




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

**Independent Auditor's Reports and Financial
Statements**

June 30, 2023



Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
June 30, 2023

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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, 2023, 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, 2023 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 (*Government Auditing Standards*). 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 audit. 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. 96, *Subscription-Based Information Technology Arrangements*. 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 27, 2023 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 27, 2023

Oklahoma State University Medical Authority

A Component Unit of the State of Oklahoma

Management's Discussion and Analysis

Year Ended June 30, 2023

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, 2023. 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 2023, the Authority retroactively adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The 2022 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 \$17,968,664 or 12% in 2023 over 2022, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 12,851,231	\$ 96,307,204
Short-term investments	96,488,309	-
Patient accounts receivable, net	16,513,477	14,909,220
Other receivables	1,672,672	2,326,482
Other current assets	6,226,684	8,710,098
Capital assets, net	63,791,731	63,738,216
Lease assets, net	892,859	1,836,928
Subscription assets, net	1,786,402	-
Other assets	304,765	377,442
	<u>\$ 200,528,130</u>	<u>\$ 188,205,590</u>
Liabilities		
Long-term lease liabilities (including current portion)	\$ 1,149,363	\$ 1,899,333
Long-term subscription liabilities (including current portion)	1,574,534	-
Other current and noncurrent liabilities	23,704,757	30,175,445
	<u>26,428,654</u>	<u>32,074,778</u>
Net Position		
Net investment in capital assets	63,351,789	62,732,963
Restricted – Specific operating activities	30,400,168	19,305,015
Unrestricted	80,347,519	74,092,834
	<u>174,099,476</u>	<u>156,130,812</u>
Total liabilities and net position	<u>\$ 200,528,130</u>	<u>\$ 188,205,590</u>

Significant changes in the Authority's assets in 2023 are the decrease in cash and cash equivalents, increase in short-term investments, and the increase in patient accounts receivable. Cash and cash equivalents decreased from \$96,307,204 to \$12,851,231 in 2023 with a corresponding increase in short-term investments of \$96,488,309 due to the Authority allocating certain funds into U.S. Treasury obligations and money market mutual funds, which is further discussed in *Notes 3 and 13*. The increase in patient accounts receivable is primarily the result of improved volumes and revenue as compared to 2022. Days net revenue in accounts receivable was 34 days at June 30, 2023 compared to 30 days at June 30, 2022.

The significant change in the Authority's liabilities in 2023 is the decrease in accounts payable. The decrease in accounts payable of \$7,510,379 or 29% is primarily due to amounts owed under the management contract (see *Note 15*).

Operating Results and Changes in the Authority's Net Position

In 2023, the Authority's net position increased by \$17,968,664 or 12%, as shown in Table 2. This increase is made up of several different components and represents a decrease of 41% compared with the increase in net position for 2022 of \$30,473,418.

Table 2: Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Net patient service revenue	\$ 175,272,943	\$ 181,265,373
Other operating revenues	<u>5,848,613</u>	<u>5,222,070</u>
Total operating revenues	<u>181,121,556</u>	<u>186,487,443</u>
Operating Expenses		
Salaries, wages, and employee benefits	105,913,744	107,128,405
Purchased services and professional fees	33,182,930	33,380,671
Supplies and other	45,832,621	42,582,298
Depreciation and amortization	<u>8,007,655</u>	<u>7,885,463</u>
Total operating expenses	<u>192,936,950</u>	<u>190,976,837</u>
Operating Loss	<u>(11,815,394)</u>	<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	79,059,559	69,888,845
Contribution expense	(52,165,047)	(38,697,770)
Investment income	3,073,812	82,764
Interest expense	<u>(184,266)</u>	<u>(161,321)</u>
Total nonoperating revenues (expenses)	<u>29,784,058</u>	<u>34,962,812</u>
Excess of Revenues over Expenses and Increase in Net Position	17,968,664	30,473,418
Net Position, Beginning of Year	<u>156,130,812</u>	<u>125,657,394</u>
Net Position, End of Year	<u><u>\$ 174,099,476</u></u>	<u><u>\$ 156,130,812</u></u>

Operating Loss

The first component of the overall change in the Authority's net position is its operating loss. The operating loss is the difference between total operating revenue (patient-driven and other) and total operating expenses. The Authority reported an operating loss in 2023 primarily due to increased operating expenses resulting from increased supply expenses associated with the inflationary economic pressures and servicing patient volumes.

