



Audited Financial Report and Reports Required by  
Uniform Guidance

As of and for the Years Ended June 30, 2017 and 2016

# The University of Oklahoma Health Sciences Center

The University of Oklahoma Health Sciences Center

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June 30, 2017 and 2016

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of The University of Oklahoma Health Sciences Center (the Center), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Oklahoma Health Sciences Center as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As discussed in Note 1, the financial statements of the Center reporting entity are intended to present the financial position, changes in financial position and cash flows of only the activities of the Center. They do not purport to, and do not, present fairly the financial position of the Regents as of June 30, 2017 and 2016, the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the required supplementary information on pages 61 through 63 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is not a required part of the financial statements. The detailed schedule of expenditures of federal awards on pages 69 through 80 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards and detailed schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and detailed schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2017 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 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 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Oklahoma City, Oklahoma  
October 17, 2017

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, 2017 and 2016. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

### Financial Highlights

#### 2017

The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2017. Net position increased approximately \$19.3 million or 2.2 percent over the previous year. The change resulted from increases in net investment in capital assets of \$19.9 million and restricted net position of \$16.2 million. Unrestricted net position decreased by \$16.8 million.

#### 2016

The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2016. Net position increased approximately \$53.5 million or 6.6 percent over the previous year. The change resulted from increases in net investment in capital assets of \$8.3 million, unrestricted net position of \$43 million, and restricted net position of \$10.2 million.

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

#### Net Position (in Millions)



### Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis (this part), the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the Center as a whole.

#### The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

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

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

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)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$ 737.7	\$ 737.6	\$ 747.8
Capital assets, net	592.4	581.2	588.9
Other noncurrent assets	175.8	160.7	100.6
Total assets	<u>\$ 1,505.9</u>	<u>\$ 1,479.5</u>	<u>\$ 1,437.3</u>
Deferred Outflows of Resources	<u>\$ 101.6</u>	<u>\$ 28.5</u>	<u>\$ 17.4</u>
Liabilities			
Current liabilities	\$ 134.4	\$ 135.2	\$ 127.3
Noncurrent liabilities	580.0	484.3	465.9
Total liabilities	<u>\$ 714.4</u>	<u>\$ 619.5</u>	<u>\$ 593.2</u>
Deferred Inflows of Resources	<u>\$ 8.7</u>	<u>\$ 23.4</u>	<u>\$ 49.9</u>
Net Position			
Net investment in capital assets	\$ 429.2	\$ 409.3	\$ 409.0
Restricted	228.9	212.7	202.5
Unrestricted	226.3	243.1	200.1
Total net position	<u>\$ 884.4</u>	<u>\$ 865.1</u>	<u>\$ 811.6</u>
Increase in net position	<u>\$ 19.3</u>	<u>\$ 53.5</u>	

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 888.4	\$ 881.1	\$ 840.8
Operating expenses	<u>1,016.2</u>	<u>973.7</u>	<u>939.7</u>
Operating loss	(127.8)	(92.6)	(98.9)
Net nonoperating revenues	135.8	128.3	136.9
Other revenues, expenses and gains or losses	<u>11.3</u>	<u>17.8</u>	<u>13.0</u>
Net change in net position	19.3	53.5	51.0
Net Position at beginning of year	865.1	811.6	1,002.1
Restatement - Implementation of GASB 68 and 71	<u>-</u>	<u>-</u>	<u>(241.5)</u>
Net Position at end of year	<u><u>\$ 884.4</u></u>	<u><u>\$ 865.1</u></u>	<u><u>\$ 811.6</u></u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Tuition and fees	\$ 62.9	\$ 61.4	\$ 59.2
Patient care	398.6	397.2	380.6
Grants and contracts	302.2	307.1	292.9
Sales and services of educational activities	1.7	1.6	1.6
Auxiliary enterprises	36.4	31.2	29.8
Other	86.6	82.6	76.7
Total operating revenues	<u><u>\$ 888.4</u></u>	<u><u>\$ 881.1</u></u>	<u><u>\$ 840.8</u></u>



Changes in operating revenues included the following:

**2017**

Student tuition and fees revenue increased 2.5 percent or \$1.5 million in fiscal year 2017.

Patient care remained steady over the past year with a modest increase in revenues of \$1.5 million.

State grants and contracts decreased during 2017 by \$5.1 million. This was due to decreased support from the University Hospitals Authority and Trust. Private grants and contracts increased during the year by \$2.3 million, offsetting a decrease in Federal grants and contracts of \$2.1 million.

Sales and services of auxiliary enterprises increased \$5.2 million mainly from lease revenues received from the newly purchased Oklahoma City Clinics.

Other revenues increased \$4 million or 4.8 percent during the year. This was primarily due to increased pharmaceutical sales during the year.

**2016**

Student tuition and fees revenue increased 3.7 percent or \$2.2 million in fiscal year 2016.

Patient care increased over the past year with additional revenues of \$16.6 million. This was due to increased patient volume, procedures performed and higher gross charges within the OU Physicians clinical practice.

Federal grants and contracts increased during the year by \$6.4 million. This was primarily in awards funded by the National Institutes of Health.

State grants and contracts increased during 2016 by \$5 million. This was due to increased support from the University Hospital Trust, and the Oklahoma Tobacco Settlement Endowment Trust Fund grants.

Sales and services of auxiliary enterprises had an increase in revenues during 2016 of \$1.4 million, resulting from increased lease revenues at the University Research Park and the University Village Apartments.

Other revenues increased \$5.9 million during the year. This was primarily due to increased pharmaceutical sales during the year.

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses:			
Compensation and benefits	\$ 670.9	\$ 642.5	\$ 629.3
Contractual services	82.4	81.8	74.0
Supplies and materials	139.7	128.5	122.9
Depreciation	28.5	27.9	27.6
Utilities	12.5	12.3	13.8
Communications	11.2	10.4	7.3
Scholarships	2.4	2.4	2.2
Other	68.6	67.9	62.6
Total operating expenses	<u>\$ 1,016.2</u>	<u>\$ 973.7</u>	<u>\$ 939.7</u>

Changes in operating expenses were the result of the following:

**2017**

Compensation and benefits expense increased 4.4 percent or \$28.4 million during fiscal year 2017. This was due to an increase in pension expense resulting from the reporting requirements of GASB 68 for the Oklahoma Teachers Retirement System (OTRS) pension plan.

