



**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Basic Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Management's Discussion and Analysis (Unaudited)

June 30, 2024 and 2023

This section of the University Hospitals Authority (Authority) and University Hospitals Trust (Trust) (together referred to as UHAT) Annual Financial Statements presents our discussion and analysis of performance during the fiscal years ended June 30, 2024 and 2023. For comparative purposes, fiscal year 2022 information is also provided. Please read the discussion and analysis in conjunction with the combined financial statements, which follow this section.

Financial Statements Overview

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

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

The financial statements and information presented include:

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

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

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

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

Statement of Net Position

		2024	2023	2022	2024–2023 Percentage change
				(Dollars in thousands)	
Current assets	\$	203,167	205,218	248,304	(1)%
Restricted assets		224	224	224	—
Capital assets, net		308,580	277,643	267,543	11
Other assets		66,301	63,661	55,732	4
Total assets	\$	578,272	546,746	571,803	6
Total deferred outflows of resources		1,388	1,451	348	(4)
Current liabilities	\$	13,638	56,140	115,004	(76)
Long-term liabilities		—	1,143	—	100
Total liabilities	\$	13,638	57,283	115,004	(76)
Total deferred inflows of resources		—	52	1,930	(100)
Net investment in capital assets	\$	308,580	277,643	267,543	11
Restricted for donated purposes		224	224	224	—
Unrestricted		257,218	212,994	187,450	21
Total net position	\$	566,022	490,861	455,217	15 %

Current assets decreased approximately \$2.1 million in 2024 from 2023. This decrease is due to the timing of payments on major capital expenditures that were underway in 2024 but will require significant resources in 2025 and 2026. Current assets decreased approximately \$43 million in 2023 from 2022. This decrease is due to a combination of major capital expenditures in 2023 and timing of Teaching Hospital Reimbursement Payment (THRP) program payments, payments due from OU Medicine Inc. (OUMI).

Restricted assets remained consistent in 2024, 2023, and 2022.

Capital assets, net increased approximately \$30.9 million in 2024 due to major capital projects undertaken in 2024. Capital assets, net increased approximately \$10.1 million in 2023 due to major capital projects undertaken in 2023.

Other assets increased \$2.6 million in 2024 from 2023 resulting from interest earned on the subordinate debt loan made to OUMI. Other assets increased \$7.9 million in 2023 from 2022 resulting from continued contributions in OUMI Ventures LLC and interest earned on the subordinate debt loan made to OUMI.

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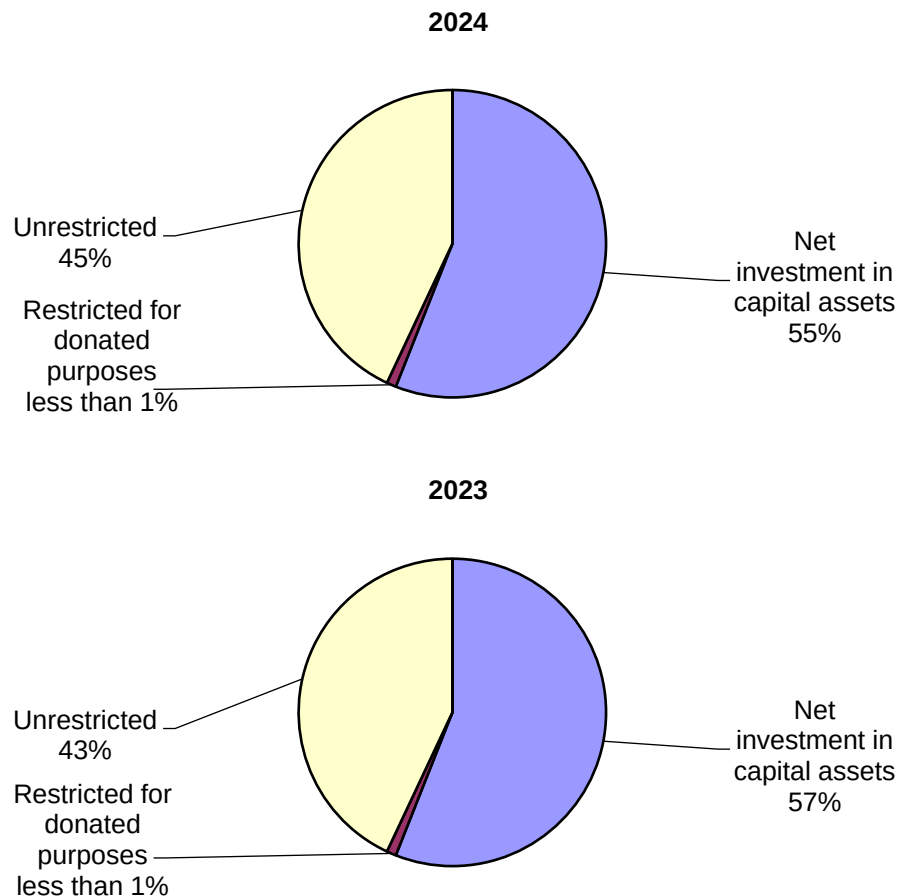
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June 30, 2024 and 2023

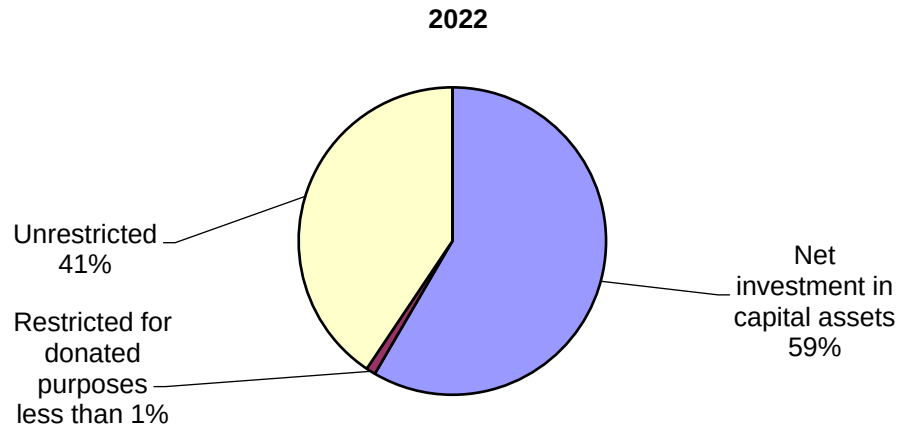
Current liabilities decreased \$42.5 million between 2024 and 2023 due to timing of THRP program payments and the overall structure of THRP payments after the state's implementation of Medicaid Managed Care. The decrease in liabilities related to the timing of THRP payments. Current liabilities decreased \$58.9 million between 2023 and 2022 due to timing of THRP program payments. The decrease in liabilities related to the timing of THRP payments was partially offset by a \$48 million increase in unearned revenue. This increase in unearned revenue was derived from an early receipt of appropriated funds related to fiscal year 2024 appropriations.

Long-term liabilities decreased approximately \$1.1 million between 2024 and 2023 due to a change in the Oklahoma Public Employees Retirement System (OPERS) asset values. Those values increased between 2024 and 2023 resulting in a pension asset. Long-term liabilities increased approximately \$1.1 million between 2023 and 2022 due to a change in the Oklahoma Public Employees Retirement System (OPERS) asset values. Those values decreased between 2023 and 2022 resulting in a pension liability.

Composition of Net Position (%) as of June 30



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Capital Assets, Net

Capital assets net of depreciation increased approximately \$30.9 million in 2024 from 2023. This increase was due to the capital projects undertaken by UHAT in 2024. Annual depreciation was approximately \$10.5 million in 2024. Capital assets net of depreciation increased approximately \$10.1 million in 2023 from 2022. This increase was due to the capital projects undertaken by UHAT in 2023. Annual depreciation was approximately \$10.4 million in 2023.

