The University of Oklahoma Health Sciences Center

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

The University of Oklahoma Health Sciences Center
June 30, 2021 and 2020

Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Oklahoma Health Sciences Center (the Center), an organizational unit of the Regents of the University of Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2021, 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.

Prior Year Audited by Other Auditors

The 2020 financial statements were audited by other auditors, and their report thereon, dated October 16, 2020, expressed an unmodified opinion.

Reporting Entity

As discussed in *Note 1*, the accompanying financial statements of the Center are intended to present the financial position, changes in financial position, and cash flows of only the activities of the Center. They do not purport to, and do not, present fairly the financial position of The University of Oklahoma as of June 30, 2021 and 2020, and the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the pension and other postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 29, 2021, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
October 29, 2021

The discussion and analysis of The University of Oklahoma Health Sciences Center's (the Center) financial statements provides an overview of the Center's financial activities for the years ended June 30, 2021 and 2020.

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

Financial Highlights

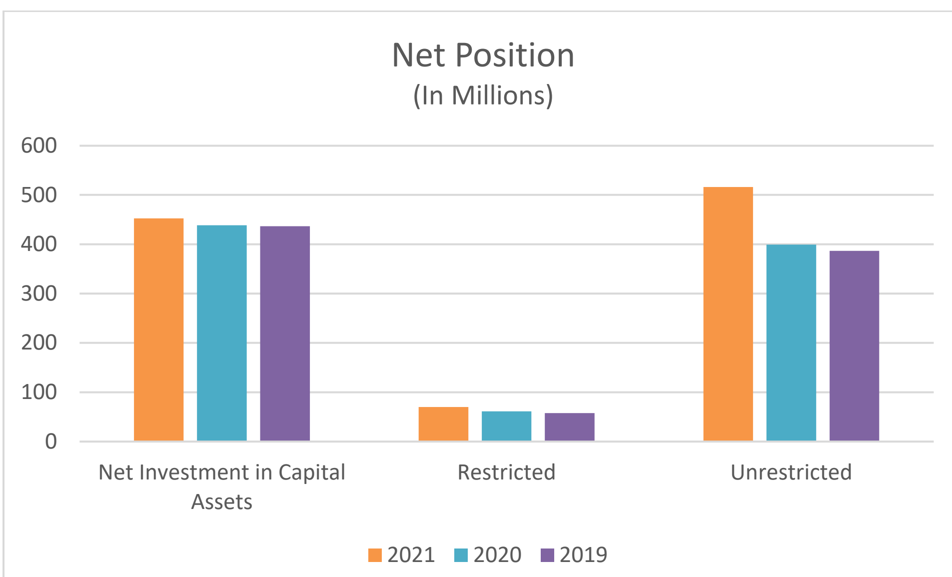
2021

The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2021. Net position increased by $138.9 million. The change resulted from increases in net investment in capital assets of $14.0 million, restricted net position of $8.9 million, and unrestricted net position of $116.0 million.

2020

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

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



Overview of the Financial Statements and Financial Analysis

This report consists of management's discussion and analysis; the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements provide both long-term and short-term financial information on the Center as a whole.

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

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

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

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

Condensed Statements of Net Position – June 30 (in Millions)

	2021	2020	2019
Assets			
Current assets	$ 871.0	$ 815.9	$ 799.5
Capital assets, net	587.0	578.4	582.1
Other noncurrent assets	249.9	235.6	210.8
Total assets	1,707.9	1,629.9	1,592.4
Deferred Outflows of Resources	148.2	94.1	71.3
Liabilities			
Current liabilities	148.1	141.4	137.4
Noncurrent liabilities	604.4	638.0	588.3
Total liabilities	752.5	779.4	725.7
Deferred Inflows of Resources	65.6	45.5	57.1
Net Position			
Net investment in capital assets	452.5	438.5	436.7
Restricted	70.2	61.3	57.6
Unrestricted	515.3	399.3	386.6
Total net position	$ 1,038.0	$ 899.1	$ 880.9

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

	2021	2020	2019
Operating Revenues	$ 1,013.9	$ 957.6	$ 964.3
Operating Expenses	1,038.0	1,084.6	1,023.0
Operating Loss	(24.1)	(127.0)	(58.7)
Net Nonoperating Revenues	148.0	138.7	134.9
Other Revenues, Expenses, and Gains and Losses	15.0	6.5	9.1
Change in Net Position	138.9	18.2	85.3
Net Position, Beginning of Year	899.1	880.9	795.6
Net Position, End of Year	$ 1,038.0	$ 899.1	$ 880.9

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

	2021	2020	2019
Operating Revenues			
Student tuition and fees	$ 70.8	$ 66.8	$ 65.0
Patient care	440.1	417.8	391.0
Pharmaceutical sales	101.2	102.9	94.2
Grants and contracts	338.8	313.0	356.9
Sales and services of educational activities	1.8	1.6	1.7
Auxiliary enterprises	46.0	40.1	40.8
Other	15.2	15.4	14.7
Total operating revenues	$ 1,013.9	$ 957.6	$ 964.3

Changes in operating revenues included the following:

2021

Student tuition and fees revenue had an increase of $4.0 million due to an increase in student tuition and fees.

Patient care increased over the past year by $22.3 million. This was primarily due to increases in service contracts as well as modest increases in patient volume and procedures.

Pharmaceutical sales remained steady with a slight decrease of $1.7 million.

Federal grants and contracts increased by $16.4 million due to increased federal-sponsored research related to diabetes, pediatrics, and the renovation and construction of a research animal facility. Private grants and contracts increased by $7.8 million due to increases in medical resident contracts and hospital support contracts.

Sales and services of auxiliary enterprises – other increased $4.2 million due to increased sales of IT services.

2020

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

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

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

Federal grants and contracts increased by $3.8 million due to increased federal-sponsored research related to cancer, diabetes, and geriatrics. State grants and contracts decreased by $45.9 million due to a one-time federal transition program for Graduate Medical Education received in 2019. Private grants and contracts decreased by $1.9 million.

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

	2021	2020	2019
Operating Expenses			
Compensation and benefits	$ 700.0	$ 752.1	$ 699.0
Contractual services	109.5	95.2	83.9
Supplies and materials	126.1	132.6	114.3
Depreciation	27.6	29.4	29.0
Utilities	15.4	11.7	12.0
Communications	8.3	10.2	10.2
Scholarships	5.9	4.3	2.9
Other	45.2	49.1	71.7
Total operating expenses	$ 1,038.0	$ 1,084.6	$ 1,023.0

Changes in operating expenses were the result of the following:

2021

Compensation and benefits expense decreased by $52.1 million or 6.9% due to a one-time change in benefit terms resulting in a $99.3 million decrease in other postemployment benefits (OPEB) expense, offset by an increase in pension expense of $16.1 million. Regular compensation and benefits increased by $31.1 million.

Contractual services expense increased by $14.3 million in part from locum services due to COVID-19 and professional services in support of the OU Health transition.

Supplies and materials expense decreased by $6.4 million. Pharmaceuticals for resale decreased by $3.0 million and other areas saw decreases in supplies due to remote working conditions.

2020

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

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

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

The following summarizes the Center's nonoperating revenues and expenses for the years ended June 30 (in millions):

	2021		2020		2019	
Nonoperating Revenues (Expenses)						
State appropriations	$	74.6	$	77.7	$	74.1
Federal grants and contracts		11.7		1.8		-
On-behalf payments		11.9		14.4		15.2
Private gifts		12.3		13.2		11.3
Interest on indebtedness		(4.3)		(6.8)		(7.1)
Investment income		26.4		22.4		25.4
Endowment income		15.4		16.0		16.0
Net nonoperating revenues (expenses)	$	148.0	$	138.7	$	134.9

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

2021

State appropriations decreased from the prior year by $3.1 million or 3.9%.

Federal grants and contracts increased by $9.9 million due to CARES Act Provider Relief Funding of $8.2 million.

Interest on indebtedness decreased by $2.5 million due to bond refunding savings.

Investment income increased by $4.0 million for the year. This was primarily due to a $10.3 million increase in endowment investments held at the OU Foundation offset by decreases in other investments held by the Center.

2020

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

Private gifts increased by $1.9 million, mainly due to an increase in gifts received from the OU Foundation. Investment income decreased by $3.0 million for the year. This was primarily due to a $5.6 million decrease in investment income recorded for the SPIV investment held at the OU Foundation and a decrease of $0.8 million in endowment investments. This was offset by an increase in other interest income of $2.0 million.

The Statement of Cash Flows

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

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

Condensed Statements of Cash Flows – Years Ended June 30 (in Millions)

	2021		2020		2019	
Net Cash Provided by (Used in)						
Operating activities	$	(54.1)	$	(66.1)	$	(4.0)
Noncapital financing activities		111.4		102.6		102.4
Capital and related financing activities		(30.7)		(23.9)		(22.5)
Investing activities		10.9		(3.1)		13.7
Increase in Cash and Cash Equivalents		37.5		9.5		89.6
Cash and Cash Equivalents, Beginning of Year		673.9		664.4		574.8
Cash and Cash Equivalents, End of Year	$	711.4	$	673.9	$	664.4

2021

The Center's overall liquidity increased during the year, with a net increase to cash of $37.5 million. Cash used in operating activities totaled $54.1 million, an increase of $12.0 million over the prior year. The use of cash was due to overall revenues not being sufficient to offset increased compensation, benefits, contractual services, and other operating costs. Significant cash flow increases were related to changes in grants and contracts revenue of $32.4 million.