Supplies and materials expense increased \$11.2 million. This was due to the increased cost of pharmaceutical drugs used in patient care, particularly cancer fighting drugs.

Communications expense increased 7.4 percent or \$.8 million for the year. This was due to wiring and equipment purchases for the new College of Medicine Andrews Academic Tower.

**2016**

Compensation and benefits expense increased 2.1 percent or \$13.2 million during fiscal year 2016. This was due to an increase in faculty and staff salaries during the year, as well as an increase in professional practice plan supplementation payments. There also was an increase in associated benefit costs.

Contractual services expense increased \$7.8 million during the past year. This was primarily due to a new contract to manage the TSET Quitline.

Supplies and materials expense increased \$5.6 million. This was due to the increased cost of pharmaceutical drugs used in patient care, particularly cancer fighting drugs.

Communications expense showed a significant increase for the year of 42.5 percent, or \$3.1 million. This was due to a change in data hosting fees.

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Nonoperating Revenue:			
State appropriations	\$ 80.1	\$ 85.2	\$ 97.9
On-behalf payments	14.0	14.0	13.4
Private gifts	13.3	13.3	11.4
Interest on indebtedness	(8.1)	(8.8)	(9.0)
Investment income	18.7	8.9	10.0
Endowment income	17.8	15.7	13.2
Net nonoperating revenue	<u>\$ 135.8</u>	<u>\$ 128.3</u>	<u>\$ 136.9</u>

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

**2017**

State appropriations decreased during 2017 by 6 percent or \$5.1 million, due to a shortfall in the State's general revenue.

On-behalf payments remained steady from the prior year.

Private gifts remained steady from the prior year.

Investment income had a significant percentage increase of 110.8 percent or \$9.8 million for the year. This was a result of an increase in endowment investments and also from investments held in equity positions.

Endowment income increased 13.4 percent or \$2.1 million for the year. This was due to a large increase in new chair appointments and also increased endowment activity among established chairs.

**2016**

State appropriations decreased during 2016 by 13 percent or \$12.7 million, due to a shortfall in the State's general revenue.

On-behalf payments increased \$.6 million for the year, resulting from both an increase in the Oklahoma Capital Improvement Authority (OCIA) debt payments and the Oklahoma Teachers Retirement System (OTRS) on-behalf payments.

Private gifts increased 16.7 percent or \$1.9 million for the year.

Investment income decreased 11 percent or \$1.1 million for the year. This was mainly a result of a decrease in endowment investments.

Endowment income had a significant percentage increase of 18.9 percent or \$2.5 million for the year. The increase was the result of higher endowment activity among established chairs, and also a small increase due to recently filled positions.

**The Statement of Cash Flows**

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

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

**Condensed Statements of Cash Flows for the Years Ended June 30 (In Millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash provided (used) by:			
Operating activities	\$ (62.0)	\$ (67.9)	\$ (34.5)
Noncapital financing activities	109.4	111.2	121.1
Capital and related financing activities	(43.1)	(16.4)	(32.8)
Investing activities	<u>5.9</u>	<u>(35.2)</u>	<u>(41.9)</u>
Net change in cash	10.2	(8.3)	11.9
Cash, beginning of the year	<u>598.6</u>	<u>606.9</u>	<u>595.0</u>
Cash, end of year	<u><u>\$ 608.8</u></u>	<u><u>\$ 598.6</u></u>	<u><u>\$ 606.9</u></u>

**2017**

The Center's overall liquidity increased during the year, with a net increase to cash of \$10.2 million. Cash used in operating activities totaled \$62 million, a decrease of approximately \$5.9 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 revenues (\$10 million), state grants and contracts (\$9 million), sales and services of auxiliary enterprises (\$6.2 million), pharmacy sales (\$4 million), and a slight increase in tuition and fees (\$1.9 million).

Overall, cash provided by noncapital and related activities was \$109.4 million, a net decrease of approximately \$1.8 million over the prior year. This decrease in cash flows was primarily due to lower State appropriations received (\$5.1 million). There was an increase in endowment income (\$2.5 million).

Cash flows used in connection with capital and related financing activities totaled \$43.1 million, an increase of \$26.7 million compared to the prior year. This was a result of an increase in cash used for the purchase of capital assets (\$18.7 million). In addition, cash provided by private gifts for capital projects decreased (\$8.7 million).

Cash provided by investing activities totaled \$5.9 million, an increase of \$41.1 million, primarily the result of a decrease in the purchase of investments (\$38.3 million), and an increase in proceeds received from investment income (\$2.9 million).

**2016**

The Center's overall liquidity declined during the year, with a net decrease to cash of \$8.3 million. Cash used in operating activities totaled \$67.9 million, an increase of approximately \$33.4 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 revenues (\$18.4 million), other additions (\$8.2 million), pharmacy sales (\$6.6 million), and federal grants and contracts (\$4.1 million) and to a smaller degree in tuition and fees (\$2.3 million). There was a significant decrease in cash flows in private grants and contracts (\$10.6 million) and state grants and contracts (\$5.9 million).

Overall, cash provided by noncapital and related activities was \$111.2 million, a net decrease of approximately \$9.9 million over the prior year. This decrease in cash flows was primarily due to lower State appropriations received (\$12.7 million). In addition, there was a modest increase in private gifts (\$1.5 million) and in endowment income (\$1.3 million).

Cash flows used in connection with capital and related financing activities totaled \$16.4 million, a decrease of \$16.4 million compared to the prior year. This was a result of a decrease in cash used for the purchase of capital assets (\$8.3 million). In addition, cash provided by private gifts for capital projects increased (\$6.9 million).

Cash flows used in investing activities totaled \$35.2 million, a decrease of \$6.7 million from the prior year. This decrease in cash flows was primarily the result of a decrease in the purchase of investments (\$6.1 million), and a slight increase in proceeds received from sales and maturities of investments (\$.3 million).

**Capital Asset and Debt Administration**

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

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

	2017	2016	2015
Art	\$ 0.8	\$ 0.7	\$ 0.7
Land and infrastructure	37.3	37.1	34.3
Construction in-progress	7.7	2.2	5.4
Buildings	496.1	492.8	501.2
Furniture, fixtures, and equipment	49.0	46.4	44.7
Library materials	1.5	2.0	2.6
Totals	<u>\$ 592.4</u>	<u>\$ 581.2</u>	<u>\$ 588.9</u>

**2017**

At June 30, 2017, the Center had approximately \$592.4 million invested in capital assets, net of accumulated depreciation of \$342.4 million. Depreciation charges for the current year totaled \$28.5 million compared to \$27.9 million in the prior year.

