

Oklahoma State University Medical Authority

A Component Unit of the State of Oklahoma

Independent Auditor's Reports and Financial Statements

June 30, 2022

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
June 30, 2022

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110 N. Elgin Avenue, Suite 400 / Tulsa, OK 74120

P 918.584.2900 / F 918.584.2931

forvis.com

Independent Auditor's Report

Board of Trustees
Oklahoma State University Medical Authority
Tulsa, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oklahoma State University Medical Authority (the Authority), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

FORVIS,LLP

Tulsa, Oklahoma
October 28, 2022

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Management’s Discussion and Analysis
June 30, 2022

Introduction

This management’s discussion and analysis of the financial performance of Oklahoma State University Medical Authority (the Authority) provides an overview of the Authority’s financial activities for the year ended June 30, 2022. It should be read in conjunction with the accompanying financial statements of the Authority. The Authority is considered a nonmajor component unit of the State of Oklahoma. During 2022, the Authority retroactively adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The 2021 amounts were not restated for this adoption.

Using This Annual Report

The Authority’s financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about any authority’s finances is, “Is the authority as a whole better or worse off as a result of the year’s activities?” The balance sheet and the statement of revenues, expenses, and changes in net position report information about the Authority’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority’s net position and changes in it. The Authority’s total net position—the difference between assets and liabilities—is one measure of the Authority’s financial health or financial position. Over time, increases or decreases in the Authority’s net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the Authority.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the balance sheet. The Authority's net position increased by \$30,473,418 or 24% in 2022 over 2021, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 96,307,204	\$ 62,998,477
Patient accounts receivable, net	14,909,220	11,896,654
Other receivables	2,326,482	2,411,318
Other current assets	8,710,098	7,165,812
Capital assets, net	63,738,216	63,045,370
Lease assets, net	1,836,928	-
Other assets	377,442	314,961
	<u>\$ 188,205,590</u>	<u>\$ 147,832,592</u>
Liabilities		
Long-term debt (including current portion)	\$ -	\$ 2,469,912
Long-term lease liabilities (including current portion)	1,899,333	-
Other current and noncurrent liabilities	30,175,445	19,705,286
	<u>32,074,778</u>	<u>22,175,198</u>
Net Position		
Net investment in capital assets	62,732,963	58,817,309
Restricted - Specific operating activities	19,305,015	-
Unrestricted	74,092,834	66,840,085
	<u>156,130,812</u>	<u>125,657,394</u>
Total net position	<u>\$ 188,205,590</u>	<u>\$ 147,832,592</u>
Total liabilities and net position	<u>\$ 188,205,590</u>	<u>\$ 147,832,592</u>

Significant changes in the Authority's assets in 2022 are the increase in cash and cash equivalents and the increase in patient accounts receivable. Cash and cash equivalents increased from \$62,998,477 to \$96,307,204 in 2022. Days cash on hand at June 30, 2022 was 193 days compared to 149 days at June 30, 2021 due to an increase in operating activity and receiving funds related to the interlocal agreement between the Oklahoma State University Medical Center Trust and the Authority and funds received related to state-operated programs, which are further discussed in *Note 1* and *Note 15*. The increase in patient accounts receivables is primarily the result of improved volumes and revenue as compared to 2021. Days net revenue in accounts receivable was 30 days at June 30, 2022 compared to 29 days at June 30, 2021.

Significant changes in the Authority's liabilities in 2022 are the increase in accounts payable and the decrease in long-term debt. The increase in accounts payable of \$9,241,295 or 61% is primarily due to amounts owed under the management contract (see *Note 14*). The reduction in long-term debt relates to scheduled debt service payments.

Operating Results and Changes in the Authority's Net Position

In 2022, the Authority's net position increased by \$30,473,418 or 24%, as shown in Table 2. This increase is made up of several different components and represents an increase of 68% compared with the increase in net position for 2021 of \$19,057,881.

Table 2: Operating Results and Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Net patient service revenue	\$ 181,265,373	\$ 147,709,943
Other operating revenues	<u>5,222,070</u>	<u>20,506,480</u>
Total operating revenues	<u>186,487,443</u>	<u>168,216,423</u>
Operating Expenses		
Salaries, wages, and employee benefits	107,128,405	87,980,441
Purchased services and professional fees	33,380,671	25,351,631
Supplies and other	42,582,298	41,463,472
Depreciation and amortization	<u>7,885,463</u>	<u>7,534,094</u>
Total operating expenses	<u>190,976,837</u>	<u>162,329,638</u>
Operating Income (Loss)	<u>(4,489,394)</u>	<u>5,886,785</u>
Nonoperating Revenues (Expenses)		
Government grants	1,432,654	-
Noncapital grants and gifts	2,417,640	2,548,976
State contract and grant revenue	69,888,845	45,488,996
Contribution expense	(38,697,770)	(34,809,623)
Investment income	82,764	91,206
Interest expense	<u>(161,321)</u>	<u>(148,459)</u>
Total nonoperating revenues (expenses)	<u>34,962,812</u>	<u>13,171,096</u>
Excess of Revenues over Expenses and Increase in Net Position	30,473,418	19,057,881
Net Position, Beginning of Year	<u>125,657,394</u>	<u>106,599,513</u>
Net Position, End of Year	<u>\$ 156,130,812</u>	<u>\$ 125,657,394</u>