Overall, cash provided by noncapital financing activities was $111.4 million, a net increase of $8.8 million over the prior year. This increase in cash flows was primarily due to a transfer to the Norman campus of $8.3 million in the prior year. In addition, cash received from the CARES Act Provider Relief Fund and other federal programs increased by $4.5 million.

Cash flows used in connection with capital and related financing activities totaled $30.7 million, an increase of $6.8 million compared to the prior year. This was a result of an increase in cash used for the purchase of capital assets of $9.5 million offset by a decrease in interest paid on capital debt and leases of $2.4 million.

Cash provided by investing activities was $10.9 million, an increase of $14.0 million. The increase was substantially the result of an increase of cash received from investment income of $11.8 million.

2020

The Center's overall liquidity increased during the year with a net increase to cash of $9.5 million. Cash used in operating activities totaled $66.1 million, an increase of $62.1 million over the prior year. The use of cash was due to overall revenues not being sufficient to offset increased compensation, benefits, contractual services, and other operating costs. Significant cash flow increases were related to changes in patient revenue of $35.6 million and pharmaceutical sales of $15.8 million. There was a significant decrease in cash flows from state grants and contracts revenue of $65.9 million.

Overall, cash provided by noncapital financing activities was $102.6 million, a net increase of $0.2 million over the prior year. This increase in cash flows was primarily due to a transfer to the Norman campus of $8.3 million. In addition, state appropriations increased by $3.6 million and private gifts increased by $2.2 million.

Cash flows used in connection with capital and related financing activities totaled $23.9 million, a decrease of $1.4 million compared to the prior year. This was a result of a decrease in cash used for the purchase of capital assets of $5.3 million. In addition, cash provided by state appropriations for capital projects increased by $5.0 million.

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

Capital Asset and Debt Administration

The following summarizes the Center's capital assets at June 30:

Capital Assets, Net – June 30 (in Millions)

	2021	2020	2019
Art	$ 1.3	$ 1.3	$ 1.3
Land and infrastructure	38.4	38.7	39.0
Construction in progress	25.2	9.2	3.8
Buildings	465.3	474.3	481.0
Furniture, fixtures, and equipment	56.1	54.2	56.0
Library materials	0.7	0.7	1.0
Capital assets, net	$ 587.0	$ 578.4	$ 582.1

2021

At June 30, 2021, the Center had $587.0 million invested in capital assets, net of accumulated depreciation of $426.6 million. Depreciation charges for the current year remained steady at $27.6 million.

2020

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

Debt

The following summarizes outstanding debt by type at June 30:

Outstanding Debt – June 30 (in Millions)

	2021	2020	2019
General revenue bonds	$ 130.3	$ 125.7	$ 130.7
Auxiliary facility revenue bonds	-	-	0.9
Lease obligations	14.6	15.4	15.2
Total outstanding debt	$ 144.9	$ 141.1	$ 146.8

2021

At fiscal year-end 2021, the Center had $144.9 million in outstanding debt, an increase of $3.8 million over the prior year.

The Center refunded two bond series during 2021, resulting in a total reduction of $14.2 million in debt service payments. Additional debt repayments of $6.0 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in *Note 12* to the financial statements.

2020

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

Besides a new lease obligation of $0.9 million, the Center issued no new debt during 2020. Debt repayments of $6.6 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in *Note 12* to the financial statements.

Economic Outlook

The Center's economic position is closely related to its role as the State's primary resource for the training of health care professionals. Future success is dependent upon the ability to recruit and retain highly qualified students, faculty, and staff, as well as ongoing financial and political support from state government. Support of the Center's mission remains strong; growth in the State's general revenue resulted in a 2.4% increase in appropriations for fiscal year 2022.

The impact of the ongoing COVID-19 pandemic has been manageable. The Center has continued to provide essential services throughout the course of the pandemic and has returned to in-person instruction and core administrative operations.

The Center's overall financial position enables it to provide consistent levels of service to students, patients, researchers, and citizens statewide. In July 2021, the Center's physician practice plan was integrated with the operations of OU Medicine, Inc. d/b/a OU Medical Center, forming OU Health. While a significant portion of the Center's clinical practice has transitioned to OU Health, projected support from the integrated health system will be reinvested to grow the Center's educational and research missions.

The University of Oklahoma Health Sciences Center

Statements of Net Position

June 30, 2021 and 2020

(In Thousands)

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	$ 679,944	$ 644,712
Restricted cash and cash equivalents	20,690	18,691
Short-term investments and accrued interest receivable	6,996	6,158
Accounts receivable, net of allowances	147,615	131,865
Inventories and supplies	6,641	4,042
Loans to students, net of allowance for uncollectible loans	1,257	1,177
Deposits and prepaid expenses	7,834	9,260
Total current assets	870,977	815,905
Noncurrent Assets		
Restricted cash and cash equivalents	10,804	10,467
Endowment investments	54,920	44,589
Other long-term investments	173,154	168,677
Investments in real estate	2,025	2,025
Loans to students, net	6,133	5,699
Deposits and prepaid expenses	2,593	1,785
Net OPEB	324	2,366
Capital assets, net	586,973	578,375
Total noncurrent assets	836,926	813,983
Total assets	1,707,903	1,629,888

Deferred Outflows of Resources

	2021	2020
Deferred Outflows		
Pensions	111,527	66,251
OPEB	25,756	26,068
Deferred Charge on Debt Refunding	10,960	1,772
Total deferred outflows of resources	148,243	94,091

The University of Oklahoma Health Sciences Center
Statements of Net Position, continued
June 30, 2021 and 2020
(In Thousands)

Liabilities

	2021	2020
Current Liabilities		
Accounts payable and accrued expenses	$ 98,432	$ 88,094
Unearned revenue	5,563	8,015
Accrued interest payable	2,272	3,026
Deposits held in trust by others	851	2,047
Long-term liabilities – current portion		
Accrued compensated absences	33,758	34,160
Capital lease payable	801	781
Revenue bonds payable	6,449	5,219
Total current liabilities	148,126	141,342
Noncurrent Liabilities		
Accrued compensated absences and other	9,048	7,933
Net pension liability	312,231	256,377
Total OPEB liability	137,820	230,899
Federal loan program contributions refundable	7,621	7,710
Capital lease payable	13,840	14,641
Revenue bonds payable	123,880	120,479
Total noncurrent liabilities	604,440	638,039
Total liabilities	752,566	779,381

Deferred Inflows of Resources

	2021	2020
Deferred Inflows		
Pensions	45,510	27,224
OPEB	19,672	17,828
Deferred Credit on OCIA Lease Restructure	435	483
Total deferred inflows of resources	65,617	45,535

Net Position

	2021	2020
Net Investment in Capital Assets	452,528	438,544
Restricted for		
Nonexpendable	28,592	28,592
Expendable		
Education, scholarships, and other	17,589	9,043
Capital projects	7,730	9,254
Debt service	16,242	14,380
Unrestricted	515,282	399,250
Total net position	$ 1,037,963	$ 899,063

The University of Oklahoma Health Sciences Center

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020
Operating Revenues		
Student tuition and fees, net of scholarship allowances; 2021 – $5,954, 2020 – $5,864	$ 70,817	$ 66,762
Patient care, net of provisions for contractual, bad debt, and other adjustments; 2021 – $482,316, 2020 – $484,561	440,057	417,749
Pharmaceutical sales	101,239	102,926
Federal grants and contracts	97,102	80,692
State grants and contracts	69,967	68,321
Private grants and contracts	171,729	163,961
Sales and services of educational activities	1,769	1,649
Sales and services of auxiliary enterprises		
Steam and chilled water plant revenues pledged as security for the Utility System – System Revenue Bonds Series 2004	9,100	7,360
Other	36,925	32,720
Other revenues, including $12 and $166 from interest on student loans for 2021 and 2020, respectively	15,184	15,414
Total operating revenues	1,013,889	957,554
Operating Expenses		
Compensation and benefits	700,012	752,082
Contractual services	109,434	95,199
Supplies and materials	126,148	132,555
Depreciation	27,590	29,384
Utilities	15,377	11,722
Communications	8,312	10,190
Scholarships	5,905	4,292
Other	45,215	49,141
Total operating expenses	1,037,993	1,084,565
Operating Loss	(24,104)	(127,011)
Nonoperating Revenues (Expenses)		
State appropriations	74,621	77,687
Federal grants and contracts	11,688	1,803
On-behalf payments	11,919	14,358
Private gifts	12,308	13,218
Interest on indebtedness	(4,297)	(6,815)
Investment income	26,394	22,370
Endowment income	15,335	16,057
Net nonoperating revenues (expenses)	147,968	138,678

The University of Oklahoma Health Sciences Center

Statements of Revenues, Expenses, and Changes in Net Position, continued

Years Ended June 30, 2021 and 2020

(In Thousands)