**2016**

At June 30, 2016, the Center had approximately \$581.2 million invested in capital assets, net of accumulated depreciation of \$318.9 million. Depreciation charges for the current year totaled \$27.9 million compared to \$27.6 million in the prior year.

**Debt**

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

**Outstanding Debt, at Year-End (In Millions)**

	2017	2016	2015
General revenue bonds	\$ 138.5	\$ 143.4	\$ 148.1
Auxiliary facility revenue bonds	2.5	3.2	4.0
Lease obligations	21.6	24.6	27.1
Notes payable	-	-	0.2
<b>Totals</b>	<b>\$ 162.6</b>	<b>\$ 171.2</b>	<b>\$ 179.4</b>

**2017**

At fiscal year-end 2017, the Center had approximately \$162.6 million in outstanding debt, a decrease of approximately \$8.6 million over the prior year.

The Center incurred no new debt during 2017. Debt repayments of \$8.6 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.

**2016**

At fiscal year-end 2016, the Center had approximately \$171.2 million in outstanding debt, a decrease of approximately \$8.2 million over the prior year.

The Center had no new debt during 2016. Debt repayments of \$8.2 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in Note 12 to the financial statements.

**Economic Outlook**

The Center's economic position is closely related to its role as the state's primary resource for the training of health care professionals. Future success is dependent upon the ability to recruit and retain highly qualified students, faculty, and staff, as well as, ongoing financial and political support from state government. While support in the Center's mission remains strong, declines in the State's general revenue resulted in a 6.3 percent decrease in appropriations for fiscal year 2018.

Despite the recent downturn in the State's economy, the Center's overall financial position enables it to provide consistent levels of service to students, patients, researchers, and citizens state-wide. The most important factor impacting the Center's economic outlook is the operation of its professional practice plans. The professional practice plans continue to contribute significantly to the Center's financial performance and are expected to remain stable.

The University of Oklahoma Health Sciences Center  
 Statements of Net Position  
 June 30, 2017 and 2016

	2017	2016
Assets	(In Thousands)	
<b>Current Assets</b>		
Cash and cash equivalents	\$ 576,113	\$ 567,430
Restricted cash and cash equivalents	13,499	15,041
Accounts receivable, net of allowances	138,005	148,104
Inventories and supplies	4,960	3,157
Loans to students, net of allowance for uncollectible loans	1,048	1,158
Deposits and prepaid expenses	4,062	2,748
Total current assets	737,687	737,638
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	19,215	16,089
Endowment investments	43,302	39,343
Other long-term investments	99,916	97,987
Investments in real estate	6,499	175
Loans to students, net	5,600	5,549
Deposits and prepaid expenses	1,279	1,528
Capital assets, net	592,473	581,198
Total noncurrent assets	768,284	741,869
Total assets	\$ 1,505,971	\$ 1,479,507
<b>Deferred Outflows of Resources</b>		
Deferred outflow—pensions	\$ 101,556	\$ 28,508

The University of Oklahoma Health Sciences Center  
 Statements of Net Position  
 June 30, 2017 and 2016

	2017	2016
Liabilities	(In Thousands)	
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 77,497	\$ 79,364
Unearned revenue	9,234	9,602
Accrued interest payable	3,598	3,699
Deposits held in custody for others	1,865	1,687
Long-term liabilities, current portion:		
Accrued compensated absences	28,673	27,690
Post employment benefits obligation	4,688	4,545
Capital lease payable	3,120	2,997
Revenue bonds payable	5,691	5,621
	<u>134,366</u>	<u>135,205</u>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	6,294	6,495
Net pension liability	315,968	217,743
Post employment benefits obligation	96,748	90,381
Federal loan program contributions refundable	7,212	7,109
Capital lease payable	18,450	21,570
Revenue bonds payable	135,311	141,002
	<u>579,983</u>	<u>484,300</u>
	<u>\$ 714,349</u>	<u>\$ 619,505</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows—pensions	\$ 8,062	\$ 22,686
Deferred credit on OCIA lease restructure	627	675
	<u>\$ 8,689</u>	<u>\$ 23,361</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 429,179	\$ 409,333
Restricted for:		
Nonexpendable	28,592	28,592
Expendable		
Education and general	170,647	156,005
Capital projects	18,012	17,648
Debt service	11,671	10,438
Unrestricted	226,388	243,133
	<u>\$ 884,489</u>	<u>\$ 865,149</u>



The University of Oklahoma Health Sciences Center  
Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Operating Revenues		
Student tuition and fees (net of scholarship allowances of \$4,248 and \$3,925 for 2017 and 2016, respectively)	\$ 62,888	\$ 61,376
Patient care (net of provisions for contractual, bad debt and other adjustments of \$592,313 and \$575,731 for 2017 and 2016, respectively)	398,640	397,187
Federal grants and contracts	81,350	83,494
State grants and contracts	83,809	88,867
Private grants and contracts	137,089	134,784
Sales and services of educational activities	1,661	1,589
Sales and services of auxiliary enterprises:		
Steam and chilled water plant revenues (revenues are pledged as security for the Utility System, System Revenue Bonds Series 2004)	5,979	6,367
Other	30,389	24,818
Other revenues (including \$169 and \$168 from interest on student loans for 2017 and 2016, respectively)	86,621	82,638
	888,426	881,120
Total operating revenue		
Operating Expenses		
Compensation and benefits	670,864	642,537
Contractual services	82,445	81,791
Supplies and materials	139,742	128,505
Depreciation	28,528	27,881
Utilities	12,482	12,268
Communication	11,168	10,398
Scholarships	2,432	2,411
Other	68,583	67,911
	1,016,244	973,702
Total operating expenses		
Operating Loss	(127,818)	(92,582)
Nonoperating Revenues and (Expenses)		
State appropriations	80,078	85,267
On-behalf payments	13,986	13,969
Private gifts	13,346	13,322
Interest on indebtedness	(8,152)	(8,840)
Net investment income	18,735	8,886
Endowment income	17,822	15,687
	135,815	128,291
Net nonoperating revenues and (expenses)		
Income before other revenues, (expenses), gains, or (losses)	7,997	35,709

