensions and OPEB	(11,521)	18,790
Net Cash used for Operating Activities	$ (61,702)	$ (3,993)
Supplemental Schedule of Noncash Investing and Financing Activities		
On-behalf interest paid by OCIA	$ 624	$ 625
On-behalf principal payments made by OCIA	16	2,591
Amortization of bond insurance cost	-	2
Amortization of bond discount/premium	(17)	(21)
Amortization of ODFA discount/premium	35	39
Capital lease for acquisition of capital assets	930	-

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.

Short-Term Investments

Short-term investments include U.S. agency securities and treasury notes with an original maturity of three to twelve months, excluding restricted cash and investments.

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.

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, and construction projects 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.

June 30, 2020 and 2019 (in thousands)

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, 2020 and 2019:

	2020	2019
Medicare	15%	17%
Medicaid	19%	20%
Other third-party and commercial payors	32%	34%
Other, including self pay	34%	29%
	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, land improvements, library materials and capital improvements; 10 years for leasehold improvements, buses, construction equipment, furniture, fixtures and equipment; 5 years for vehicles and software, and 3 years for computers, 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.

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 2020 or 2019.

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.

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 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, 2021. 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, 2022. 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, 2020 and 2019, the carrying amount of the Center's deposits with the OST and other financial institutions were $673,870 and $664,412, respectively. These amounts consisted of deposits with the OST ($665,152 and $633,819), deposits with financial institutions ($420 and $21,836), deposits with trustees ($8,261 and $8,721), and petty cash and change funds ($37 and $36).

Of funds on deposit with the OST, amounts invested in OK INVEST total $545,013 and $517,240 at June 30, 2020 and 2019, 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, 2020 and 2019 (in thousands)

The distribution of investments in OK INVEST at June 30, 2020 and 2019, is as follows:

	2020	2019
U.S. agency securities	22.9%	30.8%
Mortgage backed agency securities	37.8%	40.5%
U.S. Treasury obligations	31.7%	16.1%
Money market mutual funds	5.1%	9.8%
Certificates of deposit	1.4%	2.2%
Municipal bonds	0.1%	0.2%
Foreign bonds	1.0%	0.4%
	100%	100%

As of June 30, 2020 and 2019, the Center held approximately 7.1% of the OK INVEST fund. The market value of OK INVEST as of June 30, 2020 and 2019 was $7,910,433 and $7,332,286, respectively, and the amortized cost was $7,698,424 and $7,242,397, respectively.

Investments

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

	2020	2019
Short-term investments		
Marketable securities - Level 1	$ 6,041	$ -
Accrued interest receivable	117	-
Total short-term investments	6,158	-
Endowment investments		
Consolidated Investment Fund (CIF) - NAV	35,604	36,152
Expendable Investment Pool II (EIP II) - NAV	8,985	8,708
Total endowment investments	44,589	44,860
Other long-term investments		
Fidelity Revenue Sharing - Level 1	57	173
Marketable securities - Level 1	15,050	-
Special Purpose Investment Vehicle (SPIV) - Level 3	153,570	147,460
Total other long-term investments	168,677	147,633
Investments in real estate		
Real property - Level 3	2,025	3,476
Total investments	$ 221,449	$ 195,969

Marketable Securities – Level 1: These investments consist of short-term and long-term U.S. agency securities and treasury notes.

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: 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 2020, the Center sold real property for $1,451 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 $44,589 and $44,860 as of June 30, 2020 and 2019, 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% of the fund as of June 30, 2020 and 2019.
>
> 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 21.6% and 16.6% of the fund as of June 30, 2020 and 2019.

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, 2020 totaled $1,372,043. Unfunded commitments within this fund totaled $182,031. 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 $268,800. Investments held in real estate funds and private equity funds with a total market value at June 30, 2020 of $384,945 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.
- The Center's marketable securities are generally limited to holdings of high-quality fixed income securities. As of June 30, 2020, the Center's investment in fixed income securities has a credit rating of AA+ as rated by Standard & Poor's Corporation.