	2021	2020
Income Before Other Revenues (Expenses) and Gains (Losses)	$ 123,864	$ 11,667
Other Revenues (Expenses) and Gains (Losses)		
Federal grants and contracts for capital projects	114	-
State grants and contracts for capital projects	5,000	5,000
State appropriations for capital projects	5,539	5,443
Private gifts for capital projects	624	246
State school land funds	3,759	4,104
Transfer to University of Oklahoma Norman Campus	-	(8,300)
Total other revenues (expenses) and gains (losses)	15,036	6,493
Change in Net Position	138,900	18,160
Net Position, Beginning of Year	899,063	880,903
Net Position, End of Year	$ 1,037,963	$ 899,063

The University of Oklahoma Health Sciences Center

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

(In Thousands)

	2021	2020
Operating Activities		
Tuition and fees	$ 69,626	$ 65,129
Patient revenues	430,890	421,370
Pharmaceutical sales	100,398	104,871
Federal grants and contracts	96,992	77,169
State grants and contracts	70,070	66,508
Private grants and contracts	171,659	162,602
Sales and services of auxiliary enterprises	34,442	32,734
Sales and services of educational activities	1,824	1,595
Steam and chilled water plant revenues	7,822	7,471
Interest on loans receivable	12	166
Other additions	13,015	15,225
Loans issued to students	(1,700)	(1,560)
Collection of loans	1,159	1,167
Compensation and benefits	(744,811)	(723,350)
Contractual services	(106,099)	(96,337)
Supplies and materials, utilities, communications, scholarships and fellowships, other, and deposits held in custody	(199,394)	(200,940)
Net cash used in operating activities	(54,095)	(66,180)
Noncapital Financing Activities		
State appropriations	73,814	77,687
Endowment income	16,134	15,808
Private gifts	12,575	13,174
Federal grants and contracts	9,012	4,478
Transfer to University of Oklahoma Norman Campus	-	(8,300)
Direct loan receipts	65,166	57,922
Direct loan disbursements	(65,166)	(57,922)
Net decrease to federal loan program contributions refundable	(89)	(218)
Net cash provided by noncapital financing activities	111,446	102,629

The University of Oklahoma Health Sciences Center

Statements of Cash Flows, continued

Years Ended June 30, 2021 and 2020

(In Thousands)

	2021	2020
Capital and Related Financing Activities		
Proceeds from bonds payable	$ 71,700	$ -
State grants and contracts for capital projects	5,000	5,000
State appropriations for capital projects	5,062	5,455
Federal and state grants and contracts for capital projects	114	-
Private gifts for capital projects	624	246
Purchases of capital assets	(35,425)	(25,892)
Payment to trustee for extinguishment of debt	(71,671)	-
Principal paid on capital debt and leases	(5,983)	(6,541)
Interest paid on capital debt and leases	(3,858)	(6,267)
Receipt of state school land funds	3,759	4,104
Net cash used in capital and related financing activities	(30,678)	(23,895)
Investing Activities		
Investment income	26,157	14,341
Proceeds from sales and maturities of investments	1,873	3,654
Purchases of investments	(17,135)	(21,091)
Net cash provided by (used in) investing activities	10,895	(3,096)
Increase in Cash and Cash Equivalents	37,568	9,458
Cash and Cash Equivalents, Beginning of Year	673,870	664,412
Cash and Cash Equivalents, End of Year	$ 711,438	$ 673,870
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	$ 679,944	$ 644,712
Restricted cash and cash equivalents	20,690	18,691
Noncurrent assets		
Restricted cash and cash equivalents	10,804	10,467
Total cash and cash equivalents	$ 711,438	$ 673,870

The University of Oklahoma Health Sciences Center

Statements of Cash Flows, continued

Years Ended June 30, 2021 and 2020

(In Thousands)

	2021	2020
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (24,104)	$ (127,011)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	27,590	29,384
Loss on disposal of capital assets	50	1,140
On-behalf contributions related to pensions	11,294	13,718
Change in assets and liabilities		
Accounts receivable	(15,532)	2,710
Inventories and supplies	(2,599)	(743)
Loans to students	(514)	(373)
Deposits and prepaid expenses	618	(7,551)
Net OPEB asset	2,042	(57)
Deferred outflows related to pensions and OPEB	(44,964)	(22,893)
Accounts payable and accrued expenses	9,378	4,012
Unearned revenue	224	(5,687)
Deposits held in custody for others	(1,196)	393
Compensated absences	713	5,570
Total OPEB liability	(93,079)	16,966
Net pension liability	55,854	35,763
Deferred inflows related to pensions and OPEB	20,130	(11,521)
Net cash used in operating activities	$ (54,095)	$ (66,180)
Supplemental Schedule of Noncash Investing and Financing Activities		
On-behalf interest paid by OCIA	$ 625	$ 624
On-behalf principal payments made by OCIA	$ -	$ 16
Amortization of bond discount/premium	$ 143	$ (17)
Amortization of ODFA discount/premium	$ 33	$ 35
Capital lease for acquisition of capital assets	$ -	$ 930
Capital asset purchases in accounts payable	$ 4,203	$ 3,390

Note 1: Summary of Significant Accounting Policies

Nature of the Organization

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

Reporting Entity

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

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

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

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

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

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

Financial Statement Presentation

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

Basis of Accounting

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

Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Short-Term Investments

Short-term investments include U.S. agency securities and treasury notes with an original maturity of 3 to 12 months, excluding restricted cash and investments.

Investments

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

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

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

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

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

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

(In Thousands)

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

Accounts Receivable

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

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

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

	2021	2020
Medicare	17%	15%
Medicaid	26%	19%
Other third-party and commercial payors	37%	32%
Other, including self-pay	20%	34%
	100%	100%

Inventories and Supplies

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

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings; 20 years for infrastructure, land improvements, library materials, and capital improvements; 10 years for leasehold improvements, buses, construction equipment, furniture, fixtures, and equipment; 5 years for vehicles and software; and 3 years for computers, or the duration of the lease term for capital leases.

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

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

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the statement of revenues, expenses, and changes in net position. There were no events or changes in conditions requiring recognition of an impairment loss in either 2021 or 2020.

Investments in Real Estate

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

Unearned Revenues

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

Accrued Compensated Absences

Employees' compensated absences are accrued when earned. The obligation at the end of the year and expenditure incurred during the year are recorded as accrued compensated absences in the accompanying statements of net position and as a component of compensation and benefit expense in the accompanying statements of revenues, expenses, and changes in net position. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date. The current portion of the obligation is determined by calculating a five-year average annual usage value and applying it to the total obligation.

Estimated Self-Insurance Reserves

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

Medical Malpractice Coverage Claims

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

Noncurrent Liabilities

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about and additions to/deductions from the fiduciary net position of the Oklahoma Teachers' Retirement System (OTRS) and other plans have been determined on the same basis as reported by OTRS and other plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by OTRS and other plans are reported at fair value by OTRS and other plans.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Net Position

The Center's net position is classified as follows:

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

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

Restricted Net Position – Expendable – Includes resources in which the Center is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or enabling legislation.

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

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

Classification of Revenues

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

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

Nonoperating Revenues – Include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB, such as state appropriations and investment income.

Scholarship Allowances

Student tuition and fee revenue, and certain other revenues from students, are reported net of scholarship allowances in the accompanying statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the Center and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the Center's financial statements.

Contributions

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

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

Tax Status

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

Use of Estimates

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

New Accounting Pronouncements Adopted in Fiscal Year 2021

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017 and improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities for all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The adoption of GASB 84 did not impact amounts recorded by the Center.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was issued in June 2020. GASB 97 clarifies rules related to reporting of fiduciary activities under GASB 14 and GASB 84; mitigates costs for defined contribution plans; and enhances the relevance, consistency, and comparability of the accounting and financial reporting of Code Section 457 plans that meet the definition of a pension plan. The early adoption of GASB 97 did not impact amounts recorded by the Center.

New Accounting Pronouncement Issued Not Yet Adopted

GASB Statement No. 87, *Leases*, was issued in June 2017 and improves accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for the Center's fiscal year beginning July 1, 2022. Earlier application is encouraged.

The Center is currently evaluating the impact this new standard will have on its financial statements.

Revisions

Certain immaterial revisions have been made to the 2020 financial statements as follows:

- Statement of cash flows – to correct the presentation of certain grant funds received
- Statement of revenues, expenses, and changes in net position – to show gross rather than net presentation of pass-through grants and to revise the presentation of a grant between state and federal grants and contracts
- *Note 7* – to correct an error in retirements of accumulated depreciation between buildings and equipment

These revisions did not have a significant impact on the financial statement line items impacted.

Note 2: Deposits and Investments

Deposits

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

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

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

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

Cash and Cash Equivalents

At June 30, 2021 and 2020, the carrying amounts of the Center's deposits with the OST and other financial institutions were $711,438 and $673,870, respectively. These amounts consisted of deposits with the OST ($701,661 and $665,152), deposits with financial institutions ($1,263 and $420), deposits with trustees ($8,477 and $8,261), and petty cash and change funds ($37 and $37) at June 30, 2021 and 2020, respectively.

Of funds on deposit with the OST, amounts invested in OK INVEST total $552,475 and $545,013 at June 30, 2021 and 2020, respectively, and are reported as cash equivalents. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma Statutes and the OST establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day management of OK INVEST with an emphasis on safety of the capital, the probable income to be derived, and meeting the State's and its funds' and agencies' daily cash flow requirements.