The University of Oklahoma Health Sciences Center  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2017 and 2016

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	2017	2016
	(In Thousands)	
Other revenue, (expenses), gains, or (losses):		
State grants and contracts for capital projects	\$ 400	\$ 630
State appropriations for capital projects	5,843	5,692
Private gifts for capital projects	488	7,796
State school land funds	4,612	3,716
Total other revenue, (expenses), gains, or (losses)	11,343	17,834
Change in net position	19,340	53,543
Net Position, Beginning of Year	865,149	811,606
Net Position, End of Year	\$ 884,489	\$ 865,149

The University of Oklahoma Health Sciences Center

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Operating Activities		
Tuition and fees	\$ 63,273	\$ 61,384
Patient revenues	410,232	400,193
Federal grants and contracts	82,792	83,630
State grants and contracts	84,100	75,086
Private grants and contracts	135,323	133,527
Sales and services of auxiliary enterprises	30,911	24,698
Sales and services of educational activities	1,617	1,534
Steam and chilled water plant revenues	5,916	6,315
Interest on loans receivable	169	168
Other additions	12,770	13,995
Pharmacy sales	73,678	69,601
Loans issued to students	(866)	(1,546)
Collection of loans	928	1,227
Compensation and benefits	(643,845)	(635,507)
Contractual services	(81,934)	(82,123)
Supplies and materials, utilities, communications, scholarships and fellowships, other and deposits held in custody	(237,087)	(220,098)
Net Cash used for Operating Activities	<u>(62,023)</u>	<u>(67,916)</u>
Noncapital Financing Activities		
State appropriations	80,078	85,267
Endowment income	15,736	13,157
Private gifts	13,580	12,857
Direct loan receipts	65,012	62,152
Direct loan disbursements	(65,012)	(62,152)
Net increase (decrease) to Federal loan program contributions refundable	102	(38)
Net Cash from Noncapital Financing Activities	<u>109,496</u>	<u>111,243</u>

The University of Oklahoma Health Sciences Center

Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Capital and Capital Related Financing Activities		
State grants and contracts for capital projects	\$ 264	\$ 631
State appropriations for capital projects	5,843	5,705
Private gifts for capital projects	681	9,373
Purchases of capital assets	(40,573)	(21,855)
Principal paid on capital debt and leases	(6,357)	(6,282)
Interest paid on capital debt and leases	(7,564)	(7,719)
Receipt of State school land funds	4,612	3,716
Net Cash used for Capital and Capital Related Financing Activities	<u>(43,094)</u>	<u>(16,431)</u>
Investing Activities		
Investment income	11,299	8,358
Proceeds from sales and maturities of investments	1,277	1,422
Purchase of investments	<u>(6,688)</u>	<u>(45,000)</u>
Net Cash from (used for) Investing Activities	<u>5,888</u>	<u>(35,220)</u>
Net Change in Cash and Cash Equivalents	10,267	(8,324)
Cash and Cash Equivalents, Beginning of Year	<u>598,560</u>	<u>606,884</u>
Cash and Cash Equivalents, End of Year	<u>\$ 608,827</u>	<u>\$ 598,560</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	\$ 576,113	\$ 567,430
Restricted cash and cash equivalents	13,499	15,041
Noncurrent assets		
Restricted cash and cash equivalents	<u>19,215</u>	<u>16,089</u>
Total cash and cash equivalents	<u>\$ 608,827</u>	<u>\$ 598,560</u>

The University of Oklahoma Health Sciences Center  
Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	2017	2016
	( In Thousands)	
<b>Reconciliation of Operating Loss to Net Cash used for Operating Activities</b>		
Operating loss	\$ (127,818)	\$ (92,582)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	28,528	27,881
Loss on disposal of capital assets	1,100	1,471
On-behalf contribution related to pensions	10,860	11,046
Change in assets and liabilities:		
Accounts receivable (does not include endowment)	12,523	(11,463)
Inventories and supplies	(1,803)	(1,372)
Loans to students	59	(303)
Deposits and prepaid expenses	(1,266)	649
Deferred outflows related to pensions	(73,048)	(11,360)
Accounts payable and accrued expenses	(1,861)	7,693
Unearned revenue	(368)	491
Compensated absences	782	3,245
Deferred inflows related to pensions	(14,624)	(26,469)
Post employment benefits obligation	6,510	7,270
Net pension liability	98,225	20,720
Deposits held in custody for others	178	(4,833)
	<b>\$ (62,023)</b>	<b>\$ (67,916)</b>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
On-behalf interest paid by OCIA	\$ 825	\$ 942
On-behalf principal payments made by OCIA	2,301	1,981
Amortization of bond insurance cost	2	2
Amortization of bond discount/premium	(45)	(40)
Amortization of ODFA discount	3	3
Capitalization of interest	129	2

## **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 (Board of Regents) and the Oklahoma State Regents for Higher Education.

### **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 four institutions (The University of Oklahoma Health Sciences Center, The University of Oklahoma Norman Campus, Rogers State University, and Cameron University). The 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's). Faculty who participate in a PPP are primarily committed to the academic and research programs of the Center; however, they also engage in professional practice activities related to patient care and services. A significant portion of PPP revenue is generated from patient care services provided to patients through the OU Medical Center. The OU Medical Center includes Presbyterian Hospital, University Hospital, and Children's Hospital of Oklahoma, all located in Oklahoma City. The financial position and operations of the PPPs are included in the accompanying financial statements of the Center.

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

The University of Oklahoma Foundation, Inc. (the OU Foundation) is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the University of Oklahoma as a whole, including both the Norman Campus and the Center. Because the resources received and held by the OU Foundation are not entirely or almost entirely held for the benefit of the Center, the OU Foundation is not considered a component unit of the Center and such financial statements are not included in the financial statements of the Center.

### **Financial Statement Presentation**

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

### **Basis of Accounting**

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

### **Cash Equivalents**

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

### **Investments**

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

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

### **Accounts Receivable**

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal, state, and local governments, and private sources, in connection with reimbursement of allowable expenditures made pursuant to the Center's grants and contracts, construction projects, and unspent proceeds from capital leases. Additionally, a significant portion of the accounts receivable is comprised of amounts due for services provided through the PPPs and clinics. 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 University of Oklahoma Health Sciences Center

Notes to Financial Statements

June 30, 2017 and 2016 (in thousands)

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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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Medicare	20%	20%
Medicaid	22%	23%
Other third-party and commercial payors	36%	35%
Other, including self pay	22%	22%

## **Medical Malpractice Coverage Claims**

The Center is covered for medical malpractice risks under a medical malpractice insurance policy (See Note 16). The Center pays a fixed premium for coverage of malpractice claims the Center might potentially incur.