The operating results for 2023 declined by \$7,326,000 or 163% as compared to the operating results in 2022. The components of the decline were a decrease in operating revenues of \$5,365,887 or 3% and an increase in operating expenses of \$1,980,331 or 1%.

Net patient service revenue decreased in 2023 from 2022 primarily due to the end of additional reimbursement for COVID patients as well as declines in case mix index due to fewer COVID patients being admitted in 2023 compared to 2022.

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 2023 due primarily to:

- A decrease in salaries, wages, and employee benefits of \$1,214,661 or 1.1% compared to 2022
- An increase in supplies and other expense of \$3,250,323 or 7.6% compared to 2022

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 decreased in 2023 by \$5,178,754 or 15%. In 2023, state contract and grant revenue increased by \$9,170,714 or 13% and contribution expense increased by \$13,467,277 or 35%. These changes were primarily related to changes in state funding and appropriations. Additionally, in 2023, investment income increased \$2,991,048 primarily due to the Authority allocating certain funds into U.S. Treasury obligations and money market mutual funds, which is further discussed in *Notes 3 and 13*.

Capital Gifts and Grants

The Authority occasionally receives capital gifts and grants from various sources; however, the Authority received no capital gifts or grants in 2022 or 2023.

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 2023 and 2022, discussed earlier.

Capital Assets

At June 30, 2023 and 2022, the Authority had \$63,791,731 and \$63,738,216, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2023, the Authority purchased new capital assets costing approximately \$6,753,000.

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, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 12,851,231
Short-term investments	96,488,309
Patient accounts receivable, net of allowance – \$7,548,000	16,513,477
Other receivables	1,672,672
Supplies	4,403,884
Estimated amounts due from third-party payors	5,881
Prepaid expenses and other	1,816,919
	1,816,919

Total current assets 133,752,373

Capital Assets, Net 63,791,731

Lease Assets, Net 892,859

Subscription Assets, Net 1,786,402

Other Assets 304,765

Total assets \$ 200,528,130

Liabilities and Net Position

Current Liabilities

Current portion of lease liabilities	\$ 470,320
Current portion of subscription liabilities	378,271
Accounts payable	18,286,956
Accrued expenses	5,411,933
Accrued interest payable	5,868
	5,868

Total current liabilities 24,553,348

Long-Term Lease Liabilities 679,043

Long-Term Subscription Liabilities 1,196,263

Total liabilities 26,428,654

Net Position

Net investment in capital assets	63,351,789
Restricted – Specific capital and operating activities	30,400,168
Unrestricted	80,347,519
	80,347,519

Total net position 174,099,476

Total liabilities and net position \$ 200,528,130

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, 2023

Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts – \$12,862,052	\$ 175,272,943
Other	<u>5,848,613</u>
Total operating revenues	<u>181,121,556</u>
Operating Expenses	
Salaries and wages	93,014,069
Employee benefits	12,899,675
Purchased services and professional fees	33,182,930
Supplies and other	45,832,621
Depreciation and amortization	<u>8,007,655</u>
Total operating expenses	<u>192,936,950</u>
Operating Loss	<u>(11,815,394)</u>
Nonoperating Revenues (Expenses)	
State contract and grant revenue	79,059,559
Contribution expense	(52,165,047)
Investment income	3,073,812
Interest expense	<u>(184,266)</u>
Total nonoperating revenues (expenses)	<u>29,784,058</u>
Excess of Revenues over Expenses and Increase in Net Position	17,968,664
Net Position, Beginning of Year	<u>156,130,812</u>
Net Position, End of Year	<u><u>\$ 174,099,476</u></u>

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Receipts from and on behalf of patients	\$ 175,039,408
Payments to suppliers and contractors	(85,006,117)
Payments to and on behalf of employees	(104,873,725)
Other receipts and payments, net	<u>5,516,119</u>
Net cash used in operating activities	<u>(9,324,315)</u>
Noncapital Financing Activities	
State contract and grant revenue	49,071,095
Contribution expense	<u>(52,165,047)</u>
Net cash used in noncapital financing activities	<u>(3,093,952)</u>
Capital and Related Financing Activities	
Interest paid on long-term debt	(40,381)
Principal paid on lease liabilities	(603,505)
Interest paid on lease liabilities	(72,718)
Principal paid on subscription liabilities	(519,052)
Interest paid on subscription liabilities	(71,495)
Purchase of capital assets	(7,302,319)
Capital grants and gifts	<u>30,400,168</u>
Net cash provided by capital and related financing activities	<u>21,790,698</u>
Investing Activities	
Purchases of investments	(122,746,511)
Proceeds from sale of investments	26,844,295
Investment income	<u>3,073,812</u>
Net cash used in investing activities	<u>(92,828,404)</u>
Decrease in Cash and Cash Equivalents	(83,455,973)
Cash and Cash Equivalents, Beginning of Year	<u>96,307,204</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 12,851,231</u></u>