Capital Assets

(Net of depreciation, dollars in thousands)

		2024	2023	2022	2024 to 2023 Change amount
Land	\$	16,338	16,338	13,854	—
Building and improvements		216,560	218,751	215,836	(2,191)
Equipment		25,223	26,956	28,992	(1,733)
Infrastructure		7,324	5,963	5,907	1,361
Construction-in-progress		43,135	9,635	2,954	33,500
Total	\$	308,580	277,643	267,543	30,937

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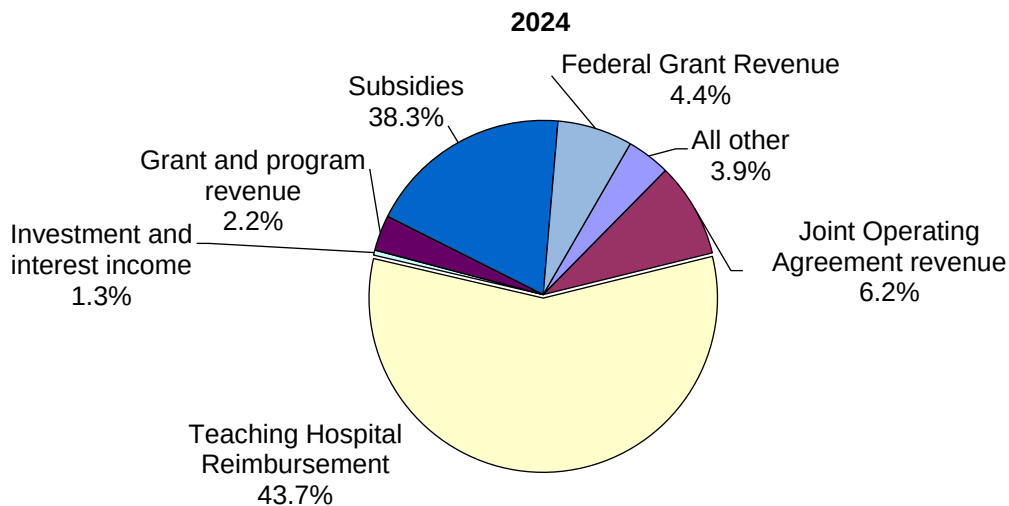
June 30, 2024 and 2023

Changes in Net Position

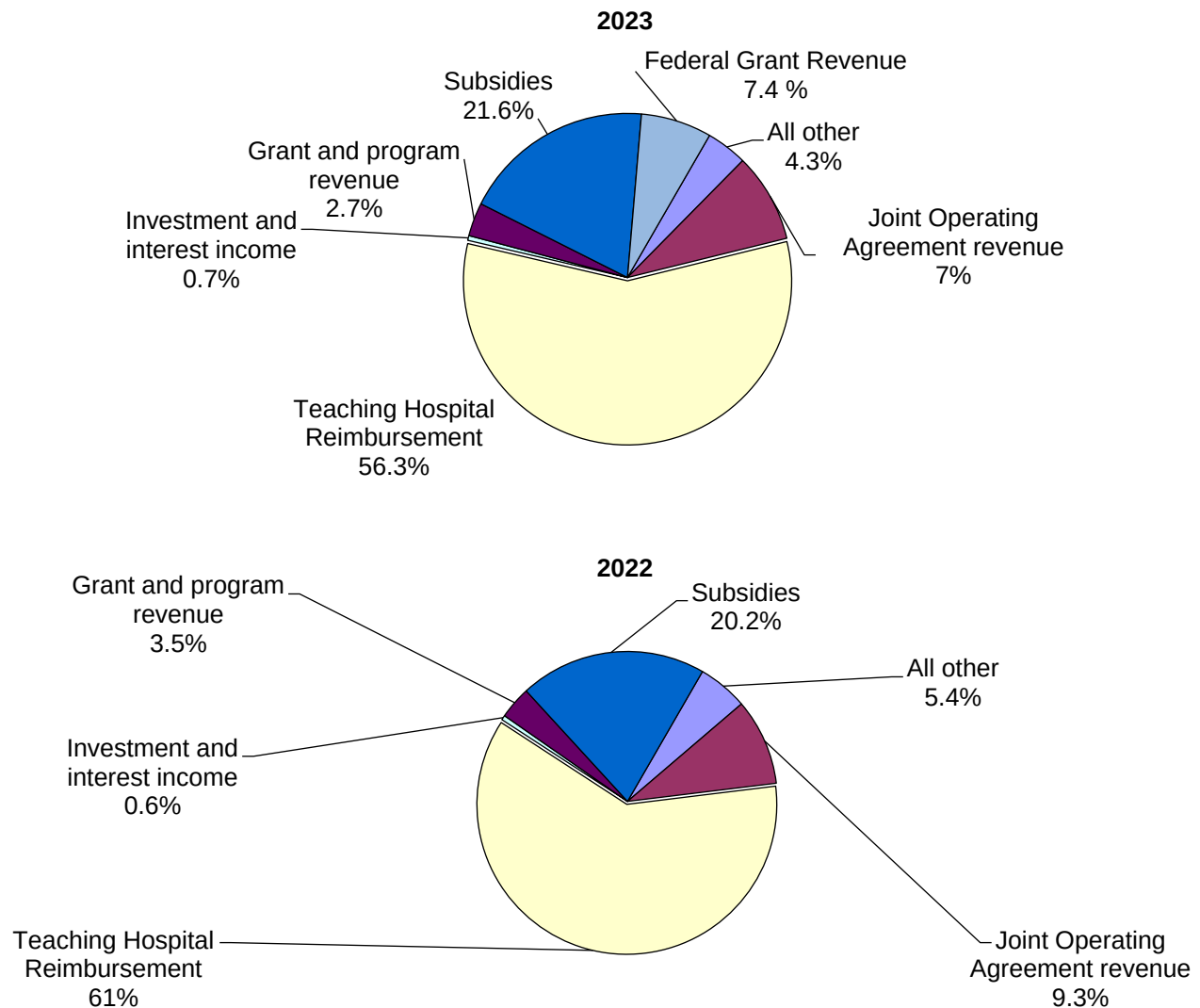
The Authority and Trust total revenues (operating revenues and net non-operating revenues) increased approximately \$70.6 million in 2024 from 2023 and increased \$143.2 million in 2023 from 2022. Total revenues for 2024 and 2023 were approximately \$642.4 million and \$571.8 million with 38.3% and 21.6% of the total revenues from appropriations for indigent care subsidies (appropriations or subsidies), respectively. Subsidies in 2024 of \$245.8 million increased from fiscal year 2023 by approximately \$122.2 million. Subsidies in 2023 of \$123.6 million increased from fiscal year 2022 by approximately \$37 million.

Approximately 43.7% of total revenues were from Teaching Hospital Reimbursement and Level I Trauma programs in 2024 and approximately 56.3% in 2023. These receipts decreased approximately \$41.7 million in 2024 from 2023 and increased approximately \$59.2 million in 2023 from 2022. The decrease between 2024 and 2023 was a result of the State of Oklahoma's movement of part of the Medicaid population into a Medicaid Managed Care structure during the fourth quarter of fiscal year 2024. This change resulted in less funds flowing through UHAT. For 2024, 2023, and 2022, Joint Operating Agreement (JOA) revenue of \$40 million was earned each year. The Trust earns \$20 million semi-annually or \$3.33 million per month.

Sources of Revenue



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

- *Subsidies* are appropriated for indigent care, medical education, and medical research programs.
- *Teaching Hospital Reimbursement*, known as Teaching Hospital Reimbursement Payment (THRP) program payments from the Oklahoma Health Care Authority (OHCA), reimburse the costs of providing care to Medicaid patients. This payment is based on OU Medical Center's Level I Trauma designation. This also includes Level I Trauma receipts from the Oklahoma State Department of Health that were authorized by the State Legislature to reimburse hospitals for the cost of Level I Trauma centers.

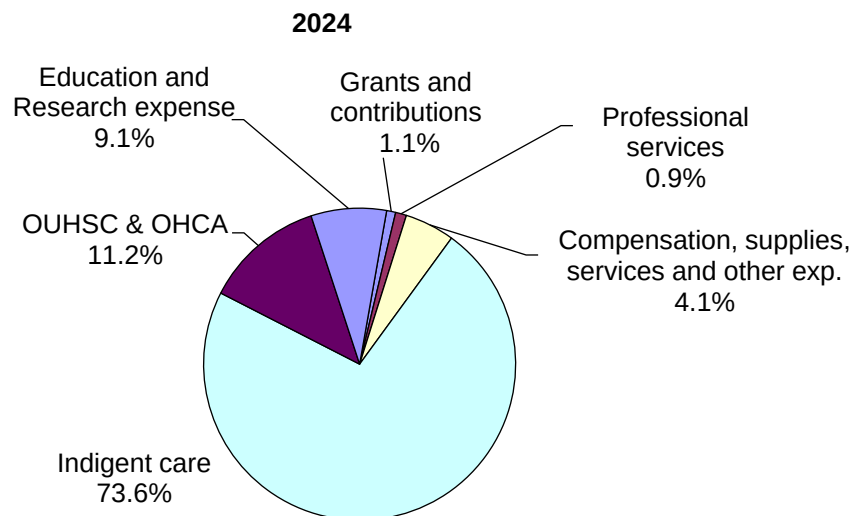
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- Federal grant revenue is comprised of Coronavirus State and Local Recovery Funds that were awarded to the State of Oklahoma. UHAT is a subrecipient to the State of Oklahoma for five projects. Federal grant revenues totaled \$28.5 million during FY '2024.
- *Grant and program revenues* relate to the Medicaid Indirect Medical Education (IME) program, which is a state and federal matching program paid to major teaching hospitals with approved resident and intern programs to offset costs associated with such teaching programs and resultant increased Medicaid and indigent volumes. The Trust provided the state matching share and received a net IME revenue available of approximately \$14 million in 2024 and approximately \$15.5 million in 2023.
- *Joint Operating Agreement (JOA) revenue* relates to the Joint Operating Agreement between the Trust and OUMI. Trust earns \$20 million semi-annually or \$3.33 million per month through the OUMI JOA for a total of \$40 million annually.
- *Investment and interest income* accounted for approximately 1.3% of total revenues in 2024 and less than 1% of total revenues in 2023.
- *All other operating and non-operating revenues* are normally income associated with services provided to others such as rental and lease income of Authority and Trust buildings and donations. These revenues are reported net of miscellaneous non-operating expense. In 2024, 2023, and 2022 these revenue categories are comprised almost entirely of rental income.