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, 2020 and 2019 (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 69% and 75% of the Center's total investments as of June 30, 2020 and 2019, 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.
Investment maturities were as follows at June 30, 2020:

		Investment Maturities (in Years)	
Investment Type	Carrying Amount	Less Than 1	1 - 5
U.S agency securities	$ 8,028	$ -	$ 8,028
U.S. treasury notes	13,063	6,041	7,022
Total	$ 21,091	$ 6,041	$ 15,050

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:

	2020	2019
Accounts receivable	$ 223,839	$ 233,253
Less allowance and contractual adjustments	(91,974)	(98,949)
Accounts receivable, net	$ 131,865	$ 134,304

June 30, 2020 and 2019 (in thousands)

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

	2020	2019
PPP patient billings		
Accounts receivable	$ 138,770	$ 149,593
Less contractual adjustments	(65,289)	(78,843)
Less allowance	(26,246)	(19,553)
Accounts receivable, net	$ 47,235	$ 51,197
Due from federal, state and private sources		
Accounts receivable, no allowance	$ 76,083	$ 75,470
Auxiliary enterprises		
Accounts receivable	$ 4,797	$ 5,821
Less allowance	(439)	(553)
Accounts receivable, net	$ 4,358	$ 5,268
State tuition and fees		
Accounts receivable, no allowance	$ 2,943	$ 1,950
Other accounts receivable, no allowance	$ 1,246	$ 419

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, 2020 and 2019 (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 $432,015 and $489,041 for the years ended June 30, 2020 and 2019, 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 $52,546 and $49,511 for the years ending June 30, 2020 and 2019, 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, 2020 and 2019.

	2020	2019
Medicare	23%	23%
Medicaid	34%	33%
Other third-party and commercial payors	36%	38%
Other, including self pay	7%	6%
	100%	100%

Note 5 - Inventories and Supplies

Inventories and supplies consisted of the following at June 30:

	2020	2019
Site support	$ 206	$ 204
Telecommunications	126	151
Other service units	101	92
Dental supply store	251	556
Other auxiliaries	38	40
Pharmacies	3,320	2,256
	$ 4,042	$ 3,299

June 30, 2020 and 2019 (in thousands)

Note 6 - Loans to Students

The Center had student loans outstanding of $6,876 and $6,503 (net of allowance for uncollectible loans of $362 and $342) at June 30, 2020 and 2019, respectively. Student loans made under the Health Professions Student Loan Program and the Nursing Student Loan Program represented approximately $6,874 and $6,503 (net of allowance for uncollectible loans of $362 and $342) 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 $1,799 and $2,416, which is included in cash and cash equivalents in the statements of net position, at June 30, 2020 and 2019, respectively, for these programs. At June 30, 2020 and 2019, $7,710 and $7,928, 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, 2020, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Art	$ 1,283	$ -	$ -	$ -	$ 1,283
Land	34,089	-	-	-	34,089
Construction in-progress	3,818	12,560	(7,229)	-	9,149
Total capital assets not being depreciated	39,190	$ 12,560	$ (7,229)	$ -	44,521
Capital assets being depreciated					
Buildings	665,039	$ 1,523	$ 4,751	$ -	671,313
Equipment	158,699	12,108	2,351	(5,760)	167,398
Leasehold improvements	42,799	608	95	-	43,502
Land improvements	18,721	(11)	32	-	18,742
Infrastructure	7,799	-	-	-	7,799
Library materials	30,342	34	-	-	30,376
Total capital assets being depreciated	923,399	$ 14,262	$ 7,229	$ (5,760)	939,130
Less accumulated depreciation					
Buildings	184,020	$ 12,978	$ -	$ (4,620)	192,378
Equipment	117,035	12,453	-	-	129,488
Leasehold improvements	31,820	2,800	-	-	34,620
Land improvements	15,409	519	-	-	15,928
Infrastructure	2,850	372	-	-	3,222
Library materials	29,378	262	-	-	29,640
Total accumulated depreciation	380,512	$ 29,384	$ -	$ (4,620)	405,276
Total capital assets being depreciated, net	542,887				533,854
Capital assets, net	$ 582,077				$ 578,375

June 30, 2020 and 2019 (in thousands)

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

Note 8 - Accounts Payable and Accrued Expenses

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

	2020	2019
Accounts payable and other accrued expenses	$ 36,670	$ 30,787
Accrued payroll	45,733	47,217
Self insurance reserves	5,691	6,075
	$ 88,094	$ 84,079

June 30, 2020 and 2019 (in thousands)