Operating Income (Loss)

The first component of the overall change in the Authority's net position is its operating income or loss. The operating income or loss is the difference between total operating revenue (patient-driven and other) and total operating expenses. The Authority reported an operating loss in 2022 primarily due to increased operating expenses resulting from increased employee wages and contract labor expenses associated with responding to the lack of available staff to service the patient volumes. In 2021, the Authority reported operating income.

The operating results for 2022 declined by \$10,376,179 or 176% as compared to the operating results in 2021. The components of the decline were an increase in operating revenues of \$18,271,020 or 11% and an increase in operating expenses of \$28,647,199 or 18%.

Net patient revenue was greater in 2022 than 2021 because of higher inpatient, outpatient, and physician clinic volumes, particularly related to increases in inpatient and outpatient surgeries as well as emergency department visits. The decrease in other operating revenues relates to the sublease agreement with the Oklahoma State Department of Health (see *Note 10*).

The Authority incurred additional costs to maintain certain staffing levels in order to sustain quality care, ensure proper staffing, and sufficiently respond to the pandemic-related outbreaks in the community and maintain healthcare delivery capacity.

Operating expenses changed in 2022 due primarily to:

- An increase in salaries, wages, and employee benefits of \$19,147,964 or 21% compared to 2021
- An increase in purchased services and professional fees of \$8,029,040 or 32% compared to 2021

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of state contract and grant revenue received by the Authority, noncapital grants and gifts, government grants, contribution expense associated with state contract and grant revenue, and interest income and expense. Nonoperating revenues and expenses increased in 2022 by \$21,791,716 or 166%. In 2022, state contract and grant revenue increased by \$24,399,849 or 54%, and contribution expense increased by \$3,888,147 or 11%. These changes were primarily related to changes in state funding and appropriations. Additionally, in 2022, the Authority received approximately \$1,433,000 in grant funding from the Health Resources and Services Administration (HRSA).

Capital Gifts and Grants

The Authority occasionally receives capital gifts and grants from various sources. The Authority received no capital gifts or grants in 2021 or 2022.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating performance and nonoperating revenues and expenses for 2022 and 2021, discussed earlier.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022 and 2021, the Authority had \$63,738,216 and \$63,045,370, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2022, the Authority purchased new capital assets costing approximately \$7,933,000.

Debt

At June 30, 2022 and 2021, the Authority had \$0 and \$2,469,912, respectively, in notes payable and capital lease obligations (in 2021, prior to the adoption of GASB 87) outstanding as detailed in *Note 6* to the financial statements. The Authority issued no debt in 2022.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's patients, suppliers, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority's Business Administration by telephoning 918.599.5900.

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma

Balance Sheet
June 30, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 96,307,204
Patient accounts receivable, net of allowance – \$8,441,000	14,909,220
Other receivables	2,326,482
Supplies	3,934,948
Estimated amounts due from third-party payors	1,376,603
Prepaid expenses and other	<u>3,398,547</u>

Total current assets 122,253,004

Capital Assets, Net 63,738,216

Lease Assets, Net 1,836,928

Other Assets 377,442

Total assets \$ 188,205,590

Liabilities and Net Position

Current Liabilities

Current portion of lease liabilities	\$ 1,072,480
Accounts payable	25,797,335
Accrued expenses	4,371,914
Accrued interest payable	<u>6,196</u>

Total current liabilities 31,247,925

Long-term Lease Liabilities 826,853

Total liabilities 32,074,778

Net Position

Net investment in capital assets	62,732,963
Restricted - Specific capital and operating activities	19,305,015
Unrestricted	<u>74,092,834</u>

Total net position 156,130,812

Total liabilities and net position \$ 188,205,590

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2022

Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts – \$18,816,106	\$ 181,265,373
Other	<u>5,222,070</u>
Total operating revenues	<u>186,487,443</u>
Operating Expenses	
Salaries and wages	95,715,251
Employee benefits	11,413,154
Purchased services and professional fees	33,380,671
Supplies and other	42,582,298
Depreciation and amortization	<u>7,885,463</u>
Total operating expenses	<u>190,976,837</u>
Operating Loss	<u>(4,489,394)</u>
Nonoperating Revenues (Expenses)	
Government grants	1,432,654
Noncapital grants and gifts	2,417,640
State contract and grant revenue	69,888,845
Contribution expense	(38,697,770)
Investment income	82,764
Interest expense	<u>(161,321)</u>
Total nonoperating revenues (expenses)	<u>34,962,812</u>
Excess of Revenues over Expenses and Increase in Net Position	30,473,418
Net Position, Beginning of Year	<u>125,657,394</u>
Net Position, End of Year	<u><u>\$ 156,130,812</u></u>