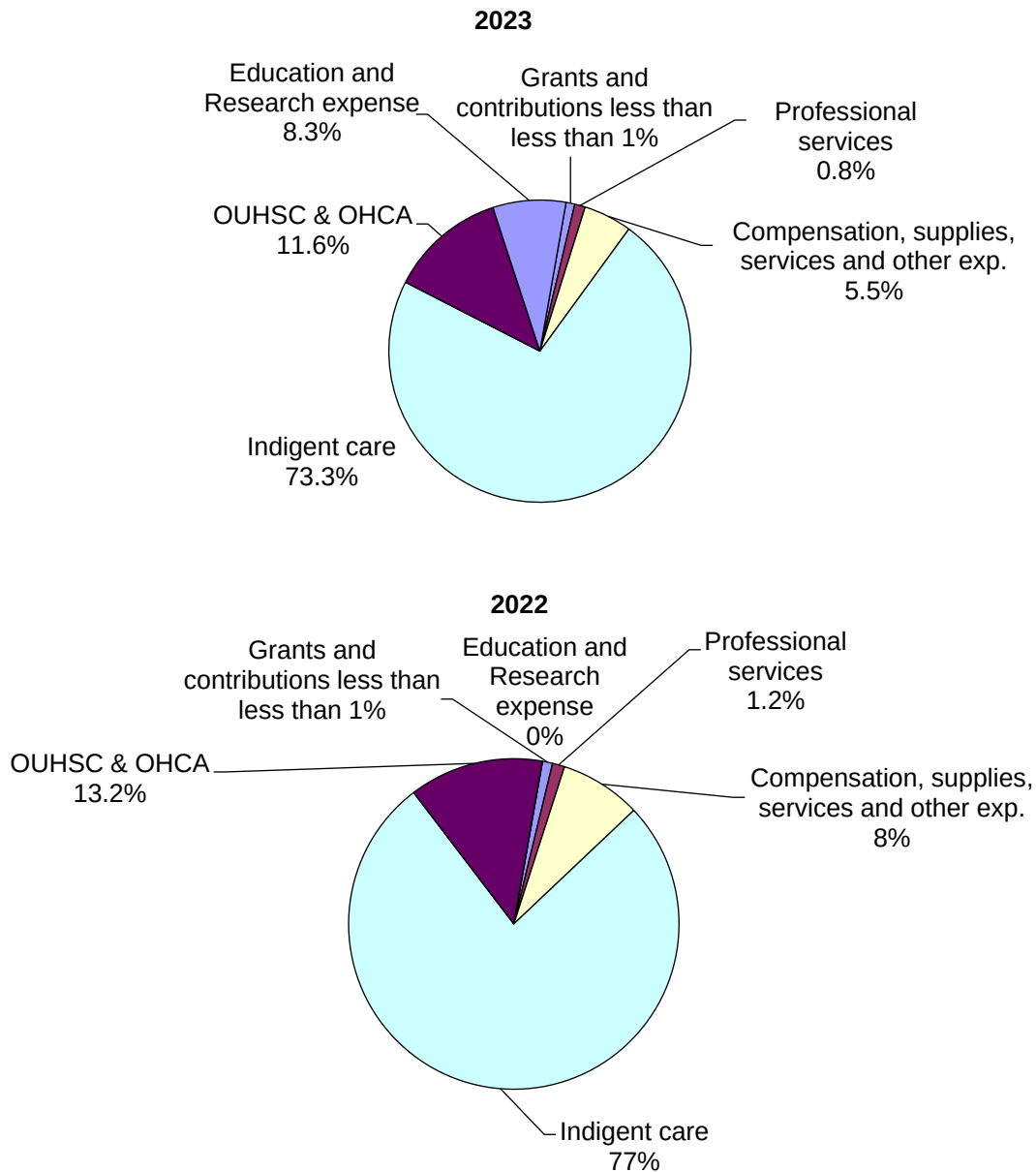
Operating Expenses before Depreciation



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- Total expenses* including depreciation increased approximately \$31.1 million in 2024 from 2023 primarily due to increases in indigent care expenditures through the THRP program, support for the University of Oklahoma programs, and other organizations receiving state subsidies and federal passthrough dollars. *Total expenses* including depreciation increased approximately \$145.3 million in 2023 from 2022 primarily due to increases in indigent care expenditures through the THRP program, support for the University of Oklahoma programs, and other organizations receiving state subsidies and federal passthrough dollars.

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- *OUHSC and OHCA* expenses are state match amounts paid to the OHCA for Hospital GME and other similar programs of approximately \$4.8 million in 2024 and \$3.9 million in 2023 and OUHSC program expenses of approximately \$57.1 million in 2024 and approximately \$52.1 million in 2023.
- *Indigent care expense* represents certain amounts of state subsidies and Medicaid program receipts from the OHCA paid to OUMI for services to patients based on the terms of the Indigent Care Agreement.
- *Education and research support* is provided to the University of Oklahoma in support of various workforce development initiatives that are focused on engineering, biosciences, and other STEM related programs. These funds are utilized to increase class sizes, support faculty, and increase facility capacity.
- *Grants and contributions* were for medical education and research initiatives at OUHSC.
- *Professional services* were payments for professional auditing, legal services, and other professional expenses.
- *Compensation, supplies, services, and other expenses* includes costs associated with building operations support for space leased to others.
- Federal grant expense represents Coronavirus State and Local Recovery Funds that were awarded to the State of Oklahoma. UHAT is a subrecipient to the State of Oklahoma for five projects. Federal grant expenses totaled \$4.5 million during FY 2024. The difference between Federal grant revenues and Federal grant expense is derived by UHAT capital assets purchased with federal funds.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2024–2023 percentage change</u>
	(Dollars in thousands)			
Operating revenues:				
Teaching Hospital Reimbursement/ Level 1 Trauma revenue	\$ 280,402	322,055	262,828	(13)%
Grant and program revenue	14,049	15,554	15,084	(10)
Joint operating agreement revenue	40,000	40,000	40,000	—
Rental income and other services	22,903	21,182	19,562	8
Contributions	307	1,460	3,208	(79)
Other revenue	(57)	(20)	512	185
Total operating revenues	<u>357,604</u>	<u>400,231</u>	<u>341,194</u>	<u>(11)</u>

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	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2024–2023 percentage change</u>
	(Dollars in thousands)			
Operating expenses:				
OUHSC and OHCA expense	\$ 61,888	56,088	50,217	10
Indigent care expense	406,625	354,222	292,188	15
Compensation and benefits	4,751	5,171	4,186	(8)
Education and research support	50,000	40,000	10,000	25
Grants and contributions	6,000	2,323	2,403	158
Professional services	4,869	3,921	4,509	24
Children's services	3,101	1,550	1,550	100
Supplies, services, and other	15,025	19,784	14,538	(24)
Total operating expenses before depreciation	552,259	483,059	379,591	14
Depreciation	10,471	10,391	11,265	1
Operating loss	(205,126)	(93,219)	(49,662)	120
Nonoperating revenues (expenses):				
Subsidies	245,817	123,567	86,592	99
Federal grants revenue	4,489	42,157	—	(89)
Federal grants capital	23,995	821	—	2,823
Federal grants expense	(4,489)	(41,344)	—	(89)
Dividend income	1,402	679	—	106
Contributed capital	—	(1,353)	—	(100)
Investment and interest income	8,362	4,233	2,379	98
Miscellaneous income (expense), net	711	103	(1,572)	590
Total nonoperating revenues	280,287	128,863	87,399	118
Change in net position	\$ 75,161	35,644	37,737	111 %

The Authority and Trust operating revenues decreased approximately \$42.6 million in 2024 from 2023 and increased approximately \$59 million in 2023 from 2022. The decrease in 2024 was driven by a program change undertaken by the Oklahoma Health Care Authority to move a portion of Medicaid recipients into a Medicaid Managed Care Program. This change reduces the amount of THRP enhancement funds that flow through UHAT.