## **Restricted Cash and Cash Equivalents**

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

## **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.

## **Contributions**

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

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



### **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, 10 years for land improvements, library materials, furniture, fixtures and equipment, and five years for vehicles, computers, and computer accessories 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. The Center capitalizes interest as a component of capital assets constructed for its own use. In 2017, total interest incurred was \$8,281 of which \$129 was capitalized. In 2016, total interest incurred was \$8,842, of which \$2 was capitalized.

Intangible assets are reported with capital assets. Intangible assets subject to amortization are amortized over their respective estimated useful lives ranging from five 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 2017 or 2016.

### **Investments in Real Estate**

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

### **Unearned Revenues**

Unearned revenues consist primarily of grant revenues 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.

### **Compensated Absences**

Employees' compensated absences are accrued when earned. The obligation at the end of the year and expenditure incurred during the year are recorded as accrued compensated absences in the statements of net position and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net position. The current portion of the obligation is determined by calculating a five year average annual usage value and applying it to the total obligation.

**Noncurrent Liabilities**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) federal loans liability; (3) amounts for accrued compensated absences; (4) postemployment benefits obligation; (5) net pension liability; and other liabilities that will not be paid within the next fiscal year. Bond issuance costs are expensed as incurred regardless of whether they are included in bond proceeds.

**Pensions**

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

**Deferred Outflows of Resources**

Deferred outflows are the consumption of net position by the Center that are applicable to a future reporting period. At June 30, 2017 and 2016, the Center has deferred outflows of resources related to pensions. The deferred outflows related to pensions are recognized as a component of compensation expense in the following year, or over the expected remaining service life of the plan.

**Deferred Inflows of Resources**

Deferred inflows are the acquisition of net position by the Center that are applicable to a future reporting period. At June 30, 2017 and 2016, the Center has deferred inflows of resources related to an OCIA lease restructure. The OCIA deferred inflows of resources 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. At June 30, 2017 and 2016, there were also deferred inflows related to pensions. The Center's deferred inflows related to pensions are recognized as a component of compensation expense over five years for the difference in projected and actual investment earnings, or over the expected remaining service life of the plan.

**Net Position**

The Center's net position is classified as follows:

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

*Restricted net position—nonexpendable* consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net position—expendable*: includes resources in which the Center is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or enabling legislation.

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

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

### **Classification of Revenues**

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

*Operating revenues* include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) patient revenues, (3) sales and services of educational activities, (4) sales and services of auxiliary enterprises, (5) most federal, state, and local grants and contracts, and (6) interest on student loans.

*Nonoperating revenues* include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB, such as state appropriations and investment income.

### **Scholarship Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the Center and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the Center's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Center has recorded a scholarship allowance.

### **Tax Status**

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

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 2017**

The Center adopted new accounting pronouncements during the year ended June 30, 2017, as follows:

GASB Statement No. 77, *Tax Abatement Disclosures* (GASB No. 77) was issued in August 2015 and requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The adoption of GASB No. 77 did not have an impact on the Center's financial statement presentation.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB No. 78) was issued December 2015 addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The adoption of GASB No. 78 did not have an impact on the Center's financial statement presentation.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* (GASB No. 80) was issued January 2016 and improves financial reporting by clarifying the financial statement presentation for certain component units. It amends the blending requirements established in paragraph 53 of Statement No. 14. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of GASB No. 80 did not have an impact on the Center's financial statement presentation.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and, No. 73* (GASB No. 82) was issued March 2016 and to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of GASB No. 82 is correctly reported in the Center's required supplementary information and did not have an impact on the Center's financial statement presentation.

### **New Accounting Pronouncements Issued Not Yet Adopted**

The GASB has also issued several new accounting pronouncements which will be effective to the Center in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) was issued in June 2015 and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, it identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Also addressed are note disclosure and required supplementary information requirements. The provisions of GASB No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB No. 81) was issued March 2016 and improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. It also requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities* (GASB No. 84) was issued January 2017 and improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017* (GASB No. 85) was issued March 2017 and addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB No. 86) was issued May 2017 and improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases* (GASB No. 87) was issued June 2017 and improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The Center is currently evaluating the impact that these new standards will have on its financial statements.

## **Note 2 - Deposits and Investments**

### **Deposits – Custodial Credit Risk**

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

State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the Center deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or 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 OST's internal investment pool, OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102 percent and, whereby, the collateral is held by a third party in the name of the OST; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

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

### **Cash and Cash Equivalents**

At June 30, 2017 and 2016, the carrying amount of the Center's deposits with the State Treasurer and other financial institutions were \$608,827 and \$598,560, respectively. At June 30, 2017 and 2016, these amounts consisted of deposits with the OST (\$578,763 and \$568,360), deposits with financial institutions (\$20,949 and \$21,045), deposits with trustees (\$9,072 and \$9,109), and petty cash and change funds (\$43 and \$46).

### ***OK INVEST***

Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$496,773 and \$448,307 at June 30, 2017 and 2016 and are reported as cash equivalents. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's and its funds' and agencies' daily cash flow requirements.

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

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Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer’s Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation, or any other government agency.

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

The distribution of investments in *OK INVEST* at June 30, 2017 and 2016, is as follows:

	2017	2016
U.S. agency securities	42%	41%
Mortgage backed agency securities	40%	41%
Money market mutual funds	10%	11%
Certificates of deposit	4%	3%
Municipal bonds	2%	2%
U.S. Treasury obligations	1%	1%
Foreign bonds	1%	1%
	<u>100%</u>	<u>100%</u>

As of June 30, 2017 and 2016, the Center held approximately 9.5% and 7.8% of the *OK INVEST* fund. The market value of *OK INVEST* as of June 30, 2017 and 2016 was \$5,222,328 and \$5,803,308, respectively, and the amortized cost was \$5,218,812 and \$5,723,314, respectively.

### Investments

The Center’s investments in securities and investments in real estate are recorded at fair value. GASB 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.



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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 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.