Note 9 - Unearned Revenue

Unearned revenue consists of the following at June 30:

	2020	2019
Prepaid tuition and student fees	$ 632	$ 1,272
Auxiliary enterprises and other activities	296	217
Contracts	7,087	9,537
	$ 8,015	$ 11,026

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 $9,110 and $9,546 during the years ended June 30, 2020 and 2019, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2020 and 2019, the Norman Campus distributed $4,104 and $3,924, 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 $175,106 ($186,707 restricted corpus) and $190,531 ($185,271 restricted corpus) at June 30, 2020 and 2019, respectively, and have not been reflected in the accompanying financial statements.

Oklahoma State Regents for Higher Education Endowment Fund Program

In connection with the Oklahoma State Regents' Endowment Program, the State of Oklahoma has matched contributions received under the Endowment Program. The cumulative state match amount, plus any retained accumulated earnings, totaled approximately $210,980 and $225,545 at June 30, 2020 and 2019, respectively and is invested by the Oklahoma State Regents on behalf of the Center. The Center is entitled to receive an annual distribution of earnings on these funds. As legal title of the State match is retained by State Regents, only the funds available after distribution, or $7,640 and $7,577 as of June 30, 2020 and 2019, respectively, have been reflected in the statements of net position as accounts receivable. Institutional matching funds are on deposit with the Foundation for the benefit of the Center.

June 30, 2020 and 2019 (in thousands)

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 $14,724 and $12,876 for the years ended June 30, 2020 and 2019, 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:

	2021	2022	2023	2024	2025	Thereafter
University Research Park	$ 5,211	$ 1,352	$ 473	$ 315	$ 219	$ 125
Harold Hamm Diabetes Center	136	140	144	148	140	-
Land leases	87	88	89	90	91	3,126
	$ 5,434	$ 1,580	$ 706	$ 553	$ 450	$ 3,251

The cost and carrying amount of the leased property attributed to non-cancelable leases as of June 30, 2020 was as follows:

	Cost	Accumulated Depreciation	Net Leased Property
University Research Park	$ 32,624	$ (5,139)	$ 27,485
Harold Hamm Diabetes Center	877	(173)	704
Land leases	596	-	596
Net leased property	$ 34,097	$ (5,312)	$ 28,785

June 30, 2020 and 2019 (in thousands)

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, 2020:

	Cost	Accumulated Depreciation	Net Leased Property
University Research Park	$ 12,528	$ (1,582)	$ 10,946
Family Medicine	79	(37)	42
O'Donoghue Building	157	(140)	17
Stephenson Cancer Center	45,588	(8,086)	37,502
Williams Pavilion	374	(206)	168
Tulsa Schusterman Center	3,236	(638)	2,598
Service Center Building	2,268	(1,104)	1,164
Harold Hamm Diabetes Center	3,087	(608)	2,479
Land leases	51	-	51
Net leased property	$ 67,368	$ (12,401)	$ 54,967

Note 12 - Debt

The Center did not have any direct borrowings or direct placements of debt during 2020 or 2019. The following is a summary of debt transactions of the Center as of and for the year ended June 30, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Revenue bonds payable					
Utility System Series 2004 A&B	$ 855	$ -	$ (855)	$ -	$ -
General Revenue Bonds Series 2008 A&B	12,110	-	(1,920)	10,190	2,045
General Revenue Bonds Series 2010 A&B	14,590	-	(1,635)	12,955	1,705
General Revenue Bonds Series 2013A	58,400	-	(1,215)	57,185	1,255
General Revenue Bonds Series 2017A	46,675	-	(225)	46,450	230
Subtotal revenue bonds payable	132,630	-	(5,850)	126,780	5,235
Premium (Discount)	(1,099)	-	(17)	(1,082)	(16)
Total revenue bonds payable	131,531	-	(5,867)	125,698	5,219
ODFA capital leases payable	1,986	930	(691)	2,225	748
OCIA capital leases payable	13,133	-	(16)	13,117	-
Subtotal capital leases payable	15,119	930	(707)	15,342	748
Premium (Discount)	115	-	(35)	80	33
Total capital leases payable	15,234	930	(742)	15,422	781
Total bonds and capital leases	$ 146,765	$ 930	$ (6,609)	$ 141,120	$ 6,000

June 30, 2020 and 2019 (in thousands)

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

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, 2020 and 2019, the total principal and interest remaining to be paid on these bonds was $195,965 and $207,131, respectively, and the total pledged revenue received was $697,245 and $649,082, respectively. Debt service payments of $11,048 and $11,674, including both principal and interest, were 1.6% and 1.8% of pledged revenues at June 30, 2020 and 2019, respectively.