- Grant and program revenue decreased approximately \$1.5 million in 2024 from 2023 and increased \$470 thousand in 2023 from 2022. IME grants paid to the Trust by the OHCA are based on federal matching

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amounts that vary from year to year. During 2024 the amount of federal match required increased as the federal health emergencies and Medicaid expansion reductions ended.

- Rental income and other services increased more than \$1.7 million in 2024 from 2023 as the Trust implemented certain rental increases to remain in line with market rates. Rental income and other services increased more than \$1.6 million in 2023 from 2022 as the Trust implemented certain rental increases to remain in line with market rates and also slightly increased the amount of space rented. The Trust also rented a higher percentage of property to OU Health which requires the Trust to charge a full market rate for rent.
- Teaching Hospital Reimbursement/Level I Trauma revenue decreased approximately \$41.7 million in 2024 from 2023 and increased approximately \$59.2 million in 2023 from 2022. The decrease in 2024 was due to the changes implemented by the OHCA beginning on April 1, 2024. OHCA moved a large portion of the Medicaid population into Medicaid Managed Care plans. The change resulted in certain enhancement funds flowing through managed care organizations rather than flowing through UHAT. In addition, while the impacts of the end of the public health emergency did not significantly impact the Medicaid population seen at OU Health, it did mean that enrollment increases that had been seen in prior years did not continue in 2024. The large change seen between 2023 and 2022 was due to the increases in Medicaid patient volumes seen at OU Health.
- Joint operating agreement (JOA) revenue remained consistent between 2024 and 2023 with income of \$40 million. JOA revenue was also consistent between 2023 from 2022 as the core terms of the JOA have not changed since 2018.
- Compensation and benefits decreased \$420 thousand in 2024 from 2023, which was due to a decrease in retirement plan funding costs. OPERS saw a significant increase in pension asset values during this time. Compensation and benefits increased \$984 thousand in 2023 from 2022, which was due to an increase in full time equivalents (FTEs) and retirement plan funding costs. OPERS saw a decrease in pension asset values during this time.
- Professional services costs increased slightly by \$948 thousand between 2024 and 2023 and decreased \$588 thousand between 2023 and 2022. The changes between 2024 and 2023 were due to an increase in funds that were appropriated for audiology and hearing screening services. Small changes between 2023 and 2022 were due to a decrease in consulting services that were utilized when combining the OUHSC physician practice into the OU Health entity.
- The Trust and Authority committed or expended approximately \$3.7 million more in grants in 2024 compared to 2023. The Trust and Authority committed or expended approximately \$80 thousand less in grants in 2023 compared to 2022. The change in commitments between 2024 and 2023 was driven by a desire to support certain research and education funding at OUHSC. There was very little change between 2023 and 2022.
- Supplies, services, and other expenses decreased \$4.8 million between 2024 and 2023. This decrease was driven by a combination of factors impacting 2024. The two largest changes were a decrease in contract labor utilized. This decrease was driven by increased hiring at UHAT and close collaboration with the contract labor provider to bring down costs. Additionally, utility costs decreased significantly through a combination of decreased rates and continued efforts to reduce consumption. Finally, with heavy focus on capital projects in 2024, routine maintenance activities were minimized to prioritize capital projects. Supplies, services, and other expenses increased \$5.2 million between 2023 and 2022. The increase was

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due primarily to inflationary activity in the contract labor markets and a slight improvement in the filling of needed position vacancies under the supplies and services contract. These services include maintenance, housekeeping, valet, and many other services necessary for the proper care and maintenance of property owned by UHAT.

- Indigent care expense increased \$52.4 million between 2024 and 2023 and increased \$62 million between 2023 and 2022. The increase between 2023 and 2022 was reflective of the increase in THRP revenue that resulted primarily from continued impacts from the federal public health emergency and Medicaid expansion. The expense increased slightly more than the revenue as the FMAP rates that were enhanced by the federal health emergency became less favorable in the second half of 2024 as the federal health emergency came to an end.
- Education and research support increased by \$10 million in 2024 from 2023 and \$30 million in 2023 from 2022. The increase between 2024 and 2023 was due to a new appropriation made by the state legislature to the Authority to support workforce development, education activities, and research at the University of Oklahoma in the areas of engineering, biosciences, and other STEM related projects. The increase between 2023 and 2022 was due to a new appropriation made by the state legislature to the Authority. The funding was provided for the University of Oklahoma to begin construction and planning for a polytechnic college in Northeast Oklahoma and additional capabilities at the National Weather Center. 2023 was the first year of both of these programs.
- Children's services expenses increased \$1.6 million between 2024 and 2023. This increase was due to an increase in the amount appropriated by the state legislature to support the Child Study Center. The children's services expense remained consistent between 2023 and 2022 in accordance with legislative appropriations.
- The OUHSC and OHCA combined expenses increased by approximately \$5.8 million in 2024 over 2023 due to increases in state legislature appropriations for OHCA medi-flight payments, poison control center services, and medical research at OUHSC. The OUHSC and OHCA combined expenses increased by approximately \$5.9 million in 2023 over 2022 due primarily to a planned \$5 million increase for Stephenson Cancer Center research and a \$870 thousand increase in nursing support.
- Investment and interest income increased approximately \$4.1 million 2024 from 2023 due the compounding nature of the interest earned on the subordinate loan to OU Health and to greatly improved interest rates during 2024. Investment and interest income increased approximately \$1.9 million 2023 from 2022 due to greatly improved interest rates during 2023.
- Subsidies increased approximately \$122.3 million in 2024 from 2023 as appropriation subsidies were added for increased support of indigent care at OU Health, the University of Oklahoma engineering program, OUHC medical research, OUHSC Poison Control Center, OUHSC Child Study Center, and audiology and hearing screening services. Subsidies increased approximately \$37 million in 2023 from 2022 as subsidies were added for the University of Oklahoma polytechnic and Weather Center projects as well as additional funding for Stephenson Cancer Center research and nursing.
- Federal grant revenue decreased \$14.5 million in 2024 from 2023. Federal grant revenue was a new revenue source for UHAT in 2023. These funds represent Coronavirus State and Local Recovery Funds that were awarded to the State of Oklahoma. UHAT is a subrecipient to the State of Oklahoma for five projects. Federal grant revenues decreased between 2024 and 2023 due to one of the five major projects being almost 100% completed during 2023.

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- Federal grant expense decreased \$36.9 million in 2024 from 2023. Federal grant expense was a new expense for UHAT in FY 2023. These funds represent Coronavirus State and Local Recovery Funds that were awarded to the State of Oklahoma. UHAT is a subrecipient to the State of Oklahoma for five projects. The primary project completed during 2023 was a pass-through project that resulted in higher expenses. The decrease between 2024 and 2023 was due to the completion of that project and the uptick of UHAT capital projects. The large difference between Federal grant revenues and Federal grant expense is derived by UHAT capital assets purchased with federal funds.
- Capital contributed, Dividends income, and Miscellaneous income improved by a combined \$2.7 million between 2024 and 2023. Miscellaneous income improved \$1.7 million between 2023 and 2022. The improvements were driven primarily by a lack of capital contributions and increased dividend income from OUMI Ventures during 2024.

Financial Analysis of Fiscal Year 2024 Operations

The total net position increased \$75.2 million in FY 2024 compared to an increase of \$35.6 million in FY 2023.

Legislative appropriations increased in 2024 over 2023. The increase in funds was due to the legislature appropriating funding for increased support of indigent care at OU Health, the University of Oklahoma engineering program, OUHC medical research, OUHSC Poison Control Center, OUHSC Child Study Center, and audiology and hearing screening services.

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

The Authority and Trust are dependent on subsidies, grants, and entitlements from other government entities in sustaining their primary mission of Indigent Care, Medical Education, and Research. All of these sources of income combine to account for 38% of total income. In 2024 the Oklahoma legislature appropriated \$122.3 million more than in 2023 by adding multiple new funding projects for the Authority and expanding certain others. Sustaining these programs at current levels or expanding them is dependent on several factors, one of which is the ability of the State of Oklahoma to maintain revenue levels, which is primarily through tax revenues. Revenues are also affected by the Medicaid FMAP. 2024 saw the return of FMAP rates to more historic levels after the favorable rates that had been experienced during the public health emergency in place during 2023 and 2022.



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Independent Auditors' Report

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

Opinion

We have audited the financial statements of the University Hospitals Authority and University Hospitals Trust (together referred to as UHAT), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise UHAT's basic financial statements for the years then ended.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the UHAT as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Management has omitted the schedule of changes in net pension liability and related ratios and the schedule of employer contributions that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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



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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of UHAT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UHAT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UHAT's internal control over financial reporting and compliance.