At June 30, the fair value of the Center’s investments consisted of the following:

	2017	2016
Fidelity Revenue Sharing Investment (Level 1)	\$ 569	\$ 649
Real Property (Level 3)	6,499	175
Consolidated Investment Fund (CIF) - OU Foundation (NAV per unit)	33,848	31,692
Expendable Investment Pool II (EIP II) - OU Foundation (NAV per unit)	108,801	104,989
Equity Holdings (at cost)	-	-
	<u>\$ 149,717</u>	<u>\$ 137,505</u>

At June 30, investments are reported in the statement of net position captions as follows:

	2017	2016
Endowment Investments	\$ 43,302	\$ 39,343
Other Long-Term Investments	99,916	97,987
Investments in Real Estate	6,499	175
	<u>\$ 149,717</u>	<u>\$ 137,505</u>

Fidelity revenue sharing investments (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.

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. During the current fiscal year, the Center acquired the Oklahoma City Clinics, a portion of which resulted in real property for investment purposes totaling \$6,324 as of June 30, 2017.

# The University of Oklahoma Health Sciences Center

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Investments measured at NAV per unit: Title 70, Section 4306 of the Oklahoma Statutes directs, authorizes, and empowers the Center's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws. The Center has entrusted the University of Oklahoma Foundation (OU Foundation) with a portion of their funds totaling \$142,649 and \$136,681 as of June 30, 2017 and 2016, respectively. The investments held at the OU Foundation on behalf of the Center within two separate investment pools are as follows:

*Consolidated Investment Fund* – Investments in this pool consist primarily of money market funds, domestic and international equity securities, U.S. government securities, derivative financial instruments and alternative holdings. The OU Foundation considers the underlying investments within this pool to include Level 1, 2 and 3 inputs. The Center owns approximately 2.9% and 3.1% of the fund as of June 30, 2017 and 2016.

*Expendable Investment Pool II* – Investments in these pools primarily consist of liquid money market funds, mutual funds, equities and separate accounts holding U.S. government and corporate fixed income securities. The OU Foundation considers the underlying investments within this pool to include Level 1 and 2 inputs. The Center owns approximately 83% and 84% of the fund as of June 30, 2017 and 2016.

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

The Center's investments have no unfunded commitments and funds may be redeemed daily with no redemption notice. Within the CIF pool, certain investments held do have unfunded commitments and limitations on redemption frequency, including redemption notice periods. The total market value of the CIF fund as of June 30, 2017 totaled \$1,181,091. Unfunded commitments within this fund totaled \$221,946. There were redemption limitations that ranged from quarterly to 3 years with a 30 to 90 day redemption notice period on investments with a total market value of \$205,260. Investments held in real estate funds and private equity funds with a total market value at June 30, 2017 of \$259,232 cannot be redeemed and are subject to the terms of the individual funds. These funds typically have lives up to ten years (with the potential for extensions if necessary), and distributions at the discretion of the general partners.

Equity holdings (at cost): The Center has acquired equity positions in commercial enterprises as consideration for various license agreements. The Center has no cost basis for these positions and their fair value is not subject to a reasonable estimation. Therefore, the value of these investments is not reflected on the statements of net position. If the positions become actively traded equities and the fair value can be determined, then the Center will record the equity on the statement of net position at fair value and recognize related income. Per the individual agreements, the Center receives royalties from companies in which an equity position is held, which are currently recognized when received and are immaterial to the financial statements. The Center monitors their ownership position in each of the companies. During fiscal year 2017, the Center received \$4,869 from the sale of investments in equity holdings which are recorded as net investment income.

Information regarding the various risk categories for the Center's deposits and investments and the policies for managing that risk are included below:

### **Credit Risk**

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

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the Center are generally limited to direct obligations of the United States government and its agencies, certificates of deposit, and demand deposits.
- The Board has authorized endowment and similar funds to be invested in direct obligations of the United States government and its agencies, certificates of deposit, prime commercial paper, bankers acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities. In addition, the Board authorized investments in the CIF and EIP II with the OU Foundation.

### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a depository institution, the Center will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. 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 University of Oklahoma Norman Campus (the University) in the CIF and EIP II with the OU Foundation and held in the Regent's name.
- Long term investments are held in the EIP II with the OU Foundation.

### **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's short term investment strategy imposes a limit on the amount the Center may invest in any one issuer to 50 percent of the total investment portfolio. The Center has adopted the OU Foundation's "Statement of Investment Policy" for the CIF and EIP II investments with the OU Foundation. Within the CIF, investments consist of money market funds, 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. Both of these funds are held with the OU Foundation. Due to the diversification within these investments, the Center believes it does not have any significant concentrations of credit risk.

**Interest Rate Risk**

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 OU Foundation’s “Statement of Investment Policy” for funds invested at the OU Foundation. The Center is responsible for determining its operating cash flow requirements and to insure 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.

**Note 3 - Accounts Receivable**

Accounts receivable are shown net of contractual allowances and doubtful accounts in the accompanying statements of net position. At June 30, the accounts receivable and allowances are as follows:

	2017	2016
Accounts receivable	\$ 233,704	\$ 246,389
Less allowance and contractual adjustments	(95,699)	(98,285)
Accounts receivable, net	\$ 138,005	\$ 148,104

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

	2017	2016
PPP patient billings:		
Accounts receivable	\$ 145,237	\$ 157,796
Less contractual adjustments	(77,438)	(78,661)
Less allowance	(18,148)	(19,522)
Accounts receivable, net	\$ 49,651	\$ 59,613
Due from federal, state and private sources:		
Accounts receivable, no allowance	\$ 81,165	\$ 81,292
Auxiliary enterprises:		
Accounts receivable	\$ 4,510	\$ 5,541
Less allowance	(113)	(102)
Accounts receivable, net	\$ 4,397	\$ 5,439
State tuition and fees:		
Accounts receivable, no allowance	\$ 1,185	\$ 1,306
Other accounts receivable, no allowance	\$ 1,607	\$ 454

**Note 4 - Net Patient Service Revenue**

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

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

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

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

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 \$547,575 and \$533,446 for the years ending June 30, 2017 and 2016, respectively, and are reflected as contractual and other adjustments to patient care revenues in the statements of revenues, expenses, and changes in net position. The Center's bad debt expenses related to patient care services, which are determined after application of contractual and other adjustments, total \$44,738 and \$42,285 for the years ending June 30, 2017 and 2016, respectively, and are included in patient care revenues in the statements of revenues, expenses, and changes in net position.