Guidelines in the OK INVEST Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments. The specifics regarding these policies can be found on the OST website at ok.gov/treasurer/. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes investments in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to 10 years. OK INVEST maintains an overall weighted-average maturity of no more than four years. Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

(In Thousands)

Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State of Oklahoma, the FDIC, or any other government agency.

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

The distribution of investments in OK INVEST at June 30 is as follows:

	2021	2020
U.S agency securities	39.6%	22.9%
Mortgage-backed agency securities	29.5%	37.8%
U.S. Treasury obligations	25.0%	31.7%
Money market mutual funds	4.4%	5.1%
Certificates of deposit	0.7%	1.4%
Municipal bonds	0.1%	0.1%
Foreign bonds	0.7%	1.0%
	100.0%	100.0%

As of June 30, 2021 and 2020, the Center held approximately 5.5% and 7.1% of the OK INVEST fund. The market value of OK INVEST as of June 30, 2021 and 2020, was $10,089,394 and $7,910,433, respectively, and the amortized cost was $9,980,489 and $7,698,424, respectively.

(In Thousands)

Investments

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

	2021	2020
Short-term investments		
Marketable securities – Level 1	$ 6,957	$ 6,041
Accrued interest receivable	39	117
Total short-term investments	6,996	6,158
Endowment investments		
Consolidated Investment Fund – NAV	46,408	35,604
Expendable Investment Pool II – NAV	8,512	8,985
Total endowment investments	54,920	44,589
Other long-term investments		
Fidelity Revenue Sharing – Level 1	92	57
Marketable securities – Level 1	13,948	15,050
Expendable Investment Pool II – NAV	17,135	-
Special Purpose Investments Vehicle I – Level 3	141,979	153,570
Total other long-term investments	173,154	168,677
Investments in real estate		
Real property – Level 3	2,025	2,025
Total investments	$ 237,095	$ 221,449

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

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

Expendable Investment Pool II (EIP II) – NAV – These investments consist of liquid money market funds, mutual funds, equities, and separate accounts holding U.S. government and corporate fixed income securities.

Special Purpose Investment Vehicle I (SPIV) – Level 3 – The investment is held as an alternative investment by the Foundation and valued using the income approach with certain unobservable input measures.

Real Property – Level 3 – These are investments owned directly by the Center and held for investment purposes. The real property is measured using an internal analysis that considers indications of impairment or changes in property values. Management does not adjust this investment for immaterial changes based on this assessment. In fiscal year 2020, the Center sold real property for $1,451 resulting in a decrease in investments in real estate.

Investments measured at NAV per unit: Title 70, Section 4306 of the Oklahoma Statutes directs, authorizes, and empowers the Center's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner that is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws. The Center has entrusted the Foundation with a portion of its funds totaling $54,920 and $44,589 as of June 30, 2021 and 2020, respectively. The investments held at the Foundation on behalf of the Center within two separate investment pools are as follows:

Consolidated Investment Fund (CIF) – Investments in this pool consist primarily of domestic and international equity securities, U.S. government securities, derivative financial instruments, and alternative holdings. The Foundation considers the underlying investments within this pool to include Level 1, 2, 3, and NAV inputs. The Center owns approximately 2.4% and 2.6% of the fund as of June 30, 2021 and 2020, respectively.

Expendable Investment Pool II (EIP II) – Investments in this pool primarily consist of liquid money market funds, mutual funds, equities, and separate accounts holding U.S. government and corporate fixed income securities. The Foundation considers the underlying investments within this pool to include Level 1, 2, and NAV inputs. The Center owns approximately 40.4% and 21.6% of the fund as of June 30, 2021 and 2020, respectively.

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

While the Center's investments have no unfunded commitments and funds may be redeemed daily with no redemption notice, within the CIF pool, certain investments held do have unfunded commitments and limitations on redemption frequency, including redemption notice periods. The total market value of the CIF fund as of June 30, 2021, was $1,883,224. Unfunded commitments within this fund totaled $245,768. There were redemption limitations that ranged from quarterly to three years with a 30- to 90-day redemption notice period on investments with a total market value of $306,711. Investments held in real estate funds and private equity funds with a total market value at June 30, 2021, of $610,930 cannot be redeemed and are subject to the terms of the individual funds. These funds typically have lives up to 10 years (with the potential for extensions if necessary) and distributions at the discretion of the general partners.

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

Credit Risk

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

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the Center are generally limited to direct obligations of the U.S. government and its agencies, certificates of deposit, and demand deposits.
- The Board has authorized endowment and similar funds to be invested in direct obligations of the U.S. government and its agencies, certificates of deposit, prime commercial paper, banker's acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities. In addition, the Board of Regents authorized investments in the CIF, EIP II, and SPIV with the Foundation.
- The Center's marketable securities are generally limited to holdings of high-quality fixed income securities. As of June 30, 2021, the Center's investment in fixed income securities has a credit rating of AA+ as rated by Standard & Poor's Corporation.

Custodial Credit Risk

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

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

(In Thousands)

Concentration of Credit Risk

The Center's investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. The Center has adopted the Foundation's "Statement of Investment Policy" for the CIF, EIP II, and SPIV investments held with the Foundation. Within the CIF, investments consist of domestic and international equity securities, U.S. government securities, derivative financial instruments, and alternative holdings. Within the EIP II, investments consist of liquid money market funds, mutual funds, equities, and separate accounts holding U.S. government and corporate fixed income securities. Due to the diversification within the CIF and EIP II investments, the Center believes it does not have any significant concentrations of credit risk. The SPIV consists of one investment, which accounted for approximately 60% and 69% of the Center's total investments as of June 30, 2021 and 2020, respectively.

Interest Rate Risk

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

Investment maturities were as follows at June 30:

	Carrying Amount	Investment Maturities (in Years)	
		Less than 1	1–5
2021			
U.S. agency securities	$ 13,948	$ -	$ 13,948
U.S. treasury notes	6,957	6,957	-
Total	$ 20,905	$ 6,957	$ 13,948
2020			
U.S. agency securities	$ 8,028	$ -	$ 8,028
U.S. treasury notes	13,063	6,041	7,022
Total	$ 21,091	$ 6,041	$ 15,050

(In Thousands)

Note 3: Accounts Receivable

Accounts receivable are shown net of contractual allowances and doubtful accounts in the accompanying statements of net position.

At June 30, the accounts receivable and allowances were as follows:

	2021	2020
Accounts receivable	$ 247,943	$ 223,839
Less allowance and contractual adjustments	(100,328)	(91,974)
Total	$ 147,615	$ 131,865

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

	2021	2020
PPP patient billings		
Accounts receivable	$ 159,405	$ 138,770
Less contractual adjustments	(87,574)	(65,289)
Less allowance	(12,628)	(26,246)
Accounts receivable, net	$ 59,203	$ 47,235
Due from federal, state, and private sources		
Accounts receivable, no allowance	$ 76,346	$ 76,083
Auxiliary enterprises		
Accounts receivable	8,041	4,797
Less allowance	(126)	(439)
Accounts receivable, net	$ 7,915	$ 4,358
State tuition and fees		
Accounts receivable, no allowance	$ 3,502	$ 2,943
Other accounts receivable, no allowance	$ 649	$ 1,246

Note 4: Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates.

(In Thousands)

A summary of the payment arrangements with major third-party payors follows:

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

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

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

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

Differences between the Center's established patient care rates and agreed-upon rates with third-party payors total $431,632 and $432,015 for the years ended June 30, 2021 and 2020, respectively, and are reflected as contractual and other adjustments to patient care revenues in the accompanying statements of revenues, expenses, and changes in net position. The Center's bad debt expenses related to patient care services, which are determined after application of contractual and other adjustments, total $50,684 and $52,546 for the years ended June 30, 2021 and 2020, respectively, and are included in patient care revenues in the accompanying statements of revenues, expenses, and changes in net position.

The following summarizes the estimated percentage of gross patient charges from all payors for the years ended June 30:

	2021	2020
Medicare	22%	23%
Medicaid	33%	34%
Other third-party and commercial payors	37%	36%
Other, including self-pay	8%	7%
	100%	100%

(In Thousands)

Note 5: Inventories and Supplies

Inventories and supplies consisted of the following at June 30:

	2021	2020
Site support	$ 264	$ 206
Telecommunications	189	126
Other service units	119	101
Dental supply store	528	251
Other auxiliaries	39	38
Pharmacies	5,502	3,320
	$ 6,641	$ 4,042

Note 6: Loans to Students

The Center had student loans outstanding made under the Health Professions Student Loan Program, the Nursing Faculty Loan Program, and the Nursing Student Loan Program of $7,390 and $6,876 (net of allowance for uncollectible loans of $389 and $362) at June 30, 2021 and 2020, respectively. Under these programs, the U.S. Department of Health and Human Services, Bureau of Health Professions, provides funds for eight-ninths (8/9) of the loans, and the Center provides the remaining funds. The Center had a cash balance of $1,184 and $1,799, which is included in cash and cash equivalents in the accompanying statements of net position at June 30, 2021 and 2020, respectively, for these programs. At June 30, 2021 and 2020, $7,621 and $7,710, respectively, is included as federal loan program contributions refundable in the accompanying statements of net position as these amounts are refundable to the U.S. government upon cessation of the programs.