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Statement of Cash Flows
Year Ended June 30, 2022

Operating Activities	
Receipts from and on behalf of patients	\$ 177,697,620
Payments to suppliers and contractors	(65,759,383)
Payments to and on behalf of employees	(107,156,579)
Other receipts and payments, net	<u>5,794,496</u>
Net cash provided by operating activities	<u>10,576,154</u>
Noncapital Financing Activities	
Government grants	1,432,654
Noncapital grants and gifts	2,417,640
State contract and grant revenue	50,172,126
Contribution expense	<u>(38,697,770)</u>
Net cash provided by noncapital financing activities	<u>15,324,650</u>
Capital and Related Financing Activities	
Principal paid on long-term debt	(2,417,640)
Interest paid on long-term debt	(105,200)
Principal paid on lease liabilities	(646,566)
Interest paid on lease liabilities	(109,112)
Purchase of capital assets	(8,701,338)
Capital grants and gifts	<u>19,305,015</u>
Net cash provided by capital and related financing activities	<u>7,325,159</u>
Investing Activities	
Investment income	<u>82,764</u>
Net cash provided by investing activities	<u>82,764</u>
Increase in Cash and Cash Equivalents	33,308,727
Cash and Cash Equivalents, Beginning of Year	<u>62,998,477</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 96,307,204</u></u>

**Reconciliation of Operating Loss to Net Cash Provided by
Operating Activities**

Operating loss	\$ (4,489,394)
Loss on disposition of property and equipment	75,886
Depreciation and amortization	7,885,463
Provision for uncollectible accounts	18,816,106
Changes in operating assets and liabilities	
Patient accounts receivable	(21,828,672)
Other accounts receivable	496,540
Supplies and prepaid expenses	(876,198)
Estimated amounts due to/from third-party payors	(555,187)
Accounts payable and accrued expenses	<u>11,051,610</u>
Net cash provided by operating activities	<u>\$ 10,576,154</u>

Supplemental Cash Flows Information

Capital assets in accounts payable	\$ 942,848
Lease obligation incurred for lease assets	\$ 191,981

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Oklahoma State University Medical Authority

The Oklahoma State University Medical Authority (the Authority) is a state agency created by an act of the Oklahoma legislature in May 2006. The Authority is empowered to engage in activities to: 1) ensure a dependable source of funding for the graduate medical program associated with the Oklahoma State University Center for Health Sciences (the OSU Center for Health Sciences); 2) provide for stable teaching and training facilities for students enrolled at the OSU Center for Health Sciences; 3) upon a Declaration of Necessity, serve as training and teaching facilities for students at the OSU Center for Health Sciences; 4) serve as a site for conducting medical and biomedical research by faculty members of the OSU Center for Health Sciences; and 5) provide care for the patients of OSU Center for Health Sciences physician trainers. The Authority is a nonmajor component unit of the State of Oklahoma.

Oklahoma State University Medical Center Trust

In fiscal year 2009, the leadership of the executive and legislative branches of the State of Oklahoma (the State); Ardent Medical Services, Inc.; Oklahoma State University (the University); St. John Health System; and members of the Tulsa philanthropic community undertook an effort to pass the ownership of the Oklahoma State University Medical Center (the Medical Center) to a public entity. This effort culminated in the creation of a municipal public trust, the Oklahoma State University Medical Center Trust (the Trust), and the purchase of the teaching hospital by the Trust from Ardent Medical Services, Inc.

The Trust was formed in January 2009 to acquire, own, and operate the Medical Center with the general purposes of promoting and supporting the teaching and training of physicians in Tulsa and the delivery of healthcare services to medically underserved patients.

OSUMC Professional Services, LLC (OPS) employs physicians and other healthcare providers. The Trust is the sole corporate member of OPS, and OPS is included as a blended component unit of the Trust.

The Medical Center primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Tulsa, Oklahoma, area.

The Authority entered into an interlocal agreement with the Trust to provide funding in accordance with the enabling legislation of the Authority. The Authority entered into two related interagency agreements with the Oklahoma Health Care Authority, the State's Medicaid agency, and subsequently the Trust to provide certain state matching funds allowing the Medical Center to receive payments at the Upper Payment Limit (UPL), as defined in the State's Medicaid plan.

The Trust is the sole corporate member of OSU Medicine Ventures, LLC, which is considered a blended component unit of the Trust. OSU Medicine Ventures, LLC had no operations in fiscal year 2022.