June 30, 2020 and 2019 (in thousands)

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, 2020 and 2019, the Center had $0 and $581, 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.

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

				2020		2019	
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	$ 6,174	$ 19,972	$ 5,651	$ 20,495

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

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, 2020 and 2019, the State Regents made lease principal and interest payments totaling $641 and $3,216 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:

June 30, 2020 and 2019 (in thousands)

				2020		2019	
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	$ 1,455	$ 4,612	$ 1,333	$ 4,734
2007C/2017D	December 2007	15 years	1,304	315	989	289	1,015
2014C	December 2014	5 years	401	401	-	367	34
2019B	November 2019	5 years	930	61	869	-	-
			$ 8,702	$ 2,232	$ 6,470	$ 1,989	$ 5,783

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

Maturities of principal and interest requirements on revenue bonds payable and capital lease obligations are as follows at June 30, 2020:

Years Ending June 30,	Principal	Interest
2021	$ 5,983	$ 6,611
2022	6,268	6,311
2023	7,453	5,956
2024	7,587	5,561
2025	7,834	5,182
2026-2030	35,507	21,335
2031-2035	32,360	13,944
2036-2040	23,695	6,898
2041-2044	15,435	1,797
	$ 142,122	$ 73,595

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, 2020 and 2019. 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 2020 and 2019. The Center's contributions to OTRS in 2020 and 2019, which include the 8.55% regular employer contribution and the 2.5% ORP contribution for 2019, and the federal match were approximately $15,887 and $18,234, 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 2020 and 2019 were $13,130 and $11,362, 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, 2020 and 2019, the Center reported a liability of $252,813 and $218,129, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, 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, 2019 and 2018. Based upon this information, the Center's proportion was 3.82% and 3.57% as of June 30, 2019 and 2018, respectively.

June 30, 2020 and 2019 (in thousands)

For the years ended June 30, 2020 and 2019, the Center recognized pension expense of $38,812 and $18,508, respectively. At June 30, 2020 and 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	2019
Deferred outflows of resources		
Changes of proportion	$ 20,824	$ 11,927
Center contributions subsequent to the measurement date	15,887	18,234
Changes in assumptions	13,273	20,233
Difference between expected and actual experience	12,978	
Net difference between projected and actual earnings on pension plan investments	1,715	-
	$ 64,677	$ 50,394
Deferred inflows of resources		
Differences between expected and actual experience	$ 10,834	$ 14,919
Changes of assumptions	8,532	11,054
Net difference between projected and actual earnings on pension plan investments	-	3,752
Changes in proportion	7,688	10,065
	$ 27,054	$ 39,790

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 5.33 and 5.38 years at June 30, 2019 and 2018, respectively, as of the valuation date.

Deferred outflows of resources, excluding the Center's contribution subsequent to the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

Years Ended June 30,	Deferred Outflows	Deferred Inflows
2021	$ 22,407	$ (10,209)
2022	7,782	(9,133)
2023	7,542	(6,320)
2024	9,025	(1,292)
2025	2,034	(100)
	$ 48,790	$ (27,054)

June 30, 2020 and 2019 (in thousands)

Actuarial Assumptions

The total pension liability as of June 30, 2020 and 2019, was determined based on actuarial valuations prepared as of June 30, 2019 and 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 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.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2019 and 2018, are summarized in the following table:

		Long-Term Expected Real Rate of Return	
Asset Class	Target Allocation	2019	2018
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).

June 30, 2020 and 2019 (in thousands)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and 2018 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, 2020			
Center's net pension liability	$ 356,241	$ 252,813	$ 166,290
June 30, 2019			
Center's net pension liability	$ 309,743	$ 218,129	$ 141,784

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:

	2020	2019
Net pension liability	$ 3,552	$ 2,466
Deferred outflows related to pensions	1,550	1,097
Deferred inflows related to pensions	162	263
Pension expense	1,357	804

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.