KPMG LLP

Dallas, Texas
October 30, 2024

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Statements of Net Position

June 30, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash and cash equivalents	\$ 157,059,058	157,730,761
Investments	20,382,244	19,448,164
Receivables:		
Institutional interest and other	25,654,203	28,037,332
Prepaid expenses	72,365	1,393
Total current assets	<u>203,167,870</u>	<u>205,217,650</u>
Restricted assets:		
Cash and cash equivalents	188,028	188,028
Real estate	35,989	35,989
Total restricted assets	<u>224,017</u>	<u>224,017</u>
Noncurrent:		
Subordinate debt loan to OUMI, including accrued interest	48,620,250	45,999,380
Other assets	17,662,157	17,662,157
Net pension asset	18,120	—
Capital assets, net	308,579,736	277,643,077
Total assets	<u>\$ 578,272,150</u>	<u>546,746,281</u>
Deferred Outflows of Resources		
Pension amounts	\$ 1,387,607	1,450,765
Total deferred outflows of resources	<u>\$ 1,387,607</u>	<u>1,450,765</u>
Liabilities		
Current liabilities:		
Trade payables	\$ 8,298,884	4,954,743
Accrued expenses	4,992,702	2,913,982
Compensated absences	329,250	270,362
Unearned revenue	16,873	48,000,871
Total current liabilities	13,637,709	56,139,958
Noncurrent:		
Net pension liability	—	1,143,534
Total liabilities	<u>\$ 13,637,709</u>	<u>57,283,492</u>
Deferred Inflows of Resources		
Pension amounts	\$ 278	52,419
Total deferred inflows of resources	<u>\$ 278</u>	<u>52,419</u>
Net Position		
Net position:		
Net investment in capital assets	\$ 308,579,736	277,643,077
Restricted	224,017	224,017
Unrestricted	257,218,017	212,994,041
Total net position	<u>\$ 566,021,770</u>	<u>490,861,135</u>

See accompanying notes to basic financial statements.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Teaching Hospital Reimbursement/Level I Trauma revenue	\$ 280,401,806	322,054,750
Grant and program revenue	14,049,020	15,554,143
Joint operating agreement revenue	40,000,000	40,000,000
Rental income and other services	22,902,619	21,182,563
Contributions	306,787	1,459,951
Other revenue	(56,665)	(20,511)
Total operating revenues	<u>357,603,567</u>	<u>400,230,896</u>
Operating expenses:		
OUHSC and OHCA expense	61,887,653	56,087,653
Indigent care expense	406,625,585	354,222,688
Education and research support	50,000,000	40,000,000
Grants and contributions	6,000,000	2,323,060
Professional services	4,868,906	3,921,215
Compensation and benefits	4,751,261	5,170,756
Children's services	3,101,000	1,550,000
Supplies, services, and other	15,024,556	19,783,761
Total operating expenses before depreciation	<u>552,258,961</u>	<u>483,059,133</u>
Operating loss before depreciation	(194,655,394)	(82,828,237)
Depreciation	<u>(10,471,189)</u>	<u>(10,390,891)</u>
Operating loss	<u>(205,126,583)</u>	<u>(93,219,128)</u>
Nonoperating revenues (expenses):		
Subsidies	245,817,437	123,566,437
Federal grants revenue	4,489,189	42,157,360
Federal grants capital	23,994,584	821,414
Federal grants expense	(4,489,189)	(41,343,750)
Dividend Income	1,402,406	—
Contributed capital	—	(1,353,034)
Investment and interest income	8,361,879	4,233,457
Miscellaneous income (expense), net	710,912	781,530
Total nonoperating revenues	<u>280,287,218</u>	<u>128,863,414</u>
Change in net position	75,160,635	35,644,286
Net position, beginning of year	<u>490,861,135</u>	<u>455,216,849</u>
Net position, end of year	<u>\$ 566,021,770</u>	<u>490,861,135</u>

See accompanying notes to basic financial statements.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Receipts from customers	\$ 23,214,611	20,862,290
Joint operating agreement receipts	40,000,000	40,000,000
Grant receipts (IME, GME, MTH)	292,777,792	467,391,002
Indigent care payments	(399,134,511)	(459,415,567)
OUHSC and OHCA payments	(138,310,640)	(124,065,914)
Goods and service payments	(15,701,555)	(22,468,062)
Payments to employees	(5,854,063)	(5,296,471)
Other operating receipts	15,021,194	17,719,357
Net cash used in operating activities	<u>(187,987,172)</u>	<u>(65,273,365)</u>
Cash flows from noncapital financing activity:		
State and Federal subsidies	222,017,743	213,723,797
Federal grants passthrough	(24,200,306)	(42,157,360)
Federal grants receipts	165,968	—
Federal grants expenses	(205,388)	—
Net cash provided by noncapital financing activities	<u>197,778,017</u>	<u>171,566,437</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(37,813,678)	(20,880,774)
Federal grant receipts	19,984,954	813,610
Contributions to Oklahoma Children's Hospital	—	(1,353,034)
Nonoperating revenue	693,739	879,326
Net cash used in capital and related financing activities	<u>(17,134,985)</u>	<u>(20,540,872)</u>
Cash flows from investing activities:		
Investment and interest income	5,270,031	2,037,088
Purchase of equity interest	—	(7,621,108)
Dividend income	1,402,406	—
Net cash (used in) provided by investing activities	<u>6,672,437</u>	<u>(5,584,020)</u>
Net (decrease) increase in cash and cash equivalents	(671,703)	80,168,180
Cash and cash equivalents, beginning of year	157,918,789	77,750,609
Cash and cash equivalents, end of year	<u>\$ 157,247,086</u>	<u>157,918,789</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (205,126,583)	(93,219,128)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	10,471,189	10,390,891
(Increase) decrease in receivables, net	(14,555,159)	124,091,799
Increase (decrease) in payables and accrued expenses	22,428,988	(106,391,773)
Increase in unearned revenue	16,002	622
(Increase) decrease in prepaid expenses	(70,972)	(1,393)
Decrease (increase) in deferred outflows of resources	63,158	(1,102,578)
(Decrease) increase in net pension liability	(1,161,654)	2,836,015
(Decrease) increase in deferred inflows of resources	(52,141)	(1,877,820)
Total adjustments	<u>17,139,411</u>	<u>27,945,763</u>
Net cash used in operating activities	<u>\$ (187,987,172)</u>	<u>(65,273,365)</u>
Noncash capital financing and investing activity:		
Capital assets purchased remaining in accrued expenses	\$ 5,356,279	1,437,463

See accompanying notes to basic financial statements.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

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

(a) Nature of the Entity

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

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

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

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

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

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

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

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

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

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

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

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

(b) Basis of Accounting and Presentation

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

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

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

(c) Cash, Cash Equivalents, and Investments

UHAT considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The carrying amount of the cash equivalents and investments is at

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

fair value. The net change in fair value of investments and interest income are recorded as investment and interest income in the statements of revenues, expenses, and changes in net position and includes the unrealized and realized gains and losses on investments.

(d) Restricted Assets

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

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

(e) Capital Assets

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

Equipment	5–15 years
Building and improvements	15–40 years
Infrastructure	40 years

Expenses that increase value, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and renewals are charged to operations. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the period in which the asset is disposed. Substantial capital assets, except construction-in-progress, as of June 30, 2024 and 2023 have been leased to the joint operations of OUMI or the OU Board of Regents for uses related to the mission of UHAT.

(f) Compensated Absences

Unused annual leave may be accumulated to a maximum of 640 hours for employees of more than five years and 240 hours for employees of less than five years. All accrued leave is payable upon termination, resignation, retirement, or death. Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. Sick leave does not vest to the employee and therefore is not recorded as a liability.

(g) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(h) Income Taxes

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

(i) Use of Estimates

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

(j) Teaching Hospital Reimbursement/Level I Trauma Income

UHAT receives reimbursement for the cost of providing care to Medicaid patients based on the OU Medical Center's Level I trauma designation. THRP program payments are received from OHCA. UHAT also receives Level I Trauma payments from the Oklahoma State Department of Health that were authorized by the State Legislature to reimburse hospitals for the cost of Level I Trauma centers. THRP payments were historically received every six months but are now received on a quarterly basis and the revenue is recorded in the fiscal year for which the patient care was provided. In the final quarter of 2024, the state of Oklahoma moved a large portion of the Medicaid population to a Managed Medicaid system. The movement of these individuals into managed care precipitated the move to quarterly payments and also impacts the amount of funds flowing to UHAT as the payments for the Medicaid patients now flow through managed care organizations rather than UHAT.