(In Thousands)

Note 7: Capital Assets

Capital asset activity as of and for the year ended June 30, 2021, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Art	$ 1,283	$ -	$ -	$ -	$ 1,283
Land	34,089	-	-	-	34,089
Construction in progress	9,149	25,171	(9,143)	-	25,177
Total capital assets not being depreciated	44,521	25,171	(9,143)	-	60,549
Capital assets being depreciated					
Buildings	671,313	873	2,773	-	674,959
Equipment	167,398	7,669	6,240	(3,980)	177,327
Leasehold improvements	43,502	82	53	-	43,637
Land improvements	18,742	2,406	-	(2,293)	18,855
Infrastructure	7,799	13	77	-	7,889
Library materials	30,376	24	-	-	30,400
Total capital assets being depreciated	939,130	11,067	9,143	(6,273)	953,067
Less accumulated depreciation					
Buildings	196,998	13,172	(475)	(57)	209,638
Equipment	124,868	11,107	644	(5,901)	130,718
Leasehold improvements	34,620	2,605	(169)	(46)	37,010
Land improvements	15,928	291	(13)	(212)	15,994
Infrastructure	3,222	364	13	(7)	3,592
Library materials	29,640	51	-	-	29,691
Total accumulated depreciation	405,276	27,590	-	(6,223)	426,643
Total capital assets being depreciated, net	533,854	(16,523)	9,143	(50)	526,424
Capital assets, net	$ 578,375	$ 8,648	$ -	$ (50)	$ 586,973

(In Thousands)

Capital asset activity as of and for the year ended June 30, 2020, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Art	$ 1,283	$ -	$ -	$ -	$ 1,283
Land	34,089	-	-	-	34,089
Construction in progress	3,818	12,560	(7,229)	-	9,149
Total capital assets not being depreciated	39,190	12,560	(7,229)	-	44,521
Capital assets being depreciated					
Buildings	665,039	1,523	4,751	-	671,313
Equipment	158,699	12,108	2,351	(5,760)	167,398
Leasehold improvements	42,799	608	95	-	43,502
Land improvements	18,721	(11)	32	-	18,742
Infrastructure	7,799	-	-	-	7,799
Library materials	30,342	34	-	-	30,376
Total capital assets being depreciated	923,399	14,262	7,229	(5,760)	939,130
Less accumulated depreciation					
Buildings	184,020	12,978	-	-	196,998
Equipment	117,035	12,453	-	(4,620)	124,868
Leasehold improvements	31,820	2,800	-	-	34,620
Land improvements	15,409	519	-	-	15,928
Infrastructure	2,850	372	-	-	3,222
Library materials	29,378	262	-	-	29,640
Total accumulated depreciation	380,512	29,384	-	(4,620)	405,276
Total capital assets being depreciated, net	542,887	(15,122)	7,229	(1,140)	533,854
Capital assets, net	$ 582,077	$ (2,562)	$ -	$ (1,140)	$ 578,375

(In Thousands)

Note 8: Accounts Payable and Accrued Expenses

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

	2021	2020
Accounts payable and other accrued expenses	$ 44,813	$ 36,670
Accrued payroll	47,927	45,733
Self-insurance reserves	5,692	5,691
	$ 98,432	$ 88,094

Note 9: Unearned Revenue

Unearned revenue consisted of the following at June 30:

	2021	2020
Prepaid tuition and student fees	$ -	$ 632
Auxiliary enterprises and other activities	197	296
Contracts	5,366	7,087
	$ 5,563	$ 8,015

Note 10: Funds Held in Trust by Others

Commissioners of the Land Office

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

The Norman Campus received $8,901 and $9,110 during the years ended June 30, 2021 and 2020, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2021 and 2020, the Norman Campus distributed $3,759 and $4,104, respectively, of these funds to the Center. Current state law prohibits the distribution of any corpus of these funds. The estimated fair value of these trust funds totaled $319,214 ($196,101 restricted corpus) and $175,106 ($186,707 restricted corpus) at June 30, 2021 and 2020, respectively, and have not been reflected in the accompanying financial statements.

(In Thousands)

Oklahoma State Regents for Higher Education Endowment Fund Program

In connection with the State Regents' Endowment Fund Program, the State of Oklahoma has matched contributions received under the Endowment Fund Program. The cumulative state match amount plus any retained accumulated earnings totaled $259,951 and $210,980 at June 30, 2021 and 2020, respectively, and is invested by the State Regents on behalf of the Center. The Center is entitled to receive an annual distribution of earnings on these funds. As legal title of the state match is retained by the State Regents, only the funds available after distribution, or $7,731 and $7,640 as of June 30, 2021 and 2020, respectively, have been reflected in the accompanying statements of net position as accounts receivable. Institutional matching funds are on deposit with the Foundation for the benefit of the Center.

Note 11: Operating Leases

Lessee Commitments

The Center has entered into certain other operating leases for equipment, office space, vehicles, and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures under all operating leases were $14,973 and $14,724 for the years ended June 30, 2021 and 2020, respectively.

Lessor Agreements

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

	University Research Park	Harold Hamm Diabetes Center	Land Leases
2022	$ 3,920	$ 140	$ 88
2023	3,013	144	89
2024	2,811	148	90
2025	1,922	140	91
2026	1,681	-	92
Thereafter	1,411	-	3,033
	$ 14,758	$ 572	$ 3,483

(In Thousands)

The cost and carrying amount of the leased property attributed to noncancelable leases as of June 30, 2021, was as follows:

	Cost	Accumulated Depreciation	Net Leased Property
University Research Park	$ 29,419	$ 4,128	$ 25,291
Harold Hamm Diabetes Center	1,165	256	909
Land leases	596	-	596
Net leased property	$ 31,180	$ 4,384	$ 26,796

The Center also has various other leases that are cancelable or currently month-to-month. The following schedule includes the cost and carrying amount of the leased property for these leases as of June 30, 2021:

	Cost	Accumulated Depreciation	Net Leased Property
University Research Park	$ 13,955	$ 2,035	$ 11,920
Family Medicine	80	39	41
O’Donoghue Building	239	221	18
Stephenson Cancer Center	82,640	16,309	66,331
Williams Pavilion	369	225	144
Tulsa Schusterman Center	3,245	693	2,552
Service Center Building	2,610	1,322	1,288
Harold Hamm Diabetes Center	4,966	1,092	3,874
Land leases	51	-	51
Net leased property	$ 108,155	$ 21,936	$ 86,219

(In Thousands)

Note 12: Long-Term Liabilities

The Center did not have any direct borrowings or direct placements of debt during 2021 or 2020. The following is a summary of long-term obligation transactions of the Center as of and for the year ended June 30, 2021:

	Interest Rates	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable						
General Revenue Bonds, Series 2008B	3.28%–6.63%	$ 10,190	$ -	$ 2,045	$ 8,145	$ 2,180
General Revenue Bonds, Series 2010 A&B	3.25%–5.00%	12,955	-	12,955	-	-
General Revenue Bonds, Series 2013A	3.85%–4.30%	57,185	-	53,115	4,070	1,300
General Revenue Bonds, Series 2017A	1.49%–4.03%	46,450	-	230	46,220	235
General Revenue Bonds, Series 2020 A&B	0.45%–5.00%	-	70,760	-	70,760	2,490
		126,780	70,760	68,345	129,195	6,205
Premium (discount)		(1,082)	2,359	143	1,134	244
Total revenue bonds payable		125,698	73,119	68,488	130,329	6,449
ODFA capital leases payable		2,225	-	748	1,477	768
OCIA capital leases payable		13,117	-	-	13,117	-
		15,342	-	748	14,594	768
Premium (discount)		80	-	33	47	33
Total capital leases payable		15,422	-	781	14,641	801
Accrued compensated absences and other		42,093	27,082	26,369	42,806	33,758
Federal loan program contributions refundable		7,710	-	89	7,621	-
Total other noncurrent liabilities		49,803	27,082	26,458	50,427	33,758
Total		$ 190,923	$ 100,201	$ 95,727	$ 195,397	$ 41,008

(In Thousands)

The following is a summary of long-term obligation transactions of the Center as of and for the year ended June 30, 2020:

	Interest Rates	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable						
Utility System, Series 2004 A&B	3.90%–4.00%	$ 855	$ -	$ 855	$ -	$ -
General Revenue Bonds, Series 2008B	3.28%–6.63%	12,110	-	1,920	10,190	2,045
General Revenue Bonds, Series 2010 A&B	3.25%–5.00%	14,590	-	1,635	12,955	1,705
General Revenue Bonds, Series 2013A	3.85%–4.30%	58,400	-	1,215	57,185	1,255
General Revenue Bonds, Series 2017A	1.49%–4.03%	46,675	-	225	46,450	230
		132,630	-	5,850	126,780	5,235
Premium (discount)		(1,099)	-	(17)	(1,082)	(16)
Total revenue bonds payable		131,531	-	5,833	125,698	5,219
ODFA capital leases payable		1,986	930	691	2,225	748
OCIA capital leases payable		13,133	-	16	13,117	-
		15,119	930	707	15,342	748
Premium (discount)		115	-	35	80	33
Total capital leases payable		15,234	930	742	15,422	781
Accrued compensated absences and other		36,522	31,969	26,398	42,093	34,160
Federal loan program contributions refundable		7,928	-	218	7,710	-
Total other noncurrent liabilities		44,450	31,969	26,616	49,803	34,160
Total		$ 191,215	$ 32,899	$ 33,191	$ 190,923	$ 40,160

Revenue Bonds Payable

Beginning in fiscal year 2009 with General Revenue Bonds, Series 2008 A&B, bonds have been issued by the Board of Regents pursuant to the Master Resolution and Supplemental Resolutions (the Resolution) establishing the University of Oklahoma Health Sciences Center General Revenue Financing System. The revenue pledged as security for these obligations is any or all revenues of the Center, which are lawfully available for the payment of obligations, excluding revenues appropriated by the State Legislature (except for in certain circumstances the Dedicated Tobacco Tax Revenues), funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for prior encumbered obligations. At June 30, 2021 and 2020, the total principal and interest remaining to be paid on these bonds was $172,329 and $195,965, respectively, and the total pledged revenue received was $716,297 and $697,245, respectively. Debt service payments of $8,703 and $11,048, including both principal and interest, were 1.2% and 1.6% of pledged revenues at June 30, 2021 and 2020, respectively.