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (11,815,394)
Loss on disposition of property and equipment	11,493
Depreciation and amortization	8,007,655
Net unrealized gains on investments	(586,093)
Provision for uncollectible accounts	12,862,052
Changes in operating assets and liabilities	
Patient accounts receivable	(14,466,309)
Other accounts receivable	242,106
Supplies and prepaid expenses	1,690,731
Estimated amounts due to/from third-party payors	1,370,722
Accounts payable and accrued expenses	<u>(6,641,278)</u>
Net cash used in operating activities	<u>\$ (9,324,315)</u>

Supplemental Cash Flows Information

Capital assets in accounts payable	\$ 395,306
Lease obligation incurred for lease assets	\$ 286,088
Lease liability reductions for lease modifications	\$ 432,553
Subscription obligation incurred for IT assets	\$ 49,036

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2023

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 2023.

Oklahoma State University Medical Authority
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Notes to Financial Statements
June 30, 2023

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 had no operations in fiscal year 2023.

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, 2023

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, 2023, cash equivalents consisted primarily of money market accounts.

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.

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 U.S. Treasury obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

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, 2023

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

Land improvements	4–10 years
Buildings and leasehold improvements	4–40 years
Equipment	4–10 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.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

The Authority evaluates capital, lease, and subscription 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, lease, or subscription 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, 2023.

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.

Oklahoma State University Medical Authority
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Notes to Financial Statements
June 30, 2023

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.

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.

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

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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, 2023:

State contract and grant revenue	<u>\$ 79,059,559</u>
Payments to OSU Center for Health Sciences	
Dean's GME Program and other	\$ 36,222,126
Payment to Oklahoma Health Care Authority	4,008,356
Other	<u>11,934,565</u>
	<u>\$ 52,165,047</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 \$13,652,000 to OSUMT in accordance with the interlocal agreement for the year ended June 30, 2023.

During the year ended June 30, 2023, the Authority received \$13,300,000 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, 2023, the Authority paid approximately \$11,805,000 to OSUMT and approximately \$1,495,000 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 statement of revenues, expenses, and changes in net position and combining information presented in *Note 18*.

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.

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 designed to assess Oklahoma hospitals a supplemental hospital offset fee that will be placed in pools after

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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, 2023:

SHOPP funds recorded and received	\$ 16,942,856
SHOPP assessment fees recorded and paid	<u>(3,596,933)</u>
Net SHOPP benefit	<u><u>\$ 13,345,923</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 2023 cannot be currently estimated but could be material.

Change in Accounting Principle

In June 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The new statement requires lessees to recognize costs related to cloud computing agreements on the balance sheet as both a right-to-use asset and a lease liability.

The Authority adopted this statement as of July 1, 2022. The Authority has applied the new statement to all contracts meeting the definition of a SBITA with certain exceptions, as defined by GASB 96. There was no cumulative effect of applying GASB 96 to beginning net position for the year ended June 30, 2023. The cumulative effects of this change in accounting principle are presented in *Notes 5* and *6*.

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

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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 40% of gross patient service revenue is from participation in the Medicare program for the year ended June 30, 2023. Approximately 33% of gross patient service revenue is from participation in the state-sponsored Medicaid program for the year ended June 30, 2023.

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 2023 net patient service revenue increased approximately \$864,000 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 and Investments

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.

At June 30, 2023, none of the Authority's bank balances of approximately \$15,352,000 were exposed to custodial credit risk as uninsured and uncollateralized. These amounts include approximately \$11,019,000 at June 30, 2023 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.

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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	\$ 12,846,527
Investments	96,488,309
Cash on hand	<u>4,704</u>
	<u>\$ 109,339,540</u>
Included in the following balance sheet captions	
Cash and cash equivalents	\$ 12,851,231
Short-term investments	<u>96,488,309</u>
	<u>\$ 109,339,540</u>

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, money market mutual funds, and certificates of deposit. It may also invest to a limited extent in commercial paper, corporate and municipal bonds, equity securities, asset-backed securities, and mortgage-backed securities.