(k) Subsidy Income

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

(l) Federal Grants

All federal grants received by UHAT are in the form of monetary transactions. The determination of when a federal award is expended is based on when the activity related to the federal award occurs. Generally, the activity pertains to events that require UHAT to comply with federal statutes, regulations, and the terms and conditions of the federal awards. Subrecipient expenditures are generally considered expended when funds are disbursed to the subrecipients.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

(m) Recently Issued Accounting Standards

The following GASB Statements will become effective for the fiscal years noted below:

For the year ended June 30, 2025:

- Statement No. 102, Certain Risk Disclosures

For the year ended June 30, 2026:

- Statement No. 103, Financial Reporting Model Improvements

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

(2) Deposits and Investments

(a) Deposits

At June 30, 2024 and 2023, UHAT held deposits and cash equivalents with the State Treasurer and other financial institutions. The State Treasurer requires all state funds be either insured by federal deposit insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in United States government obligations. UHAT's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

The Authority's unrestricted deposits with the State Treasurer at June 30, 2024 and 2023 are \$23,472,353 and \$53,960,610, respectively. The Authority's reserve deposits with the State Treasurer at June 30, 2024 and 2023 are \$188,028.

At June 30, 2024 and 2023, the bank balance of the Trust's cash equivalents were \$133,586,705 and \$103,800,151, respectively, which equals carrying amount. The bank balance is collateralized with securities held by an agent in the Trust's name. No funds were restricted at June 30, 2024 or 2023.

(b) Investments

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

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

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

- Prime commercial paper
- Repurchase agreements
- Money market funds

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

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

	2024	2023
U.S. Treasury, Agency, and municipal securities	\$ 10,923,799	10,157,149
Institutional money market funds	1,063,134	416,221
Certificates of deposit and commercial paper	8,395,311	8,874,794
Total	\$ <u>20,382,244</u>	<u>19,448,164</u>

UHAT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted or published prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table details the fair value of investments held by the primary government at June 30, 2024 and 2023:

		2024		
	Amounts measured at fair value	Quoted prices in active for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
U.S. Treasury, Agency and municipal securities	\$ 10,923,799	—	10,923,799	—
Certificates of deposit and commercial paper	8,395,311	—	8,395,311	—
Equity securities:				
Institutional money market funds	1,063,134	1,063,134	—	—
Total investments measured at fair value	\$ <u>20,382,244</u>	<u>1,063,134</u>	<u>19,319,110</u>	<u>—</u>

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

		2023		
		Amounts measured at fair value	Quoted prices in active for identical assets (Level 1)	Significant other observable inputs (Level 2)
				Significant unobservable inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
U.S. Treasury, Agency and municipal securities	\$	10,157,149	—	10,157,149
Certificates of deposit and commercial paper		8,874,794	—	8,874,794
Equity securities:				
Institutional money market funds		416,221	416,221	—
Total investments measured at fair value	\$	<u>19,448,164</u>	<u>416,221</u>	<u>19,031,943</u>

(c) Custodial Credit Risk

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

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

As of June 30, 2024, UHAT's bank balances of deposits are fully insured or collateralized, and all investments are insured, registered, or held in the name of UHAT.

(d) Credit Risk

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

As of June 30, 2024, UHAT's fixed-income investments were held 100% in U.S. Treasury or U.S. Government Agency securities.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

(e) Concentration of Credit Risk

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

(f) Interest Rate Risk

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

UHAT is not subject to foreign currency risk.

(3) Receivables

At June 30, the accounts receivable are as follows:

	<u>2024</u>	<u>2023</u>
Institutional interest and other	\$ 25,654,203	28,037,332

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

(4) Capital Assets

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

	<u>2024</u>	<u>2023</u>
Land	\$ 16,338,264	16,338,264
Construction-in-progress	43,134,830	9,635,106
Buildings and improvements	425,613,533	420,186,248
Equipment	75,229,412	74,548,886
Infrastructure	14,239,482	12,494,542
	574,555,521	533,203,046
Less accumulated depreciation	<u>(265,975,785)</u>	<u>(255,559,969)</u>
	<u>\$ 308,579,736</u>	<u>277,643,077</u>

**UNIVERSITY HOSPITALS AUTHORITY AND
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Notes to Basic Financial Statements

June 30, 2024 and 2023

The following summarizes the additions and deductions from net capital assets during fiscal years 2024 and 2023:

	<u>July 1, 2023</u>	<u>Additions and transfers in</u>	<u>Depreciation, deductions and transfers out</u>	<u>June 30, 2024</u>
Capital assets, not being depreciated:				
Land	\$ 16,338,264	—	—	16,338,264
Construction-in-progress	9,635,106	33,499,724	—	43,134,830
Capital assets, being depreciated:				
Buildings and improvements	218,750,873	5,517,007	(7,708,143)	216,559,737
Equipment	26,955,735	715,644	(2,448,877)	25,222,502
Infrastructure	5,963,099	1,744,940	(383,636)	7,324,403
Net capital assets	\$ <u>277,643,077</u>	<u>41,477,315</u>	<u>(10,540,656)</u>	<u>308,579,736</u>

	<u>July 1, 2022</u>	<u>Additions and transfers in</u>	<u>Depreciation, deductions and transfers out</u>	<u>June 30, 2023</u>
Capital assets, not being depreciated:				
Land	\$ 13,853,821	2,484,443	—	16,338,264
Construction-in-progress	2,954,175	6,680,931	—	9,635,106
Capital assets, being depreciated:				
Buildings and improvements	215,835,601	10,741,878	(7,826,606)	218,750,873
Equipment	28,992,427	330,336	(2,367,028)	26,955,735
Infrastructure	5,906,602	411,522	(355,025)	5,963,099
Net capital assets	\$ <u>267,542,626</u>	<u>20,649,110</u>	<u>(10,548,659)</u>	<u>277,643,077</u>

For the years ended June 30, 2024 and 2023, depreciation expense related to capital assets was \$10,471,189 and \$10,390,891, respectively.

(5) Joint Operating Agreement

On January 31, 2018 a joint operating agreement (JOA) with OU Medicine Inc. (OUMI) was signed. All leases for land, buildings, improvements and equipment that were previously in place under an old JOA were assumed by OUMI. Certain assets were transferred and are now operated by OUMI. Academic programs of the OUHSC continue to be affiliated with University Hospitals Authority, and OUMI will continue to provide statutorily mandated indigent care. OUMI and the Trust have entered into agreements setting forth terms and conditions of the joint operation of the University Hospitals. In consideration for the right to operate the University Hospitals from and after February 1, 2018, OUMI will pay the Trust \$20 million semi-annually. On July 1, 2021, the OU Physicians Practice – previously managed by OUHSC

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

– was merged with OUMI. Upon effectuation of this merger, OUMI established the dba OU Health. The integration of the physicians' practice did not alter the existing JOA arrangement in place between the Trust and OUMI.

On February 1, 2018, the Trust issued a \$40 million subordinate debt loan to OUMI with a maturity date of December 15, 2032. This loan is subordinate to all other debt of OUMI. Conditions for interest and principal payments are detailed in the loan agreement and are generally required when certain cash flow targets are achieved by OUMI. As of June 30, 2024 and 2023, OUMI did not meet conditions that would require an interest payment; however, interest earned during that time continues to accrue. The Trust accrued interest income of approximately \$2.6 million and \$2 million, respectively, in the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2024 and 2023. The interest rate on this subordinate debt loan is set at 5% and is compounding.

On February 2, 2021, the Trust entered into an agreement with OUMI to be a member of OUMI's subsidiary, OUMI Ventures, LLC (OUMI Ventures). OUMI Ventures was created to further OUMI and the Trust's missions through the addition of combined ED Urgent Care facilities in strategic locations around the greater Oklahoma City metro area. The Trust has also agreed to lease land to OUMI Ventures for the purpose of providing sites on which OUMI Ventures will construct the facilities. The Trust's interest in OUMI Ventures does not meet the criteria for the application of equity method accounting nor does it meet the criteria for either a component unit or joint venture and as such, will be accounted for using cost accounting. In fiscal years 2024 and 2023, the Trust contributed \$0 and \$7,621,108, respectively to OUMI Ventures.