(In Thousands)

Interest rates and maturity dates for each series of bonds are as follows:

Issue	Rate	Maturity Through
2020A	5.000%	7/1/2030
2020B	0.469%–3.223%	7/1/2043
2017A	1.491%–4.029%	7/1/2036
2013A	3.847%–4.297%	7/1/2023
2008B	3.280%–6.634%	7/1/2024

In fiscal year 2021, General Revenue Bonds, Series 2020 A&B, were issued by the Board of Regents pursuant to the Master Resolution establishing the University of Oklahoma Health Sciences Center General Revenue Financing System. These bonds were issued to refund Series 2010A and partially refund Series 2013A bond issues, which provided funding support for certain prior bond issues and to construct, renovate, remodel, expand, and equip certain additions and improvements to parking, utility, data center facilities on the Center's Oklahoma City campus, and to acquire a research park for the Center. The net proceeds of $60,445 related to the partial refunding of the Series 2013A bonds were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the 2013A bonds that was refunded. As a result, this portion of the 2013A bonds is considered to be defeased and the liability for these bonds has been removed from the Center's statement of net position. The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $9,547. This difference, recorded as deferred refunding costs and reported in the accompanying financial statements as a deferred outflow of resources, is being amortized through interest expense during the term of the Series 2020 A&B bonds using the straight-line method. The Center completed its refunding to reduce its total debt service payments over the next 23 years by $14,179 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $11,024.

Capital Lease Obligations

OCIA Capital Lease Obligations

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

(In Thousands)

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

				2021		2020	
	Issued	Term	Proceeds Received	Accumulated Depreciation*	Net Book Value	Accumulated Depreciation*	Net Book Value
OCIA State Facilities Revenue Bonds 2005F, 2005G, 2010A, 2010B, 2014A	Fall 2005	25 years	$ 26,146	$ 6,696	$ 19,450	$ 6,174	$ 19,972

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

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

During the years ended June 30, 2021 and 2020, the State Regents made lease principal and interest payments totaling $625 and $641, respectively, on behalf of the Center. These on-behalf payments have been recorded in the Center's statements of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

ODFA Master Lease Obligations

The Center has entered into various master lease agreements with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds.

These proceeds have been used by the Center to fund major capital projects on both the Oklahoma City and Tulsa campuses, and the assets under the capital leases as of June 30 have been recorded as follows:

				2021		2020	
	Issued	Term	Amount Financed	Accumulated Depreciation*	Net Book Value	Accumulated Depreciation*	Net Book Value
ODFA Master Leases							
2007B/2017C	December 2007	15 years	$ 6,067	$ 1,576	$ 4,491	$ 1,455	$ 4,612
2007C/2017D	December 2007	15 years	1,304	341	963	315	989
2014C	December 2014	5 years	401	401	-	401	-
2019B	November 2019	5 years	930	152	778	61	869
			$ 8,702	$ 2,470	$ 6,232	$ 2,232	$ 6,470

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

(In Thousands)

Maturities of principal and interest requirements on revenue bonds payable and capital lease obligations are as follows at June 30, 2021:

Year Ending June 30,	Principal	Interest
Bonds		
2022	$ 6,205	$ 4,324
2023	6,580	3,947
2024	6,895	3,627
2025	7,195	3,338
2026	7,440	3,105
2027–2031	29,850	12,997
2032–2036	33,660	8,123
2037–2041	20,460	3,138
2042–2044	10,910	535
Total bonds	129,195	43,134
Capital Leases		
2022	768	673
2023	1,658	616
2024	1,478	540
2025	1,399	477
2026	1,374	414
2027–2031	7,917	998
Total capital leases	14,594	3,718
Combined	$ 143,789	$ 46,852

Note 13: Retirement Plans

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

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

Oklahoma Teachers' Retirement System

Plan Description

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

Benefits Provided

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

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

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

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

- Upon the death of a retired member, OTRS will pay $5 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under IRC Section 403(b).

Contributions

The contribution requirements of OTRS are at an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. Employees are required to contribute 7% of their annual compensation. The Center's contribution rate is 8.55% for the years ended June 30, 2021 and 2020. There is also a federal match required on all compensation paid from federal funds, which had a contribution rate of 7.7% for 2021 and 2020. The Center's contributions to OTRS in 2021 and 2020, which include the 8.55% regular employer contribution and the federal match were $16,074 and $15,887, respectively, equal to the required contributions each year. In addition, the State of Oklahoma also contributed 5% of state revenues from sales, use, and individual income taxes to OTRS. The amounts contributed on-behalf of the Center and recognized in the Center's statements of revenues, expenses, and changes in net position as both revenues and compensation and benefits expense in 2021 and 2020 were $10,687 and $13,130, respectively. These on-behalf payments do not meet the definition of a special funding situation.

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

At June 30, 2021 and 2020, the Center reported a liability of $306,773 and $252,813, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019, respectively. The Center's proportion of the net pension liability was based on the Center's contributions to OTRS relative to total contributions of OTRS for all participating employers for the years ended June 30, 2020 and 2019. Based upon this information, the Center's proportion was 3.23% and 3.82% as of June 30, 2020 and 2019, respectively.

For the years ended June 30, 2021 and 2020, the Center recognized pension expense of $54,517 and $38,812, respectively.

(In Thousands)

At June 30, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	2020
Deferred outflows of resources		
Changes in proportion	$ 13,996	$ 20,824
Center contributions subsequent to measurement date	16,074	15,887
Changes of assumptions	37,622	13,273
Difference between expected and actual experience	14,934	12,978
Net difference between projected and actual earnings on pension plan investments	26,444	1,715
	$ 109,070	$ 64,677
Deferred inflows of resources		
Differences between expected and actual experience	$ 5,196	$ 10,834
Changes of assumptions	4,432	8,532
Changes in proportion	35,788	7,688
	$ 45,416	$ 27,054

Deferred pension outflows and inflows related to changes in proportion, changes of assumptions, and differences between expected and actual experience are recognized in pension expense using the average expected remaining life of the plan. The average expected remaining service life of the plan is determined by taking the calculated total future service years of the plan divided by the number of people in the plan, including retirees. The total future service years of the plan are determined using the mortality, termination, retirement, and disability assumptions associated with the plan. The average expected service life of the plan equals 5.30 years and 5.33 years at June 30, 2020 and 2019, respectively, as of the valuation date.

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

Years Ending June 30,	Deferred Outflows	Deferred Inflows
2022	$ 23,782	$ (15,777)
2023	23,543	(12,965)
2024	25,026	(7,937)
2025	18,034	(6,744)
2026	2,611	(1,993)
	$ 92,996	$ (45,416)

Actuarial Assumptions

The total pension liability as of June 30, 2021 and 2020, was determined based on actuarial valuations prepared as of June 30, 2020 and 2019, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Inflation – 2.25% for 2020 and 2.50% for 2019
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 2.25% wage inflation, plus 0.75% productivity increase rate, plus step-rate promotional increase for members with less than 25 years of service
- Investment Rate of Return – 7.00% for 2020 and 7.50% for 2019
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board of Regents in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members – Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

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

(In Thousands)

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

	Target Allocation	Long-Term Expected Real Rate of Return 2020	2019
Domestic equity	43.5%	7.5%	7.5%
International equity	19.0%	8.5%	8.5%
Fixed income	22.0%	2.5%	2.5%
Real estate*	9.0%	4.5%	4.5%
Alternative assets	6.5%	6.2%	6.1%
	100.0%		

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value-Added Real Estate (unleveraged).