The following summarizes the estimated percentage of gross patient charges from all payors for the years ended June 30, 2017 and June 30, 2016.

	<u>2017</u>	<u>2016</u>
Medicare	24%	23%
Medicaid	32%	31%
Other third-party and commercial payors	39%	39%
Other, including self pay	5%	7%

**Note 5 - Inventories and Supplies**

Inventories and supplies consisted of the following at June 30:

	2017	2016
Site support	\$ 248	\$ 241
Telecommunications	129	133
Other service units	108	160
Dental supply store	891	364
Other auxiliaries	9	9
Pharmacies	3,575	2,250
	\$ 4,960	\$ 3,157

**Note 6 - Loans to Students**

The Center had student loans outstanding of \$6,648 and \$6,707 (net of allowance for uncollectible loans of \$350 and \$353) at June 30, 2017 and 2016, respectively. Student loans made under the Health Professions Student Loan Program and the Nursing Student Loan Program represented approximately \$6,642 and \$6,677 (net of allowance for uncollectible loans of \$350 and \$351) of these amounts. Under these programs, the U.S. Department of Health and Human Services, Bureau of Health Professions, provides funds for eight-ninths (8/9) of the loans, and the Center provides the remaining funds. The Center had a cash balance of \$1,471 and \$1,321, which is included in cash and cash equivalents in the Statements of Net Position, at June 30, 2017 and 2016, respectively, for these programs. At June 30, 2017 and 2016, \$7,212 and \$7,109, respectively, are included as federal loan program contributions refundable in the statements of net position as these amounts are refundable to the U.S. government upon cessation of the programs.

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**Note 7 - Capital Assets**

Capital asset activity for the year ended June 30, 2017, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Art	\$ 735	\$ -	\$ 70	\$ -	\$ 805
Land	32,006	-	666	-	32,672
Construction in-progress	2,224	25,367	(19,893)	-	7,698
	<u>34,965</u>	<u>\$ 25,367</u>	<u>\$ (19,157)</u>	<u>\$ -</u>	<u>41,175</u>
Total capital assets not being depreciated					
Capital assets being depreciated:					
Improvements	16,342	\$ 204	\$ 496	\$ (5)	17,037
Buildings	623,559	1,014	16,491	-	641,064
Equipment	149,953	13,735	1,882	(6,091)	159,479
Infrastructure	6,801	(50)	27	-	6,778
Leasehold improvements	38,712	472	261	-	39,445
Library materials	29,780	161	-	-	29,941
	<u>865,147</u>	<u>\$ 15,536</u>	<u>\$ 19,157</u>	<u>\$ (6,096)</u>	<u>893,744</u>
Total capital assets being depreciated					
Less accumulated depreciation					
Improvements	14,045	\$ 436	\$ -	\$ -	14,481
Buildings	145,648	12,706	-	-	158,354
Equipment	103,591	11,880	-	(4,996)	110,475
Infrastructure	1,820	320	-	-	2,140
Leasehold improvements	26,043	2,549	-	-	28,592
Library materials	27,767	637	-	-	28,404
	<u>318,914</u>	<u>\$ 28,528</u>	<u>\$ -</u>	<u>\$ (4,996)</u>	<u>342,446</u>
Total accumulated depreciation					
Total capital assets being depreciated, net	<u>546,233</u>				<u>551,298</u>
Capital assets, net	<u>\$ 581,198</u>				<u>\$ 592,473</u>

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Capital asset activity for the year ended June 30, 2016, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Art	\$ 735	\$ -	\$ -	\$ -	\$ 735
Land	32,006	-	-	-	32,006
Construction in-progress	5,376	5,744	(8,896)	-	2,224
Total capital assets not being depreciated	<u>38,117</u>	<u>\$ 5,744</u>	<u>\$ (8,896)</u>	<u>\$ -</u>	<u>34,965</u>
Capital assets being depreciated:					
Improvements	16,000	\$ 334	\$ 8	\$ -	16,342
Buildings	614,018	1,672	7,869	-	623,559
Equipment	144,552	13,469	924	(8,992)	149,953
Infrastructure	6,542	164	95	-	6,801
Leasehold improvements	38,596	116	-	-	38,712
Library materials	29,623	157	-	-	29,780
Total capital assets being depreciated	<u>849,331</u>	<u>\$ 15,912</u>	<u>\$ 8,896</u>	<u>\$ (8,992)</u>	<u>865,147</u>
Less accumulated depreciation					
Improvements	13,387	\$ 658	\$ -	\$ -	14,045
Buildings	133,294	12,354	-	-	145,648
Equipment	99,880	11,232	-	(7,521)	103,591
Infrastructure	1,506	314	-	-	1,820
Leasehold improvements	23,472	2,571	-	-	26,043
Library materials	27,015	752	-	-	27,767
Total accumulated depreciation	<u>298,554</u>	<u>\$ 27,881</u>	<u>\$ -</u>	<u>\$ (7,521)</u>	<u>318,914</u>
Total capital assets being depreciated, net	<u>550,777</u>				<u>546,233</u>
Capital assets, net	<u>\$ 588,894</u>				<u>\$ 581,198</u>

**Note 8 - Accounts Payable and Accrued Expenses**

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

	2017	2016
Accounts payable and other accrued expenses	\$ 29,078	\$ 31,401
Accrued payroll	42,035	43,445
Self insurance reserves	6,384	4,518
	<u>\$ 77,497</u>	<u>\$ 79,364</u>



**Note 9 - Unearned Revenue**

Unearned revenue consists of the following at June 30:

	2017	2016
Prepaid tuition and student fees	\$ 1,393	\$ 1,129
Auxiliary enterprises and other activities	170	242
Contracts	7,671	8,231
	\$ 9,234	\$ 9,602

**Note 10 - Funds Held in Trust by Others**

The University of Oklahoma (the University) 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 University has the right to receive annually 30 percent of the distribution of income produced by “Section Thirteen State Educational Institutions Fund” assets and 100 percent of the distribution of income produced by the University’s “New College Fund.”