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2022

The Trust is the sole corporate member of Health Partners of Oklahoma, LLC (HPOK), which is considered a blended component unit of the Trust. HPOK was awarded a \$3,000,000 grant from the State, which was fully paid out in fiscal year 2022.

Oklahoma State University Medical Trust

In October 2013, the Trust entered into a Tripartite Agreement and Plan of Merger (Merger Agreement) with the Authority and the Oklahoma State University Medical Trust (OSUMT).

Under the terms of the Merger Agreement, effective December 6, 2013, the Trust agreed to the following:

- Transfer and convey substantially all assets and liabilities of the Trust to the Authority
- Amend the Trust's Declaration of Trust to designate the State as its sole beneficiary and authorize the merger of the Trust with OSUMT
- Merge OSUMT into the Trust and designate OSUMT as the surviving entity
- Enter into a lease agreement for the Medical Center's real property between the Authority and OSUMT
- Merge the operations of the Trust with OSUMT

Through December 6, 2013, operating the Medical Center was the primary operation of the Trust.

OSUMT is deemed to be a component unit of the Authority due to the common governance and the Authority's ability to impose its will on OSUMT. The Authority and OSUMT can be contacted by telephoning 918.599.5900.

Basis of Accounting and Presentation

The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program-specific, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2022

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022, cash equivalents consisted primarily of money market accounts and certificates of deposit.

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the patient, the Authority bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Supplies

Supply inventories consist of medical supplies and pharmaceuticals and are stated at the lower of cost, determined using the first-in, first-out method, or market.

Investments and Investment Income

Investments in non-negotiable certificates of deposit are carried at amortized cost. Investment income consists of interest income.

Capital Assets

When the Trust acquired the Medical Center on May 1, 2009, the land, building, and equipment acquired were recorded at \$100. Capital assets subsequently acquired are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2022

The following estimated useful lives are being used by the Authority:

Land improvements	4–10 years
Buildings and leasehold improvements	5–40 years
Equipment	3–10 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Authority evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the year ended June 30, 2022.

Compensated Absences

Authority policies permit most employees to accumulate paid time off benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2022

Net Position

Net position of the Authority is classified in three components on its balance sheets:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and leases assets net of accumulated amortization and reduced by the outstanding balances of borrowings and leases used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Authority.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Authority provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

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State Contract and Grant Revenue and Matching Funds

The Authority receives state contract revenue for the support of the teaching mission at the Medical Center, funding for the OSU Center for Health Sciences, and various other health-related programs. In an effort to multiply the appropriated contract dollars, the Authority may send funds to the Oklahoma Health Care Authority or University Hospitals Authority to be matched, with the majority of the funds being paid to OSUMT and a portion being paid to the Authority. Below is a recap of the state contract and grant revenue and the related contribution expenses for the year ended June 30, 2022:

State contract and grant revenue	<u>\$ 69,888,845</u>
Payments to OSU Center for Health Sciences	
Dean's GME Program and other	\$ 31,227,141
Payment to Oklahoma Health Care Authority	3,963,930
Other	<u>3,506,699</u>
	<u>\$ 38,697,770</u>

Laws and regulations governing the programs that support residency programs with federal matching funds are complex and subject to interpretation and change. As a result, it is reasonably possible that revenue received under these programs will change materially in the near term.

As discussed previously in *Note 1*, in relation to the Medical Center being acquired by the Trust effective May 1, 2009 from Ardent Medical Services, Inc., the Trust (now OSUMT) entered into an interlocal agreement with the Authority. The Authority has appropriated approximately \$13,736,000 to OSUMT in accordance with the interlocal agreement for the year ended June 30, 2022.

During the year ended June 30, 2022, the Authority received \$15,300,000 in funding from the State to directly support initiatives contained in the strategic plans for OSUMT and the OSU Center for Health Sciences. During the year ended June 30, 2022, the Authority paid \$13,300,000 to OSUMT and \$2,000,000 to the OSU Center for Health Sciences under the terms of this appropriation. These transactions are recorded as state contract and grant revenue, contribution expense, and support to OSUMT in the accompanying statements of revenues, expenses, and changes in net position and combining information presented in *Note 17*.

The Authority has designated the University to act as its fiscal agent for the purposes of providing fiscal, purchasing, and accounting services.

Income Taxes

As a state agency created by an act of the State's legislature, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

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Supplemental Hospital Offset Payment Program

On January 17, 2012, the Centers for Medicare & Medicaid Services approved the State of Oklahoma’s Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is currently scheduled to sunset on December 31, 2025. The SHOPP is designed to assess Oklahoma hospitals a supplemental hospital offset fee that will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation.