(6) Deferred Compensation Plan

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

Under SoonerSave, the untaxed deferred amounts are invested as directed by the participant among various 457 Plan investment options. Effective January 1, 1998, a Trust and Trust Fund covering the 457 Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the 457 Plan participants and their beneficiaries. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the years ended June 30, 2024 and 2023.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Notes to Basic Financial Statements

June 30, 2024 and 2023

(7) Risk Management

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

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

(8) Commitments and Contingencies

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

(9) Subsequent Events

UHAT has evaluated the impact of subsequent events for inclusion or disclosure from the financial statements date through October 30, 2024, the date at which the financial statements were issued. UHAT has determined there are no other items to disclose.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Net Position

June 30, 2024

Assets	Authority Fund	Trust Fund	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 23,472,353	133,586,705	—	157,059,058
Investments	—	20,382,244	—	20,382,244
Receivables:				
Institutional interest and other	5,142,668	41,428,765	(20,917,230)	25,654,203
Prepaid expenses	—	72,365	—	72,365
Total current assets	<u>28,615,021</u>	<u>195,470,079</u>	<u>(20,917,230)</u>	<u>203,167,870</u>
Restricted assets:				
Cash and cash equivalents	188,028	—	—	188,028
Real estate	35,989	—	—	35,989
Total restricted assets	<u>224,017</u>	<u>—</u>	<u>—</u>	<u>224,017</u>
Noncurrent:				
Subordinate debt loan to OUMI, including accrued interest	—	48,620,250	—	48,620,250
Other assets	—	17,662,157	—	17,662,157
Net pension asset	—	18,120	—	18,120
Capital assets, net	12,574,169	296,005,567	—	308,579,736
Total assets	<u>\$ 41,413,207</u>	<u>557,776,173</u>	<u>(20,917,230)</u>	<u>578,272,150</u>
Deferred Outflows of Resources				
Pension amounts	\$ —	1,387,607	—	1,387,607
Total deferred outflows of resources	<u>\$ —</u>	<u>1,387,607</u>	<u>—</u>	<u>1,387,607</u>
Liabilities				
Current liabilities:				
Trade payables	\$ 1,160,677	7,138,207	—	8,298,884
Accrued expenses	23,569,860	2,340,072	(20,917,230)	4,992,702
Compensated absences	—	329,250	—	329,250
Unearned revenue	—	16,873	—	16,873
Total current liabilities	<u>24,730,537</u>	<u>9,824,402</u>	<u>(20,917,230)</u>	<u>13,637,709</u>
Noncurrent:				
Net pension liability	—	—	—	—
Total liabilities	<u>\$ 24,730,537</u>	<u>9,824,402</u>	<u>(20,917,230)</u>	<u>13,637,709</u>
Deferred Inflows of Resources				
Pension amounts	\$ —	278	—	278
Total deferred inflows of resources	<u>\$ —</u>	<u>278</u>	<u>—</u>	<u>278</u>
Net Position				
Net position:				
Invested in capital assets	\$ 12,574,169	296,005,567	—	308,579,736
Restricted	224,017	—	—	224,017
Unrestricted	3,884,484	253,333,533	—	257,218,017
Total net position	<u>\$ 16,682,670</u>	<u>549,339,100</u>	<u>—</u>	<u>566,021,770</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Net Position

June 30, 2023

Assets	Authority Fund	Trust Fund	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$ 53,930,610	103,800,151	—	157,730,761
Investments	—	19,448,164	—	19,448,164
Receivables:				
Institutional interest and other	10,464	28,026,868	—	28,037,332
Prepaid expenses	—	1,393	—	1,393
Total current assets	<u>53,941,074</u>	<u>151,276,576</u>	<u>—</u>	<u>205,217,650</u>
Restricted assets:				
Cash and cash equivalents	188,028	—	—	188,028
Real estate	35,989	—	—	35,989
Total restricted assets	<u>224,017</u>	<u>—</u>	<u>—</u>	<u>224,017</u>
Noncurrent:				
Subordinate debt loan to OUMI, including accrued interest	—	45,999,380	—	45,999,380
Other assets	—	17,662,157	—	17,662,157
Capital assets, net	12,716,154	264,926,923	—	277,643,077
Total assets	<u>\$ 66,881,245</u>	<u>479,865,036</u>	<u>—</u>	<u>546,746,281</u>
Deferred Outflows of Resources				
Pension amounts	\$ —	1,450,765	—	1,450,765
Total deferred outflows of resources	<u>\$ —</u>	<u>1,450,765</u>	<u>—</u>	<u>1,450,765</u>
Liabilities				
Current liabilities:				
Trade payables	\$ 997,403	3,957,340	—	4,954,743
Accrued expenses	1,322,666	1,591,316	—	2,913,982
Compensated absences	—	270,362	—	270,362
Unearned revenue	48,000,000	871	—	48,000,871
Total current liabilities	<u>50,320,069</u>	<u>5,819,889</u>	<u>—</u>	<u>56,139,958</u>
Noncurrent:				
Net pension liability	—	1,143,534	—	1,143,534
Total liabilities	<u>\$ 50,320,069</u>	<u>6,963,423</u>	<u>—</u>	<u>57,283,492</u>
Deferred Inflows of Resources				
Pension amounts	\$ —	52,419	—	52,419
Total deferred inflows of resources	<u>\$ —</u>	<u>52,419</u>	<u>—</u>	<u>52,419</u>
Net Position				
Net position:				
Invested in capital assets	\$ 12,716,154	264,926,923	—	277,643,077
Restricted	224,017	—	—	224,017
Unrestricted	3,621,006	209,373,035	—	212,994,041
Total net position	<u>\$ 16,561,177</u>	<u>474,299,958</u>	<u>—</u>	<u>490,861,135</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

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

Year ended June 30, 2024

	<u>Authority Fund</u>	<u>Trust Fund</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Teaching Hospital Reimbursement/Level I				
Trauma revenue	\$ 95,244,932	191,170,819	(6,013,945)	280,401,806
Grant and program revenue	—	14,049,020	—	14,049,020
Joint operating agreement revenue	—	40,000,000	—	40,000,000
Rental income and other services	2,400	22,900,219	—	22,902,619
Contributions	—	24,306,792	(24,000,005)	306,787
Other revenue	22,287	(78,952)	—	(56,665)
	<u>95,269,619</u>	<u>292,347,898</u>	<u>(30,013,950)</u>	<u>357,603,567</u>
Total operating revenues				
Operating expenses:				
OUHSC and OHCA expense	61,887,653	—	—	61,887,653
Indigent care expense	197,555,442	215,084,088	(6,013,945)	406,625,585
Education and research support	50,000,000	—	—	50,000,000
Grants and contributions	24,000,005	6,000,000	(24,000,005)	6,000,000
Professional services	4,470,867	398,039	—	4,868,906
Compensation and benefits	—	4,751,261	—	4,751,261
Children's services	3,101,000	—	—	3,101,000
Supplies, services, and other	1,076	15,023,480	—	15,024,556
	<u>341,016,043</u>	<u>241,256,868</u>	<u>(30,013,950)</u>	<u>552,258,961</u>
Total operating expenses before depreciation				
Operating (loss) income before depreciation	(245,746,424)	51,091,030	—	(194,655,394)
Depreciation	(141,984)	(10,329,205)	—	(10,471,189)
	<u>(245,888,408)</u>	<u>40,761,825</u>	<u>—</u>	<u>(205,126,583)</u>
Operating (loss) income				
Nonoperating revenues (expenses):				
Subsidies	245,817,437	—	—	245,817,437
Federal grants revenue	29,305,187	238,208	(25,054,206)	4,489,189
Federal grants capital	—	23,994,584	—	23,994,584
Federal grants expense	(29,305,187)	(238,208)	25,054,206	(4,489,189)
Dividends income	—	1,402,406	—	1,402,406
Investment and interest income	206,974	8,154,905	—	8,361,879
Miscellaneous income (expense), net	(14,509)	725,421	—	710,912
	<u>246,009,902</u>	<u>34,277,316</u>	<u>—</u>	<u>280,287,218</u>
Total nonoperating revenues				
Change in net position	121,494	75,039,141	—	75,160,635
Net position, beginning of year	16,561,177	474,299,958	—	490,861,135
Net position, end of year	<u>\$ 16,682,671</u>	<u>549,339,099</u>	<u>—</u>	<u>566,021,770</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