At June 30, 2023, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 25,078,193	\$ 25,078,193	\$ -	\$ -	\$ -
Money market mutual funds	71,410,116	71,410,116	-	-	-
	<u>\$ 96,488,309</u>	<u>\$ 96,488,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy generally limits its investment portfolio to maturities of less than 10 years. The money market mutual funds are presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

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Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s investment policy generally limits its investments to a credit rating of A or the equivalent by a nationally recognized statistical rating organization. At June 30, 2023, the Authority’s investments in money market mutual funds were rated AAAM by Standard & Poor’s and Aaa-mf by Moody’s Investor Services.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority’s investment policy does not address how securities underlying repurchase agreements are to be held.

Concentration of Credit Risk

The Authority’s investment policy places no limit on the amount that may be invested in any one issuer.

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, 2023 consisted of:

Medicare	\$ 5,710,207
Medicaid	2,928,593
Other third-party payors and patients	<u>15,422,677</u>
	24,061,477
Less allowance for uncollectible accounts	<u>7,548,000</u>
	<u><u>\$ 16,513,477</u></u>

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Note 5: Capital, Lease, and Subscription Assets

Capital assets activity for the year ended June 30, 2023 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 100	\$ -	\$ -	\$ -	\$ 100
Land improvements	2,891,035	87,637	-	182,999	3,161,671
Buildings and leasehold improvements	45,748,224	455,977	-	3,243,067	49,447,268
Equipment	69,891,261	2,418,126	(101,186)	4,895	72,213,096
Construction in progress	13,739,561	3,791,684	-	(3,430,961)	14,100,284
	<u>132,270,181</u>	<u>6,753,424</u>	<u>(101,186)</u>	<u>-</u>	<u>138,922,419</u>
Less accumulated depreciation					
Land improvements	1,106,338	191,216	-	-	1,297,554
Buildings and leasehold improvements	18,206,955	2,493,862	-	-	20,700,817
Equipment	49,218,672	4,004,691	(91,046)	-	53,132,317
	<u>68,531,965</u>	<u>6,689,769</u>	<u>(91,046)</u>	<u>-</u>	<u>75,130,688</u>
Capital assets, net	<u>\$ 63,738,216</u>	<u>\$ 63,655</u>	<u>\$ (10,140)</u>	<u>\$ -</u>	<u>\$ 63,791,731</u>

Lease assets activity for the year ended June 30, 2023 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings and leasehold improvements	\$ 1,863,795	\$ 286,088	\$ -	\$ -	\$ 2,149,883
Equipment	682,104	-	(432,553)	-	249,551
	<u>2,545,899</u>	<u>286,088</u>	<u>(432,553)</u>	<u>-</u>	<u>2,399,434</u>
Less accumulated depreciation					
Buildings and leasehold improvements	521,176	697,456	-	-	1,218,632
Equipment	187,795	100,148	-	-	287,943
	<u>708,971</u>	<u>797,604</u>	<u>-</u>	<u>-</u>	<u>1,506,575</u>
Lease assets, net	<u>\$ 1,836,928</u>	<u>\$ (511,516)</u>	<u>\$ (432,553)</u>	<u>\$ -</u>	<u>\$ 892,859</u>

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Subscription assets activity for the year ended June 30, 2023 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Subscription asset	\$ 2,257,648	\$ 49,036	\$ -	\$ -	\$ 2,306,684
Less accumulated amortization Subscription asset	<u>-</u>	<u>520,282</u>	<u>-</u>	<u>-</u>	<u>520,282</u>
Subscription assets, net	<u>\$ 2,257,648</u>	<u>\$ (471,246)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,786,402</u>

Note 6: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the year ended June 30, 2023:

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
Lease liability	\$ 1,899,333	\$ 286,088	\$ (1,036,058)	\$ 1,149,363	\$ 470,320
Subscription liability	<u>2,044,550</u>	<u>49,036</u>	<u>(519,052)</u>	<u>1,574,534</u>	<u>378,271</u>
Total long-term obligations	<u>\$ 3,943,883</u>	<u>\$ 335,124</u>	<u>\$ (1,555,110)</u>	<u>\$ 2,723,897</u>	<u>\$ 848,591</u>

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, 2023, the Hospital recognized approximately \$2,001,000 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, 2023:

Year Ending June 30,	Total to be Paid	Principal	Interest
2024	\$ 516,542	\$ 470,320	\$ 46,222
2025	338,310	312,013	26,297
2026	273,759	261,747	12,012
2027	107,146	105,283	1,863
	<u>\$ 1,235,757</u>	<u>\$ 1,149,363</u>	<u>\$ 86,394</u>

Note 8: Subscription Liabilities

The Authority has various SBITAs, the terms of which expire in various years through 2030. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the year ended June 30, 2023, the Authority recognized no subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the SBITAs as of June 30, 2023:

Year Ending June 30,	Total to be Paid	Principal	Interest
2024	\$ 436,019	\$ 378,271	\$ 57,748
2025	229,849	182,503	47,346
2026	218,724	178,963	39,761
2027	218,724	186,863	31,861
2028	218,724	195,114	23,610
2029–2030	473,902	452,820	21,082
	<u>\$ 1,795,942</u>	<u>\$ 1,574,534</u>	<u>\$ 221,408</u>

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Note 9: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at June 30, 2023 consisted of:

Payable to suppliers and contractors	\$ 17,459,438
Payable to employees (including payroll taxes and benefits)	5,231,933
Estimated malpractice liability accrual	180,000
Payable to patients (including third-party payors)	<u>827,518</u>
	<u><u>\$ 23,698,889</u></u>

Note 10: 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, 2023 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 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 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 year ended June 30, 2023 to be approximately \$3,564,000.

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

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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 5.6% and 2.6%, respectively, for 2023. Contributions actually made by plan members and the Authority to both plans aggregated approximately \$1,499,000 and \$686,000, respectively, during 2023.

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: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury obligations	\$ 25,078,193	\$ 25,078,193	\$ -	\$ -
Money market mutual funds	71,410,116	71,410,116	-	-
Total investments	<u>\$ 96,488,309</u>	<u>\$ 96,488,309</u>	<u>\$ -</u>	<u>\$ -</u>

Note 14: 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 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 15: 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

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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 \$8,190,000 for the year ended June 30, 2023. At June 30, 2023, the Authority owed SFHS approximately \$6,280,000 for management services, including reimbursement of executive salaries, which is included in accounts payable on the accompanying balance sheet.

OSUMT has also entered into a SBITA with SFHS for the utilization of their primary electronic medical records software. Approximately \$1,349,000 is included in subscription liabilities and \$1,322,000 in subscription assets recorded on the accompanying balance sheet at June 30, 2023.

Note 16: Community Support

In connection with the creation of the Trust (now OSUMT), various 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 2023.

State of Oklahoma

The State provided the Authority with approximately \$79,060,000 in funds during the year ended June 30, 2023 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 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 June 30, 2023, no amounts had been received or expended under this award.

Oklahoma Health Care Authority

In July 2023, the Oklahoma Health Care Authority announced a plan to distribute approximately \$200 million in gap funding to benefit Oklahoma hospitals. In August 2023, OSUMT received approximately \$3,800,000 in gap funding.

Note 17: 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

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agreement and has the right to receive payment for these services based upon the allocation of time spent by its employees for these functions.

During the year ended June 30, 2023, the Authority made contributions to the OSU Center for Health Sciences of approximately \$36,222,000, which was funded by the State, as discussed in *Notes 1 and 16*.

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Note 18: Combining Unit Information

The following table includes combining balance sheet information for the Authority and its component unit, OSUMT, as of June 30, 2023:

	<u>Authority</u>	<u>OSUMT</u>	<u>Eliminations</u>	<u>Combined Balance</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 11,019,380	\$ 1,831,851	\$ -	\$ 12,851,231
Short-term investments	-	96,488,309	-	96,488,309
Patient accounts receivable, net of allowance	-	16,513,477	-	16,513,477
Other receivables	-	1,672,672	-	1,672,672
Supplies	-	4,403,884	-	4,403,884
Estimated amounts due from third-party payors	-	5,881	-	5,881
Prepaid expenses and other	-	1,816,919	-	1,816,919
	<u>11,019,380</u>	<u>122,732,993</u>	<u>-</u>	<u>133,752,373</u>
Total current assets	11,019,380	122,732,993	-	133,752,373
Capital Assets, Net	-	63,791,731	-	63,791,731
Lease Assets, Net	-	892,859	-	892,859
Subscription Assets, Net	-	1,786,402	-	1,786,402
Other Assets	-	304,765	-	304,765
	<u>-</u>	<u>304,765</u>	<u>-</u>	<u>304,765</u>
Total assets	<u>\$ 11,019,380</u>	<u>\$ 189,508,750</u>	<u>\$ -</u>	<u>\$ 200,528,130</u>
Liabilities and Net Position				
Current Liabilities				
Current portion of lease liabilities	\$ -	\$ 470,320	\$ -	\$ 470,320
Current portion of subscription liabilities	-	378,271	-	378,271
Accounts payable	-	18,286,956	-	18,286,956
Accrued expenses	-	5,411,933	-	5,411,933
Accrued interest payable	-	5,868	-	5,868
	<u>-</u>	<u>24,553,348</u>	<u>-</u>	<u>24,553,348</u>
Total current liabilities	-	24,553,348	-	24,553,348
Long-Term Lease Liabilities	-	679,043	-	679,043
Long-term Subscription Liabilities	-	1,196,263	-	1,196,263
	<u>-</u>	<u>1,196,263</u>	<u>-</u>	<u>1,196,263</u>
Total liabilities	-	26,428,654	-	26,428,654
Net Position				
Net investment in capital assets	-	63,351,789	-	63,351,789
Restricted – Specific operating activities	6,284,388	24,115,780	-	30,400,168
Unrestricted	4,734,992	75,612,527	-	80,347,519
	<u>11,019,380</u>	<u>163,080,096</u>	<u>-</u>	<u>174,099,476</u>
Total net position	11,019,380	163,080,096	-	174,099,476
Total liabilities and net position	<u>\$ 11,019,380</u>	<u>\$ 189,508,750</u>	<u>\$ -</u>	<u>\$ 200,528,130</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, 2023:

	<u>Authority</u>	<u>OSUMT</u>	<u>Eliminations</u>	<u>Combined Balance</u>
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	\$ -	\$ 202,100,650	\$ (26,827,707)	\$ 175,272,943
Other	-	5,848,613	-	5,848,613
Total operating revenues	<u>-</u>	<u>207,949,263</u>	<u>(26,827,707)</u>	<u>181,121,556</u>
Operating Expenses				
Salaries and wages	-	93,014,069	-	93,014,069
Employee benefits	-	12,899,675	-	12,899,675
Purchased services and professional fees	-	33,182,930	-	33,182,930
Supplies and other	263,728	45,568,893	-	45,832,621
Depreciation	-	8,007,655	-	8,007,655
Total operating expenses	<u>263,728</u>	<u>192,673,222</u>	<u>-</u>	<u>192,936,950</u>
Operating Income (Loss)	<u>(263,728)</u>	<u>15,276,041</u>	<u>(26,827,707)</u>	<u>(11,815,394)</u>
Nonoperating Revenues (Expenses)				
State contract and grant revenue	79,059,559	-	-	79,059,559
Contribution expense	(52,165,047)	-	-	(52,165,047)
Support to OSUMT	(26,827,707)	-	26,827,707	-
Investment income	-	3,073,812	-	3,073,812
Interest expense	-	(184,266)	-	(184,266)
Total nonoperating revenue (expenses)	<u>66,805</u>	<u>2,889,546</u>	<u>26,827,707</u>	<u>29,784,058</u>
Increase (Decrease) in Net Position	<u>\$ (196,923)</u>	<u>\$ 18,165,587</u>	<u>\$ -</u>	<u>\$ 17,968,664</u>

Oklahoma State University Medical Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2023

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, 2023:

	Authority	OSUMT	Eliminations	Combined Balance
Net Cash Used in Operating Activities	\$ (2,677,969)	\$ (6,646,346)	\$ -	\$ (9,324,315)
Net Cash Used in Noncapital Financing Activities	-	(3,093,952)	-	(3,093,952)
Net Cash Provided by Capital and Related Financing Activities	-	21,790,698	-	21,790,698
Net Cash Used in Investing Activities	-	<u>(92,828,404)</u>	-	<u>(92,828,404)</u>
Decrease in Cash and Cash Equivalents	(2,677,969)	(80,778,004)	-	(83,455,973)
Cash and Cash Equivalents, Beginning of Year	<u>13,697,349</u>	<u>82,609,855</u>	-	<u>96,307,204</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,019,380</u>	<u>\$ 1,831,851</u>	<u>\$ -</u>	<u>\$ 12,851,231</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, 2023 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 27, 2023, which contained an "Emphasis of Matter" paragraph regarding a 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 27, 2023