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019, was 7.0% and 7.5%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5% of sales, use, and individual income taxes, as established by State Statutes. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability of the Center calculated using the discount rate of 7.0%, as well as what the Center's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
2021			
Center's net pension liability	$ 409,438	$ 306,773	$ 221,783
2020			
Center's net pension liability	$ 356,241	$ 252,813	$ 166,290

(In Thousands)

Oklahoma Law Enforcement Retirement System

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

	2021	2020
Net pension liability	$ 5,380	$ 3,552
Deferred outflows related to pensions	$ 2,400	$ 1,550
Deferred inflows related to pensions	$ 93	$ 162
Pension expense	$ 1,764	$ 1,357

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

Oklahoma Public Employees Retirement System

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

	2021	2020
Net pension liability	$ 78	$ 12
Deferred outflows related to pensions	$ 57	$ 24
Deferred inflows related to pensions	$ 1	$ 8
Pension expense	$ 46	$ 11

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

Defined Contribution Plan

Plan Description

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

Participation

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

Contributions

Contributions to the DCP are based on the hire date of the plan participants. For participants hired prior to July 1, 1995, and enrolled in OTRS, the rate is 15% of regular salary, supplemental salary, and wages paid during the plan year in excess of $9. For participants hired on or after July 1, 1995, and enrolled in OTRS, the rate is 8% of regular salary, supplemental salary, and wages paid during the plan year in excess of $9. The Center's contributions to the DCP for the years ended June 30, 2021 and 2020, were $19,268 and $17,555, respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan," amended and restated November 1, 2011.

The contribution rate for the ORP and hourly DCP participants is 9% of regular salary, supplemental salary, and wages paid for the plan year. The Center's contributions to the ORP for the years ended June 30, 2021 and 2020, were $28,460 and $25,397, respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Optional Retirement Plan," amended and restated November 1, 2011.

Note 14: Other Postemployment Benefits

Retiree Insurance Plan

Plan Description

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

Benefits Provided

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

(In Thousands)

Center's insurance continues in a secondary role. As of January 1, 2021, all Medicare-eligible retirees moved from the Center's self-insured plan to a fully insured Medicare Advantage plan.

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

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

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

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

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

On June 30, 2021, there were 1,214 active employees eligible for subsidized benefits and 1,265 were retired and participated in the Center's retiree insurance plan. All active employees who are eligible for subsidized benefits are assumed to elect coverage at retirement and are included in the calculation of the total OPEB liability. Active employees without subsidized benefits, who are required to pay the full cost of coverage, are not included in the calculation of the total OPEB liability.

Total OPEB Liability

The Center's total OPEB liability of $137,820 and $230,899 were measured as of June 30, 2021 and 2020, respectively, and were determined by an actuarial valuation as of that date.

(In Thousands)

The following schedule shows the changes in the Center's total OPEB liability for fiscal years 2021 and 2020:

	2021	2020
Total OPEB liability, beginning of year	$ 230,899	$ 213,933
Service cost	5,148	2,872
Interest	6,234	7,544
Changes in benefit terms	(100,486)	-
Changes in assumptions	12,920	19,790
Differences between expected and actual experience	(13,464)	(9,432)
Benefit payments	(3,431)	(3,808)
Total OPEB liability, end of year	$ 137,820	$ 230,899

The changes in benefit terms reflect a substantive plan provision change effective January 1, 2021, when all Medicare-eligible retirees moved to a fully insured Medicare Advantage plan. This resulted in a significant decrease in liability.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

- Discount Rate – 2.66% as of July 1, 2020, and 2.19% as of June 30, 2021
- Inflation – 3.00%
- Payroll Growth – Salary increases for teachers are based on the OTRS actuarial valuation as of June 30, 2020, and include wage inflation of 3.00%. Salary increases for public safety employees are based on the OLERS actuarial valuation as of July 1, 2020, and include wage inflation of 3.50%. Salary increases for general employees are based on the OPERS actuarial valuation as of July 1, 2020, and include wage inflation of 3.25%
- Health Care Trend Rates – 8.00% for 2022, decreasing annually to an ultimate rate of 4.50% for 2029 and later years
- Cost Method – Entry Age Normal
- Mortality
  - Healthy General Retirees: SOA PUB-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020
  - Healthy Teacher Retirees: SOA PUB-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2020

  - Surviving Spouses: SOA PUB-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020
  - Disabled Retirees: SOA PUB-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2020

  Group information was not provided for retirees, so blended teacher, public safety, and general mortality tables were developed such that they are representative of the active employment mix (52.6% teachers, 0.6% public safety, and 46.8% general). Actual group information was used to assign mortality tables for current actives.

- Experience Study – Completed for the fiscal year ended June 30, 2015, with data through January 1, 2015
- Retiree Share of Benefit-Related Costs – Projections of sharing benefit-related costs between subsidized retiree groups and all other retirees follow established practices as described above.

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

- Discount Rate – 3.51% as of July 1, 2019, and 2.66% as of June 30, 2020
- Inflation – 2.50%
- Payroll Growth – Composed of general wage inflation of 3.25% (includes 2.5% inflation assumption and 0.75% real wage inflation) plus a service-related component ranging from 0.00% to 8.00% based on years of service
- Health Care Trend Rates – 8.00% for 2021, decreasing annually to an ultimate rate of 4.50% for 2028 and later years
- Cost Method – Entry Age Normal
- Mortality
  - Healthy General Retirees: SOA PUB-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - Healthy Teacher Retirees: SOA PUB-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - Surviving Spouses: SOA PUB-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - Disabled Retirees: SOA PUB-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019

(In Thousands)

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

- Experience Study – Completed for the fiscal year ended June 30, 2015, with data through January 1, 2015
- Retiree Share of Benefit-Related Costs – Projections of sharing benefit-related costs between subsidized retiree groups and all other retirees follow established practices as described above.

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

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

The following tables present the total OPEB liability of the Center as of June 30, 2021, calculated using the current health care trend rate at an initial rate of 8.0%, decreasing to an ultimate rate of 4.50%, and the current discount rate of 2.19%, as well as what the Center's total OPEB liability would be if calculated using rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease (7.0% Decreasing to 3.5%)	Current Health Care Trend Rate (8.0% Decreasing to 4.5%)	1% Increase (9.0% Decreasing to 5.5%)
Total OPEB liability	$ 114,395	$ 137,820	$ 167,455

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Total OPEB liability	$ 162,317	$ 137,820	$ 118,245

(In Thousands)

The following tables present the total OPEB liability of the Center as of June 30, 2020, calculated using the current health care trend rate at an initial rate of 8.0%, decreasing to an ultimate rate of 4.5%, and the current discount rate of 2.66%, as well as what the Center's total OPEB liability would be if calculated using rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease (7.0% Decreasing to 3.5%)	Current Health Care Trend Rate (8.0% Decreasing to 4.5%)	1% Increase (9.0% Decreasing to 5.5%)
Total OPEB liability	$ 193,501	$ 230,899	$ 278,393

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

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

For the years ended June 30, 2021 and 2020, the Center recognized OPEB expense of $(85,444) and $14,214, respectively. At June 30, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	2020
Deferred outflows of resources		
Differences between expected and actual experience	$ -	$ 2,004
Changes of assumptions or other inputs	24,173	24,022
	$ 24,173	$ 26,026
Deferred inflows of resources		
Differences between expected and actual experience	$ 18,930	$ 15,307
Changes of assumptions or other inputs	-	1,272
	$ 18,930	$ 16,579

(In Thousands)

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

Years Ending June 30,	Deferred Outflows	Deferred Inflows
2022	$ 12,766	$ (9,840)
2023	8,177	(5,724)
2024	3,230	(3,366)
	$ 24,173	$ (18,930)

The average expected remaining service life of the plan is determined by taking the calculated total future service years of the plan divided by the number of people in the plan including retirees. The average expected remaining service life of the plan equals four years at June 30, 2021 and 2020.

Oklahoma Teachers' Retirement System

There is a closed group of 39 retirees at June 30, 2021, who are enrolled in the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) plans. The Center pays the premiums for these retirees. The liability (asset) for these retirees is included in the OTRS valuation. The Center has recorded the following amounts related to these retirees' participation in the OTRS:

	2021	2020
Net OPEB asset	$ 320	$ 2,362
Deferred outflows related to OPEB	$ 1,580	$ 40
Deferred inflows related to OPEB	$ 737	$ 1,244
OPEB expense	$ 25	$ (373)

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

Oklahoma Public Employees Retirement System

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

	2021	2020
Net OPEB asset	$ 4	$ 4
Deferred outflows related to OPEB	$ 3	$ 2
Deferred inflows related to OPEB	$ 5	$ 5
OPEB expense	$ (1)	$ (1)

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

Note 15: Affiliates and Related-Party Transactions

OU Medicine, Inc. d/b/a OU Medical Center

On February 1, 2018, the Center entered into several contracts with OU Medicine, Inc. d/b/a OU Medical Center (OUMI) for the Center's staff to provide in-service education and administrative duties within the OU Medical System as well as campus services and space rental in properties owned by the Center. Total sales and services under the above transactions were $52,427 and $49,565 for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, amounts due from OUMI for auxiliary enterprises were $6,707 and $2,767, respectively, and for private contracts were $4,613 and $5,716, respectively. These amounts are included in accounts receivable, net of allowances on the accompanying statements of net position.