SHOPP revenue is recorded as part of net patient service revenue, and SHOPP assessment fees are recorded as part of other expenses on the accompanying statement of revenues, expenses, and changes in net position and are summarized below for the year ended June 30, 2022:

SHOPP funds recorded and received	\$ 13,264,226
SHOPP assessment fees recorded and paid	<u>(2,426,704)</u>
 Net SHOPP benefit	 <u><u>\$ 10,837,522</u></u>

The annual amounts to be received and paid by the Authority over the remaining term of the SHOPP are subject to several factors, including the Federal Medical Assistance Percentages (FMAP) and state funding.

In June 2020, voters in Oklahoma passed a Medicaid expansion ballot initiative which went into effect on July 1, 2021. With the increased number of Oklahoma residents who are eligible for Medicaid benefits, the SHOPP described above increased with the additional federal funds provided to the Medicaid program. The impact to the Authority beyond fiscal year 2022 cannot be currently estimated but could be material.

Change in Accounting Principle

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The new statement requires lessees to recognize substantially all long-term leases on the balance sheet as both a right-to-use asset and a lease liability. In addition, lessors are required to recognize a lease receivable and a deferred inflow of resources for substantially all long-term leases in which the title of asset does not transfer ownership.

The Authority adopted this statement as of July 1, 2021. The Authority has applied the new statement to all contracts meeting the definition of a lease with certain exceptions, as defined by the statement. There was no cumulative effect of applying the statement to beginning net position for the year ended June 30, 2022. The cumulative effects of this change in accounting principle are presented in *Notes 5 and 6*.

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Note 2: Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Defined medical education costs are paid based on a cost reimbursement methodology. The Authority is reimbursed for medical education, eligible Medicare bad debts, and disproportionate share at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority’s Medicare cost reports have been final settled by the Medicare administrative contractor through June 30, 2018.
- **Medicaid** – Inpatient services provided to the State’s Medicaid program beneficiaries are reimbursed on a prospective per discharge method with no retroactive adjustments. Outpatient services are reimbursed on a prospective fee schedule basis with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Approximately 41% of gross patient service revenue is from participation in the Medicare program for the year ended June 30, 2022. Approximately 29% of gross patient service revenue is from participation in the state-sponsored Medicaid program for the year ended June 30, 2022.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. Claims filed with both the Medicare and Medicaid programs are subject to audit. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Authority’s 2022 net patient service revenue increased approximately \$659,000 due to removal of previously estimated amounts that are no longer necessary as a result of administrative contractor audits or final settlements.

The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Note 3: Deposits

Custodial credit risk is the risk that in the event of a bank failure an organization’s deposits may not be returned to it. The state treasurer requires that all state funds are either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations.

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At June 30, 2022, none of the Authority’s bank balances of approximately \$18,931,000 were exposed to custodial credit risk as uninsured and uncollateralized. These amounts include approximately \$13,697,000 at June 30, 2022 of funds that are pooled with funds of other state agencies.

In the event of future cash deposits, the Authority’s deposits with the state treasurer will be pooled with 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.

Summary of Carrying Values

The carrying values of deposits are included as cash and cash equivalents in the accompanying balance sheet as follows:

Carrying value	
Deposits	\$ 96,302,664
Cash on hand	<u>4,540</u>
	<u><u>\$ 96,307,204</u></u>

Investment Income

Investment income for the year ended June 30, 2022 consisted of interest income on cash balances and certificates of deposit of \$82,764.

Note 4: Patient Accounts Receivable

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at June 30, 2022 consisted of:

Medicare	\$ 5,751,056
Medicaid	2,008,440
Other third-party payors and patients	<u>15,590,724</u>
	23,350,220
Less allowance for uncollectible accounts	<u>8,441,000</u>
	<u><u>\$ 14,909,220</u></u>

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Note 5: Capital and Lease Assets

Capital assets activity for the year ended June 30, 2022 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 100	\$ -	\$ -	\$ -	\$ 100
Land improvements	2,887,735	3,300	-	-	2,891,035
Buildings and leasehold improvements	45,553,700	230,657	(48,156)	12,023	45,748,224
Equipment	65,908,176	4,226,520	(246,596)	3,161	69,891,261
Construction in progress	10,281,796	3,472,949	-	(15,184)	13,739,561
	<u>124,631,507</u>	<u>7,933,426</u>	<u>(294,752)</u>	<u>-</u>	<u>132,270,181</u>
Less accumulated depreciation					
Land improvements	925,010	181,328	-	-	1,106,338
Buildings and leasehold improvements	15,823,679	2,404,470	(21,194)	-	18,206,955
Equipment	44,837,448	4,590,694	(209,470)	-	49,218,672
	<u>61,586,137</u>	<u>7,176,492</u>	<u>(230,664)</u>	<u>-</u>	<u>68,531,965</u>
Capital assets, net	<u>\$ 63,045,370</u>	<u>\$ 756,934</u>	<u>\$ (64,088)</u>	<u>\$ -</u>	<u>\$ 63,738,216</u>