June 30, 2020 and 2019 (in thousands)

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:

	2020	2019
Net pension liability	$ 12	$ 19
Deferred outflows related to pensions	24	34
Deferred inflows related to pensions	8	23
Pension expense	11	3

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, 2020 and 2019 were $17,555 and $17,807, 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.

June 30, 2020 and 2019 (in thousands)

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, 2020 and 2019 were $25,397 and $23,559, 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.

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%

June 30, 2020 and 2019 (in thousands)

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, 2020, there were 1,270 active employees eligible for subsidized benefits and 1,250 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 $230,899 and $213,933 were measured as of June 30, 2020 and 2019, 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 2020 and 2019:

	2020	2019
Total OPEB Liability, July 1,	$ 213,933	$ 204,855
Service cost	2,872	2,858
Interest	7,544	7,969
Changes in assumptions	19,790	18,362
Differences between expected an actual experience	(9,432)	(16,467)
Benefit payments	(3,808)	(3,644)
Net change	16,966	9,078
Total OPEB Liability, June 30,	$ 230,899	$ 213,933

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

- Discount Rate – 3.51% as of July 1, 2019 and 2.66% as of June 30, 2020
- 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 2021, decreasing annually to an ultimate rate of 4.50% for 2028 and later years.
- Cost Method – Entry Age Normal

- Mortality
  - Healthy General Retirees: SOA PUB-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019.
  - Healthy Teacher Retirees: SOA PUB-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019.
  - Surviving Spouses: SOA PUB-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - Disabled Retirees: SOA PUB-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019.

  Group information was not provided for retirees, so blended general and teacher mortality tables were developed such that they are representative of the active employment mix (70% general and 30% teacher). Actual group information was used to assign mortality tables for current actives.
- 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, 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 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.

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, 2020 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 2.66%, 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:

June 30, 2020 and 2019 (in thousands)

	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	$ 193,501	$ 230,899	$ 278,393

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	$ 271,449	$ 230,899	$ 198,474

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

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

For the years ended June 30, 2020 and 2019, the Center recognized OPEB expense of $14,214 and $12,035, respectively. At June 30, 2020 and 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	2019
Deferred outflows of resources		
Differences between expected and actual experience	$ 2,004	$ 4,009
Changes of assumptions or other inputs	24,022	13,771
	$ 26,026	$ 17,780
Deferred inflows of resources		
Differences between expected and actual experience	$ 15,307	$ 12,350
Changes of assumptions or other inputs	1,272	2,543
	$ 16,579	$ 14,893

June 30, 2020 and 2019 (in thousands)

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
2021	$ 11,542	$ (7,747)
2022	9,537	(6,474)
2023	4,947	(2,358)
	$ 26,026	$ (16,579)

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, 2020 and 2019.

Oklahoma Teachers Retirement System

There is a closed group of 47 retirees at June 30, 2020, 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:

	2020	2019
Net OPEB asset	$ 2,362	$ 2,308
Deferred outflows related to OPEB	40	118
Deferred inflows related to OPEB	1,244	1,599
OPEB expense	(373)	(311)

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:

	2020	2019
Net OPEB asset	$ 4	$ 1
Deferred outflows related to OPEB	2	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

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 $49,565 and $49,951 for fiscal years 2020 and 2019, respectively. At June 30, 2020 and 2019, amounts due from OUMI for auxiliary enterprises were $2,767 and $2,430, respectively, and for private contracts were $5,716 and $8,361, 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 $9,902 and $9,700 for fiscal years 2020 and 2019, 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 $125,280 (unaudited) and $137,086 in fiscal years 2020 and 2019, respectively, for facilities and equipment, salary supplements, general educational assistance, faculty awards, and scholarships. Of these expenditures, $19,741 and $16,659 in fiscal years 2020 and 2019, 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, other than marketable securities, 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, 2020 and 2019 (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, 2020 and 2019, the cash balance for the plan was $15,678 and $11,181, 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, 2020 and 2019, the cash balance for the plan was $417 and $1,122, 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, 2020 and 2019 were as follows:

	Unemployment	Workers' Compensation	Employee Health and Dental	Student Health	Total
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
Claims incurred and changes in estimates	758	332	55,809	2,558	59,457
Claim payments	(742)	(899)	(55,797)	(2,470)	(59,908)
Liabilities at June 30, 2020	$ 427	$ 778	$ 4,034	$ 262	$ 5,501

Note 18 - Contingencies and Commitments

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Center is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Center is not known.