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

Year ended June 30, 2023

	<u>Authority Fund</u>	<u>Trust Fund</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Teaching Hospital Reimbursement/Level I				
Trauma revenue	\$ 68,652,826	268,249,646	(14,847,722)	322,054,750
Grant and program revenue	—	15,554,143	—	15,554,143
Joint operating agreement revenue	—	40,000,000	—	40,000,000
Rental income and other services	2,400	21,180,163	—	21,182,563
Contributions	—	18,359,951	(16,900,000)	1,459,951
Other revenue	159,599	(180,110)	—	(20,511)
Total operating revenues	<u>68,814,825</u>	<u>363,163,793</u>	<u>(31,747,722)</u>	<u>400,230,896</u>
Operating expenses:				
OUHSC and OHCA expense	56,087,653	—	—	56,087,653
Indigent care expense	75,095,061	293,975,349	(14,847,722)	354,222,688
Education and research support	40,000,000	—	—	40,000,000
Grants and contributions	16,900,000	2,323,060	(16,900,000)	2,323,060
Professional services	2,670,867	1,250,348	—	3,921,215
Compensation and benefits	—	5,170,756	—	5,170,756
Children's services	1,550,000	—	—	1,550,000
Supplies, services, and other	6,295	19,777,466	—	19,783,761
Total operating expenses before depreciation	<u>192,309,876</u>	<u>322,496,979</u>	<u>(31,747,722)</u>	<u>483,059,133</u>
Operating (loss) income before depreciation	(123,495,051)	40,666,814	—	(82,828,237)
Depreciation	<u>(441,379)</u>	<u>(9,949,512)</u>	<u>—</u>	<u>(10,390,891)</u>
Operating (loss) income	<u>(123,936,430)</u>	<u>30,717,302</u>	<u>—</u>	<u>(93,219,128)</u>
Nonoperating revenues (expenses):				
Subsidies	123,566,437	—	—	123,566,437
Federal grants revenue	42,157,360	—	—	42,157,360
Federal grants capital	—	1,635,024	(813,610)	821,414
Federal grants expense	(42,157,360)	—	813,610	(41,343,750)
Contributed capital	—	(1,353,034)	—	(1,353,034)
Investment and interest income	113,411	4,120,046	—	4,233,457
Miscellaneous income (expense), net	(7,105)	788,635	—	781,530
Total nonoperating revenues	<u>123,672,743</u>	<u>5,190,671</u>	<u>—</u>	<u>128,863,414</u>
Change in net position	(263,687)	35,907,973	—	35,644,286
Net position, beginning of year	<u>16,824,864</u>	<u>438,391,985</u>	<u>—</u>	<u>455,216,849</u>
Net position, end of year	<u>\$ 16,561,177</u>	<u>474,299,958</u>	<u>—</u>	<u>490,861,135</u>

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Cash Flows

Year ended June 30, 2024

	Authority Fund	Trust Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ —	23,214,611	23,214,611
Joint operating agreement receipts	—	40,000,000	40,000,000
Grant receipts (IME, GME, MTH)	95,244,931	197,532,861	292,777,792
Indigent care payments	(191,398,739)	(207,735,772)	(399,134,511)
OUHSC and OHCA payments	(132,310,640)	(6,000,000)	(138,310,640)
Goods and service payments	(4,025)	(15,697,530)	(15,701,555)
Payments to employees	—	(5,854,063)	(5,854,063)
Other operating receipts	27,636	14,993,558	15,021,194
Net cash (used in) provided by operating activities	<u>(228,440,837)</u>	<u>40,453,665</u>	<u>(187,987,172)</u>
Cash flows from noncapital financing activity:			
State and Federal subsidies	222,017,743	—	222,017,743
Federal grants passthrough	(24,200,306)	—	(24,200,306)
Federal grants receipts	—	165,968	165,968
Federal grants expenses	—	(205,388)	(205,388)
Net cash provided by noncapital financing activities	<u>197,817,437</u>	<u>(39,420)</u>	<u>197,778,017</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	—	(37,813,678)	(37,813,678)
Federal grant receipts	—	19,984,954	19,984,954
Contributions to Oklahoma Children's Hospital	—	—	—
Nonoperating revenue (expense), net	(14,509)	708,248	693,739
Net cash used in capital and related financing activities	<u>(14,509)</u>	<u>(17,120,476)</u>	<u>(17,134,985)</u>
Cash flows from investing activities:			
Investment and interest income	179,652	5,090,379	5,270,031
Dividend income	—	1,402,406	1,402,406
Net cash provided by (used in) investing activities	<u>179,652</u>	<u>6,492,785</u>	<u>6,672,437</u>
Net increase (decrease) in cash and cash equivalents	<u>(30,458,257)</u>	<u>29,786,554</u>	<u>(671,703)</u>
Cash and cash equivalents, beginning of year	<u>54,118,638</u>	<u>103,800,151</u>	<u>157,918,789</u>
Cash and cash equivalents, end of year	<u>\$ 23,660,381</u>	<u>133,586,705</u>	<u>157,247,086</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating income (loss)	\$ (245,888,408)	40,761,825	(205,126,583)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:			
Depreciation	141,984	10,329,205	10,471,189
(Increase) decrease in receivables, net	(5,104,884)	(9,450,275)	(14,555,159)
Increase (decrease) in payables and accrued expenses	22,410,471	18,517	22,428,988
Increase in unearned revenue	—	16,002	16,002
(Increase) decrease in prepaid expenses	—	(70,972)	(70,972)
Decrease (increase) in deferred outflows of resources	—	63,158	63,158
(Decrease) increase in net pension liability	—	(1,161,654)	(1,161,654)
(Decrease) increase in deferred inflows of resources	—	(52,141)	(52,141)
Total adjustments	<u>17,447,571</u>	<u>(308,160)</u>	<u>17,139,411</u>
Net cash (used in) provided by operating activities	<u>\$ (228,440,837)</u>	<u>40,453,665</u>	<u>(187,987,172)</u>
Noncash capital financing and investing activity:			
Capital assets purchased remaining in accrued expenses	\$ —	5,356,279	5,356,279

See accompanying independent auditors' report.

**UNIVERSITY HOSPITALS AUTHORITY AND
UNIVERSITY HOSPITALS TRUST**

Combining Statement of Cash Flows

Year ended June 30, 2023

	Authority Fund	Trust Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ —	20,862,290	20,862,290
Joint operating agreement receipts	—	40,000,000	40,000,000
Grant receipts (IME, GME, MTH)	95,446,043	371,944,959	467,391,002
Indigent care payments	(106,506,969)	(352,908,598)	(459,415,567)
OUHSC and OHCA payments	(121,659,521)	(2,406,393)	(124,065,914)
Goods and service payments	(6,295)	(22,461,767)	(22,468,062)
Payments to employees	—	(5,296,471)	(5,296,471)
Other operating receipts	161,999	17,557,358	17,719,357
Net cash (used in) provided by operating activities	<u>(132,564,743)</u>	<u>67,291,378</u>	<u>(65,273,365)</u>
Cash flows from noncapital financing activity:			
State and Federal subsidies	213,723,797	—	213,723,797
Federal grants passthrough	(42,157,360)	—	(42,157,360)
Net cash provided by noncapital financing activities	<u>171,566,437</u>	<u>—</u>	<u>171,566,437</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	—	(20,880,774)	(20,880,774)
Federal grant receipts	—	813,610	813,610
Contributions to Oklahoma Children's Hospital	—	(1,353,034)	(1,353,034)
Nonoperating revenue (expense), net	(8,925)	888,251	879,326
Net cash used in capital and related financing activities	<u>(8,925)</u>	<u>(20,531,947)</u>	<u>(20,540,872)</u>
Cash flows from investing activities:			
Investment and interest income	110,032	1,927,056	2,037,088
Purchase of equity interest	—	(7,621,108)	(7,621,108)
Net cash provided by (used in) investing activities	<u>110,032</u>	<u>(5,694,052)</u>	<u>(5,584,020)</u>
Net increase (decrease) in cash and cash equivalents	39,102,801	41,065,379	80,168,180
Cash and cash equivalents, beginning of year	15,015,837	62,734,772	77,750,609
Cash and cash equivalents, end of year	<u>\$ 54,118,638</u>	<u>103,800,151</u>	<u>157,918,789</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating income (loss)	\$ (123,936,430)	30,717,302	(93,219,128)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:			
Depreciation	441,379	9,949,512	10,390,891
(Increase) decrease in receivables, net	26,793,218	97,298,581	124,091,799
Increase (decrease) in payables and accrued expenses	(35,862,910)	(70,528,863)	(106,391,773)
Increase in unearned revenue	—	622	622
(Increase) decrease in prepaid expenses	—	(1,393)	(1,393)
(Increase) decrease in deferred outflows of resources	—	(1,102,578)	(1,102,578)
(Decrease) increase in net pension liability	—	2,836,015	2,836,015
Increase (decrease) in deferred inflows of resources	—	(1,877,820)	(1,877,820)
Total adjustments	<u>(8,628,313)</u>	<u>36,574,076</u>	<u>27,945,763</u>
Net cash (used in) provided by operating activities	<u>\$ (132,564,743)</u>	<u>67,291,378</u>	<u>(65,273,365)</u>
Noncash capital financing and investing activity:			
Capital assets purchased remaining in accrued expenses	\$ —	1,437,463	1,437,463

See accompanying independent auditors' report.



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University Hospitals Authority and University Hospitals Trust (together referred to as UHAT), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Purpose of this Report**

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

KPMG LLP

Dallas, Texas
October 30, 2024