Lease assets activity for the year ended June 30, 2022 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings and leasehold improvements	\$ 1,671,814	\$ 191,981	\$ -	\$ -	\$ 1,863,795
Equipment	682,104	-	-	-	682,104
	<u>2,353,918</u>	<u>191,981</u>	<u>-</u>	<u>-</u>	<u>2,545,899</u>
Less accumulated depreciation					
Buildings and leasehold improvements	-	521,176	-	-	521,176
Equipment	-	187,795	-	-	187,795
	<u>-</u>	<u>708,971</u>	<u>-</u>	<u>-</u>	<u>708,971</u>
Lease assets, net	<u>\$ 2,353,918</u>	<u>\$ (516,990)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,836,928</u>

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Note 6: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the year ended June 30, 2022:

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Note payable, bank (A)	\$ 2,417,640	\$ -	\$ (2,417,640)	\$ -	\$ -
Total long-term debt	2,417,640	-	(2,417,640)	-	-
Lease liability	2,353,918	191,981	(646,566)	1,899,333	1,072,480
Total long-term obligations	<u>\$ 4,771,558</u>	<u>\$ 191,981</u>	<u>\$ (3,064,206)</u>	<u>\$ 1,899,333</u>	<u>\$ 1,072,480</u>

(A) Matured in December 18, 2021, principal and interest at 4.12% payable annually, principal payments to be funded in accordance with provisions of a certain Academic Affiliation Agreement between the University and the Authority and guaranteed by a certain lease agreement with the University (see *Note 15*). This note was fully paid in fiscal year 2022.

The Authority had no debt service requirements as of June 30, 2022.

Note 7: Lease Liabilities

The Authority leases equipment and office space, the terms of which expire in various years through 2027. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the year ended June 30, 2022, the Hospital recognized approximately \$2,123,000 of rental expense for variable payments residual value guarantees or termination penalties not previously included in the measurement of the lease liability.

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The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	\$ 1,152,789	\$ 1,072,480	\$ 80,309
2024	430,981	397,409	33,572
2025	252,751	235,372	17,379
2026	188,199	181,185	7,014
2027	13,695	12,887	808
	<u>\$ 2,038,415</u>	<u>\$ 1,899,333</u>	<u>\$ 139,082</u>

Note 8: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at June 30, 2022 consisted of:

Payable to suppliers and contractors	\$ 24,940,211
Payable to employees (including payroll taxes and benefits)	4,191,914
Estimated malpractice liability accrual	180,000
Payable to patients (including third-party payors)	<u>857,124</u>
	<u>\$ 30,169,249</u>

Note 9: Medical Malpractice Claims

The Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. The Authority has accrued an estimated liability at June 30, 2022 for incurred but not reported claims, which is included in accrued expenses in the accompanying balance sheet. It is reasonably possible that this estimate could change materially in the near term.

Note 10: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic.

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The extent of the COVID-19 pandemic's adverse effect on the Authority's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Authority's control and ability to forecast.

Because of these and other uncertainties, the Authority cannot estimate the length or severity of the impact of the pandemic on the Authority's business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the year ended June 30, 2022, the Authority received \$1,432,654 from the CARES Act Provider Relief Fund. This distribution from the Provider Relief Fund is not subject to repayment, provided the Authority is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19 as defined by the U.S. Department of Health and Human Services (HHS).

The Authority is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as eligibility requirements have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on the Authority's operating revenues and expenses through year-end, the Authority recognized \$1,432,654 during the year ended June 30, 2022 related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – government grants in the accompanying statement of revenues, expenses, and changes in net position.

The Authority has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2022. The Authority will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Authority's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Authority is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Authority's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Note 11: Services to the Community

In support of its mission, the Authority voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Authority provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts

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that are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

The Authority provides a discount to uninsured patients. This discount is considered charity care under the Authority's policy.

The Authority has estimated the cost associated with uncompensated care to uninsured and charity care patients for the years ended June 30, 2022 to be approximately \$3,838,000.

The cost of charity care is estimated based on the overall cost to charge ratios from the most recently filed Medicare cost report. In addition to uncompensated costs, the Authority also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, prenatal education and care, community educational services, and various support groups.

Note 12: Pension Plans

The Authority has two defined contribution pension plans, a 401(a) plan and a 457(b) plan, covering substantially all employees. Pension expense is recorded for the amount of the Authority's required contributions, determined in accordance with the terms of the plans. The plans are administered by the Board of Trustees. The plans provide retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan documents and were established and can be amended by action of the Authority's governing body. No employer contributions are made by the Authority to the 457(b) plan. Contribution rates for plan members to the 457(b) plan and the Authority to the 401(a) plan expressed as a percentage of covered payroll were 5.2% and 2.9%, respectively, for 2022. Contributions actually made by plan members and the Authority to both plans aggregated approximately \$1,186,000 and \$673,000, respectively, during 2022.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Authority contributions after completion of three years of creditable service with the Authority. Nonvested Authority contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plans' administrative expenses.