The Academic Physicians Insurance Company

The Academic Physicians Insurance Company (APIC), formed in 2006, is a nonprofit insurance company formed and domiciled in the State of Vermont as an Alternative Risk Financing Vehicle for the purpose of financing the medical professional liability insurance for College of Medicine faculty practicing as OU Physicians. As of February 1, 2018, APIC became a non-member, nonprofit, public benefit corporation. Premiums paid by the Center to obtain professional liability coverage from APIC totaled $9,921 and $9,902 for fiscal years 2021 and 2020, respectively, thus eliminating the Center's deductible expense for current and future claims.

Note 16: The University of Oklahoma Foundation, Inc.

The Foundation is a public foundation organized to receive and administer gifts for the benefit of the Norman Campus and the Center. The Foundation expended on behalf of the Norman Campus and the Center $127,076 (unaudited) and $125,280 in fiscal years 2021 and 2020, respectively, for facilities and equipment, salary supplements, general educational assistance, faculty awards, and scholarships. Of these expenditures, $18,039 and $19,741 in fiscal years 2021 and 2020, respectively, are reflected in the Center's financial statements as revenue. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes and amounts reflected in the Norman Campus financial statements.

The Center's investments, other than marketable securities, are also held by the Foundation (see *Note 2*).

Note 17: Risk Management

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

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

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

- The buildings and contents are insured for replacement value. For most buildings, each loss incident is subject to a $500 deductible. A small portion of buildings are subject to a $100 deductible per loss.
- In addition, certain fine arts and valuable papers are covered under a separate policy of insurance.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, leased vehicles, and equipment) are provided to the Center by OMES Risk Management. Also included in OMES Risk Management coverages are Out-of-State Liability, Foreign General Liability, and ACE Executive Services to employees traveling internationally in the course and scope of their employment. The Out-of-State Liability Policy is subject to a $250 deductible. The Governmental Crime Policy has differing deductibles, ranging from $100 to $500, depending on the type of coverage invoked. To complement coverage provided by State Statutes, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the Center as a whole. The Center has filed two claims with the State in the past three fiscal years.
- Educators' Legal Liability, with a $150 retention (deductible).
- Cyber Liability has differing retentions ranging from $250 to $1,000, depending on the type of coverage invoked.
- Clinical Trials Liability Insurance, with a $50 retention.
- Medical malpractice losses are insured by APIC (see *Note 15*).

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

Self-Funded Programs

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

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

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

Employee health and dental insurance premiums are collected and recorded in a self-insurance fund at the Center. The claims and administrative expenses are paid as incurred directly from this fund. The Center records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2021 and 2020, the cash balance for the plan was $18,419 and $15,678, respectively, which is included in cash and cash equivalents on the accompanying statements of net position.

Student health insurance premiums are paid by the student directly to Academic HealthPlans (AHP) into a fund managed by AHP. The claims and administrative expenses are paid as incurred directly from this fund. The Center records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2021 and 2020, the cash balance for the plan was $1,242 and $417, respectively, which is included in cash and cash equivalents on the accompanying statements of net position.

(In Thousands)

The changes in incurred but not reported claims, recorded as accounts payable and accrued expenses on the accompanying statements of net position, for the years ended June 30, 2021 and 2020, were as follows:

	Unemployment	Workers' Compensation	Employee Health and Dental	Student Health	Total
Liabilities, July 1, 2019	$ 411	$ 1,345	$ 4,022	$ 174	$ 5,952
Claims incurred and changes in estimates	758	332	55,809	2,558	59,457
Claim payments	(742)	(899)	(55,797)	(2,470)	(59,908)
Liabilities, June 30, 2020	427	778	4,034	262	5,501
Claims incurred and changes in estimates	409	1,075	67,011	1,853	70,348
Claim payments	(328)	(983)	(67,034)	(1,862)	(70,207)
Liabilities, June 30, 2021	$ 508	$ 870	$ 4,011	$ 253	$ 5,642

Note 18: Contingencies and Commitments

COVID-19 Pandemic

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

Commitments

At June 30, 2021 and 2020, the Center had outstanding commitments under construction contracts of $7,778 and $4,765, respectively.

Litigation, Claims, and Disputes

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

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

(In Thousands)

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

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

Note 19: Functional Classifications

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

	2021	2020
Instruction	$ 209,820	$ 240,917
Research	101,999	97,849
Public service	26,519	24,998
Academic support	34,000	32,308
Student services	4,975	6,465
Institutional support	16,785	17,525
Operations and maintenance of plant	32,356	31,513
Scholarships/fellowships	3,668	2,429
Clinical operations	556,185	584,455
Agency	270	1
Auxiliary enterprises	18,992	18,352
Service unit	28,724	22,026
Plant	3,700	5,727
	$ 1,037,993	$ 1,084,565

Note 20: Subsequent Events

The Center has evaluated events and transactions that occurred subsequent to June 30, 2021, through October 29, 2021, the date these financial statements were available to be issued, for potential recognition or disclosure in the financial statements.

In June 2020, the Board of Regents directed the development of an integrated academic health center. Officials from the Center worked with leadership from the University Hospitals Authority and Trust (UHAT) and OUMI to develop a highly integrated academic health system to consolidate the patient care delivery services of the Center and OUMI under a single management structure co-governed by the Center and UHAT.

At its June 2021 meeting, the Board of Regents authorized the negotiation of final terms, execution of all definitive transaction agreements, and all other actions necessary to transfer the clinical assets and operations of the Center, including its faculty practice, to OUMI, doing business as OU Health, Oklahoma's first integrated academic health system.

Effective July 1, 2021, the Center ceased to operate its clinical faculty practice (dba OU Physicians). At that time, the practice began operations as OU Health Partners, Inc. (OUHPI), a component of OU Health. OUHPI was incorporated in the State of Oklahoma as a nonprofit corporation for the primary purpose of serving as the clinical faculty practice plan for the Center's faculty physicians.

Required Supplementary Information

The University of Oklahoma Health Sciences Center

Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)

(Amounts in Thousands)

	2021	2020	2019	2018
Service cost	$ 5,148	$ 2,872	$ 2,858	$ 3,231
Interest	6,234	7,544	7,969	7,050
Changes in benefit terms	(100,486)	-	-	-
Changes in assumptions	12,920	19,790	18,362	(5,085)
Differences between expected and actual experience	(13,464)	(9,432)	(16,467)	8,019
Benefit payments	(3,431)	(3,808)	(3,644)	(4,056)
Net change in total OPEB liability	(93,079)	16,966	9,078	9,159
Total OPEB liability – beginning	230,899	213,933	204,855	195,696
Total OPEB liability – ending	$ 137,820	$ 230,899	$ 213,933	$ 204,855
Covered employee payroll	$ 402,392	$ 349,913	$ 331,023	$ 325,233
Total OPEB liability as a percentage of covered payroll	34.3%	66.0%	64.6%	63.0%

Notes to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

This schedule is presented as of the measurement date for the fiscal year.

Changes in benefit terms reflect a substantive plan provision change effective January 1, 2021, when all Medicare-eligible retirees moved to a fully insured Medicare Advantage plan.

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

The University of Oklahoma Health Sciences Center

Schedule of the Center's Proportionate Share of the Net Pension Liability (Unaudited)

Oklahoma Teachers' Retirement System

(Amounts in Thousands)

	2021	2020	2019	2018	2017	2016
Center's proportion of the net pension liability	3.2%	3.8%	3.6%	3.8%	3.6%	3.4%
Center's proportionate share of the net pension liability	$ 306,773	$ 252,813	$ 218,129	$ 252,920	$ 312,670	$ 215,886
Center's covered employee payroll	$ 167,918	$ 165,702	$ 162,784	$ 159,862	$ 156,440	$ 159,865
Center's proportionate share of the net pension liability as a percentage of its covered employee payroll	183.0%	152.6%	134.0%	158.2%	199.9%	135.0%
Plan fiduciary net position as a percentage of the total pension liability	63.5%	71.6%	72.7%	69.3%	62.2%	70.3%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

The University of Oklahoma Health Sciences Center
Schedule of the Center's Contributions (Unaudited)
Oklahoma Teachers' Retirement System
(Amounts in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 14,623	$ 14,474	$ 14,183	$ 13,799	$ 13,531	$ 13,734	$ 13,364	$ 13,291	$ 13,174	$ 13,279
Contributions in relation to the contractually required contribution	(14,623)	(14,474)	(14,183)	(13,799)	(13,531)	(13,734)	(13,364)	(13,291)	(13,174)	(13,279)
Contribution (excess) deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered employee payroll	$ 167,918	$ 165,702	$ 162,784	$ 159,862	$ 156,440	$ 159,865	$ 156,304	$ 155,156	$ 153,450	$ 154,379
Contributions as a percentage of covered employee payroll	8.71%	8.73%	8.71%	8.63%	8.65%	8.59%	8.55%	8.57%	8.59%	8.60%

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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

Regents of the University of Oklahoma
The University of Oklahoma Health Sciences Center
Norman, 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 The University of Oklahoma Health Sciences Center (the Center), which comprise the statement of net position as of June 30, 2021, 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 29, 2021. Our report contained emphasis of matter paragraphs regarding the reporting entity and a reference to other auditors who audited the prior year.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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.

Regents of the University of Oklahoma
The University of Oklahoma Health Sciences Center

Compliance and Other Matters

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

Purpose of This Report

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

BKD, LLP

Tulsa, Oklahoma
October 29, 2021