Commitments

At June 30, 2020 and 2019, the Center had outstanding commitments under construction contracts of $4,765 and $634, respectively.

Litigation, Claims and Disputes

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.

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.

The Center is internally reviewing matters under either its internal audit program or Ethics in Research policy. At least one review was opened under direction from a federal agency. At this point, the Center is in the review phase and no claims have been brought against it. As these reviews are ongoing, it is not possible to estimate the final outcome.

Graduate Medical Education Program

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 had 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 of 2019, the Center entered into a settlement agreement with OHCA associated with the CMS disallowance. The total of $9,487, was 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.

June 30, 2020 and 2019 (in thousands)

Note 19 - Functional Classifications

For the years ended June 30, 2020 and 2019, the following table represents operating expenses within functional classification:

	2020	2019
Function		
Instruction	$ 240,917	$ 224,787
Research	97,849	88,878
Public service	24,998	22,952
Academic support	32,308	53,269
Student services	6,465	5,597
Institutional support	17,525	20,231
Operations and maintenance of plant	31,513	29,362
Scholarships/Fellowships	626	658
Clinical operations	584,455	537,123
Agency	1	6
Auxiliary enterprises	18,352	18,655
Service unit	22,026	17,414
Plant	5,727	4,055
Total operating expenses	$ 1,082,762	$ 1,022,987

Note 20 - Subsequent Events

The Center has evaluated events and transactions that occurred subsequent to June 30, 2020, through October 16, 2020, the date these financial statements were available to be issued, for potential recognition or disclosure in the financial statements. There were no additional subsequent events requiring recognition or disclosure.

Required Supplementary Information
June 30, 2020 and 2019

The University of Oklahoma Health Sciences Center

Last 10 Fiscal Years *
(Dollar Amounts In Thousands)

	2020	2019	2018
Service cost	$ 2,872	$ 2,858	$ 3,231
Interest	7,544	7,969	7,050
Changes in assumptions	19,790	18,362	(5,085)
Differences between expected an actual experience	(9,432)	(16,467)	8,019
Benefit payments	(3,808)	(3,644)	(4,056)
Net change in total OPEB liability	16,966	9,078	9,159
Total OPEB Liability - beginning	213,933	204,855	195,696
Total OPEB Liability - ending	$ 230,899	$ 213,933	$ 204,855
Covered employee payroll	$ 349,913	$ 331,023	$ 325,233
Total OPEB Liability as a percentage of covered payroll	66.0%	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 two fiscal years are presented because 10-year data is not yet available.

Last 10 Fiscal Years *
(Dollar Amounts In Thousands)

	2020	2019	2018	2017	2016
Center's proportion of the net pension liability	3.8%	3.6%	3.8%	3.6%	3.4%
Center's proportionate share of the net pension liability	$ 252,813	$ 218,129	$ 252,920	$ 312,670	$ 215,886
Center's covered-employee payroll	$ 165,702	$ 162,784	$ 159,862	$ 156,440	$ 159,865
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	152.6%	134.0%	158.2%	199.9%	135.0%
Plan fiduciary net position as a percentage of the total pension liability	71.6%	72.7%	69.3%	62.2%	70.3%

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 14,474	$ 14,183	$ 13,799	$ 13,531	$ 13,734	$ 13,364	$ 13,291	$ 13,174	$ 13,279	$ 12,711
Contributions in relation to the contractually required contribution	(14,474)	(14,183)	(13,799)	(13,531)	(13,734)	(13,364)	(13,291)	(13,174)	(13,279)	(12,711)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 165,702	$ 162,784	$ 159,862	$ 156,440	$ 159,865	$ 156,304	$ 155,156	$ 153,450	$ 154,379	$ 147,297
Contributions as a percentage of covered-employee payroll	8.73%	8.71%	8.63%	8.65%	8.59%	8.55%	8.57%	8.59%	8.60%	8.63%

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, 2020, 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 16, 2020. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Eide Bailly LLP

Oklahoma City, Oklahoma
October 16, 2020