Note 13: Contingencies

Litigation

The Authority is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Authority

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evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheet or the statements of revenues, expenses, and changes in net position and cash flows of the Authority. Events could occur that would change this estimate materially in the near term.

Note 14: Contract Management Services

Effective October 1, 2016, OSUMT began to be operated by Saint Francis Health System, Inc. (SFHS) under a management contract. The contract is for a period of 10 years unless terminated by either party with at least 12 months of notice prior to termination. As part of the management contract, SFHS provides three executives serving the Authority on a dedicated, full-time basis who are responsible for operations, finance, and nursing. The Authority reimburses SFHS for these three executives' salaries as well as any costs associated with any supplemental personnel and their expenses associated with the management contract. The management contract also includes a revenue-sharing calculation as part of the management fees to SFHS. Certain charitable donations to OSUMT (or the Medical Center) and contributions for capital needs are excluded from the revenue-sharing calculation, as defined by the agreement.

Fees earned by SFHS for management services, including reimbursement of executive salaries, were approximately \$14,475,000 for the year ended June 30, 2022. At June 30, 2022, the Authority owed SFHS approximately \$11,918,000 for management services, including reimbursement of executive salaries, which is included in accounts payable on the accompanying balance sheet.

Note 15: Community Support

In connection with the creation of the Trust (now OSUMT), several entities made commitments to the Trust to assist in providing support and funds for the Trust to keep operating the Medical Center. These commitments ranged from direct financial support to indirect community support. Below is a recap of community support received by the Authority in fiscal year 2022.

State of Oklahoma

The State provided the Authority with approximately \$69,889,000 in funds during the year ended June 30, 2022 related to funding for the OSU Center for Health Sciences and other programs (see *Note 1*). These state-operated programs include direct allocation of funds to the Authority in addition to statewide fund allocations.

The State also committed to provide the Trust (now OSUMT) up to \$25,000,000 in funding for capital needs during the first year of operations. The funding was provided by a commercial bank loan (see *Note 6*) secured by a lease agreement with the OSU Center for Health Sciences. This commercial bank loan was fully paid off in fiscal year 2022.

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The Oklahoma legislature enacted legislation that directs the Oklahoma Office of Management and Enterprise Services to award \$110 million from the *American Rescue Plan Act of 2021* Statewide Recovery Fund to the Authority in fiscal year 2023. At the time of this report, the governor has signed this Act into law; however, the formal Grant Award Notice and grant terms and conditions have not been received.

Oklahoma State University

The University has operational control over the OSU Center for Health Sciences in Tulsa. The OSU Center for Health Sciences provides interns and residents in the Tulsa area. The University has entered into an Academic Affiliation Agreement and a lease agreement with the Authority that provides for annual funding to the Authority of up to \$2,500,000 if certain events occur. This annual funding was relieved with the retirement of the note payable to bank discussed in *Note 6*.

Note 16: Transactions with OSU Center for Health Sciences

The Authority has engaged the OSU Center for Health Sciences, an agency of the University, to perform accounting functions, including the receipt, deposit, and recording of revenues and the payment and recording of expenses approved by the Authority. Additionally, purchasing actions are also performed by the OSU Center for Health Sciences on behalf of the Authority. The OSU Center for Health Sciences also provides legal consultation as a part of the administrative services agreement and has the right to receive payment for these services based upon the allocation of time spent by its employees for these functions. At June 30, 2022, the Authority owed the OSU Center for Health Sciences approximately \$2,893,000, which is included in accounts payable on the accompanying balance sheet.

During the year ended June 30, 2022, the Authority made contributions to the OSU Center for Health Sciences of approximately \$31,227,000, which was funded by the State, as discussed in *Notes 1 and 16*.

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Note 17: Combining Unit Information

The following table includes combining balance sheet information for the Authority and its component unit, OSUMT, as of June 30, 2022:

	<u>Authority</u>	<u>OSUMT</u>	<u>Eliminations</u>	<u>Combined Balance</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 13,697,349	\$ 82,609,855	\$ -	\$ 96,307,204
Patient accounts receivable, net of allowance	-	14,909,220	-	14,909,220
Other receivables	411,704	1,914,778	-	2,326,482
Supplies	-	3,934,948	-	3,934,948
Estimated amounts due from third-party payors	-	1,376,603	-	1,376,603
Prepaid expenses and other	-	3,398,547	-	3,398,547
Total current assets	<u>14,109,053</u>	<u>108,143,951</u>	<u>-</u>	<u>122,253,004</u>
Capital Assets, Net	-	63,738,216	-	63,738,216
Lease Assets, Net	-	1,836,928	-	1,836,928
Other Assets	-	377,442	-	377,442
Total assets	<u>\$ 14,109,053</u>	<u>\$ 174,096,537</u>	<u>\$ -</u>	<u>\$ 188,205,590</u>
Liabilities and Net Position				
Current Liabilities				
Current portion of lease liabilities	\$ -	\$ 1,072,480	\$ -	\$ 1,072,480
Accounts payable	2,892,750	22,904,585	-	25,797,335
Accrued expenses	-	4,371,914	-	4,371,914
Total current liabilities	<u>2,892,750</u>	<u>28,355,175</u>	<u>-</u>	<u>31,247,925</u>
Long-Term Lease Liabilities	-	826,853	-	826,853
Total liabilities	<u>2,892,750</u>	<u>29,182,028</u>	<u>-</u>	<u>32,074,778</u>
Net Position				
Net investment in capital assets	-	62,732,963	-	62,732,963
Restricted – Specific operating activities	6,000,000	13,305,015	-	19,305,015
Unrestricted	5,216,303	68,876,531	-	74,092,834
Total net position	<u>11,216,303</u>	<u>144,914,509</u>	<u>-</u>	<u>156,130,812</u>
Total liabilities and net position	<u>\$ 14,109,053</u>	<u>\$ 174,096,537</u>	<u>\$ -</u>	<u>\$ 188,205,590</u>

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The following table includes combining statement of revenues, expenses, and changes in net position information for the Authority and its component unit, OSUMT, for the year ended June 30, 2022:

	Authority	OSUMT	Eliminations	Combined Balance
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	\$ -	\$ 205,883,803	\$ (24,618,430)	\$ 181,265,373
Other	-	5,222,070	-	5,222,070
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	-	211,105,873	(24,618,430)	186,487,443
Operating Expenses				
Salaries and wages	-	95,715,251	-	95,715,251
Employee benefits	-	11,413,154	-	11,413,154
Purchased services and professional fees	-	33,380,671	-	33,380,671
Supplies and other	72,944	42,509,354	-	42,582,298
Depreciation	-	7,885,463	-	7,885,463
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	72,944	190,903,893	-	190,976,837
Operating Income (Loss)	<hr/> (72,944)	<hr/> 20,201,980	<hr/> (24,618,430)	<hr/> (4,489,394)
Nonoperating Revenues (Expenses)				
Government grants	-	4,432,654	(3,000,000)	1,432,654
Noncapital grants and gifts	-	4,835,280	(2,417,640)	2,417,640
State contract and grant revenue	69,888,845	-	-	69,888,845
Contribution expense	(38,697,770)	(3,000,000)	3,000,000	(38,697,770)
Support to OSUMT	(27,036,070)	-	27,036,070	-
Investment income	-	82,764	-	82,764
Interest expense	-	(161,321)	-	(161,321)
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating revenue (expenses)	4,155,005	6,189,377	24,618,430	34,962,812
Increase in Net Position	<hr/> \$ 4,082,061	<hr/> \$ 26,391,357	<hr/> \$ -	<hr/> \$ 30,473,418

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The following table includes condensed combining statement of cash flows information for the Authority and its component unit, OSUMT, for the year ended June 30:

	<u>Authority</u>	<u>OSUMT</u>	<u>Eliminations</u>	<u>Combined Balance</u>
Net Cash Provided by Operating Activities	\$ 6,563,107	\$ 4,013,047	\$ -	\$ 10,576,154
Net Cash Provided by Noncapital Financing Activities	-	15,324,650	-	15,324,650
Net Cash Provided By Capital and Related Financing Activities	-	7,325,159	-	7,325,159
Net Cash Provided by Investing Activities	-	82,764	-	82,764
Increase in Cash and Cash Equivalents	6,563,107	26,745,620	-	33,308,727
Cash and Cash Equivalents, Beginning of Year	7,134,242	55,864,235	-	62,998,477
Cash and Cash Equivalents, End of Year	<u>\$ 13,697,349</u>	<u>\$ 82,609,855</u>	<u>\$ -</u>	<u>\$ 96,307,204</u>

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

Independent Auditor's Report

Board of Trustees
Oklahoma State University Medical Authority
Tulsa, Oklahoma

We have audited, 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, the financial statements of Oklahoma State University Medical Authority (the Authority), a component unit of the State of Oklahoma, which comprise the Authority's balance sheet as of June 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 28, 2022, which contained an "Emphasis of Matter" paragraph regarding change in accounting principles.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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.

Board of Trustees
Oklahoma State University Medical Authority

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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.

FORVIS, LLP

Tulsa, Oklahoma
October 28, 2022