The University, as a whole, received \$9,924 and \$9,246 during the years ended June 30, 2017 and 2016, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. Of these amounts, the Center received approximately \$4,612 and \$3,716 in 2017 and 2016, respectively. Present state law prohibits the distribution of any corpus of these funds. The estimated fair value of the total trust fund for the University, held in trust by the Commissioners of the Land Office, was approximately \$181,975 (\$176,027 restricted corpus) and \$174,719 (\$168,951 restricted corpus) at June 30, 2017 and 2016, respectively. Such trust funds, held by the Commissioners of the Land Office, have not been reflected in the accompanying financial statements.

In connection with the State Regents’ Endowment Program, the State of Oklahoma has matched contributions received under the program. The cumulative match amount, plus any retained accumulated earnings, totaled \$184,780 and \$172,049 at June 30, 2017 and 2016, respectively, and is invested by the State Regents on behalf of the Center. The Center will receive an annual distribution of earnings on these funds; however, as legal title of the state match is retained by the State Regents, only the funds available for distribution, for which the Center has incurred allowable reimbursable expenses, or \$7,487 and \$7,554 at June 30, 2017 and 2016, respectively, have been reflected as accounts receivable from federal, state and private sources in the statements of net position.

With regard to the institutional matching funds, approximately \$268,958 and \$266,831, of cumulative undisbursed contributions have been made to the OU Foundation, for the benefit of the Center, and are on deposit with the OU Foundation at June 30, 2017 and 2016, respectively. These funds are not recorded by the Center. The Center has incurred allowable reimbursable expenses of \$10,168 and \$8,022 at June 30, 2017 and 2016, respectively, which are included in accounts receivable in the statements of net position.

## Note 11 - Operating Leases

### Lessee Commitments

The Center has entered into certain other operating leases for equipment, office space, vehicles, and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures under all operating leases were approximately \$10,432 and \$8,929 for the years ended June 30, 2017 and 2016, respectively.

### Lessor Agreements

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>
University Research Park	\$ 6,069	\$ 4,279	\$ 4,057	\$ 3,001	\$ 498	\$ -
Harold Hamm Diabetes Center (HHDC)	457	467	439	136	140	432
Student Union (SU)	15	15	15	15	15	15
Land leases	<u>45</u>	<u>46</u>	<u>46</u>	<u>46</u>	<u>46</u>	<u>1,829</u>
	<u>\$ 6,586</u>	<u>\$ 4,807</u>	<u>\$ 4,557</u>	<u>\$ 3,198</u>	<u>\$ 699</u>	<u>\$ 2,276</u>

The cost and carrying amount of the leased property attributed to non-cancelable leases as of June 30, 2017 was as follows:

	<u>URP</u>	<u>HHDC</u>	<u>SU</u>	<u>Land</u>
Land cost	\$ -	\$ -	\$ -	\$ 500
Building cost	29,934	3,823	108	-
Less accumulated depreciation	<u>(2,135)</u>	<u>(553)</u>	<u>(39)</u>	<u>-</u>
Net leased property	<u>\$ 27,799</u>	<u>\$ 3,270</u>	<u>\$ 69</u>	<u>\$ 500</u>

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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, 2017:

	Cost	Accumulated Depreciation	Net Leased Property
University Research Park	\$ 11,839	\$ (841)	\$ 10,998
Student Union	453	(161)	292
Biomedical Research Center	67	(21)	46
Basic Sciences Education Building	16	(8)	8
Family Medicine	78	(33)	45
O'Donoghue Building	186	(157)	29
Rogers Building	138	(38)	100
Stephenson Cancer Center	27,577	(3,290)	24,287
Oklahoma City Clinic	5,623	(107)	5,516
Tulsa Schusterman Center	1,992	(256)	1,736
Land	51	-	51
Net Leased Property	\$ 48,020	\$ (4,912)	\$ 43,108

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**Note 12 - Long-Term Liabilities**

The following is a summary of long-term obligation transactions of the Center for the year ended June 30, 2017:

	Issue Dates	Interest Rates (in Percent)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases:								
Revenue bonds payable:								
Utility System Series 2004 A&B	2004	2.61-4.85	11/1/2019	\$ 3,215	\$ -	\$ (761)	\$ 2,454	\$ 786
General Revenue Bonds Series 2008 A&B	2008	3.28-6.63	7/1/2036	61,669	-	(1,581)	60,088	1,676
General Revenue Bonds Series 2010 A&B	2010	1.24-5.00	7/1/2030	21,416	-	(2,206)	19,210	2,136
General Revenue Bonds Series 2013A	2013	.46-6.0	7/1/2043	60,323	-	(1,073)	59,250	1,093
				146,623	-	(5,621)	141,002	5,691
ODFA capital leases payable				3,931	-	(591)	3,340	614
OCIA capital leases payable				20,636	-	(2,406)	18,230	2,506
Total bonds, notes, and capital leases				171,190	-	(8,618)	162,572	8,811
Other noncurrent liabilities:								
Accrued compensated absences				34,185	28,818	(28,036)	34,967	28,673
Net pension liability				217,743	98,225	-	315,968	-
Post employment benefits obligation				94,926	10,184	(3,674)	101,436	4,688
Federal loans program contributions refundable				7,109	103	-	7,212	-
Total other noncurrent liabilities				353,963	137,330	(31,710)	459,583	33,361
Total noncurrent liabilities				\$ 525,153	\$ 137,330	\$ (40,328)	\$ 622,155	\$ 42,172

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The following is a summary of long-term obligation transactions of the Center for the year ended June 30, 2016:

	Issue Dates	Interest Rates (in Percent)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases:								
Revenue bonds payable:								
Utility System Series 2004 A&B	2004	2.61-4.85	11/1/2019	\$ 3,946	\$ -	\$ (731)	\$ 3,215	\$ 761
General Revenue Bonds Series 2008 A&B	2008	3.28-6.63	7/1/2036	63,155	-	(1,486)	61,669	1,581
General Revenue Bonds Series 2010 A&B	2010	1.24-5.00	7/1/2030	23,561	-	(2,145)	21,416	2,206
General Revenue Bonds Series 2013A	2013	.46-6.0	7/1/2043	61,381	-	(1,058)	60,323	1,073
				<u>152,043</u>	<u>-</u>	<u>(5,420)</u>	<u>146,623</u>	<u>5,621</u>
Notes payable				240	-	(240)	-	-
ODFA capital leases payable				4,504	-	(573)	3,931	591
OCIA capital leases payable				22,617	-	(1,981)	20,636	2,406
Equipment capital lease				12	-	(12)	-	-
Total bonds, notes, and capital leases				<u>179,416</u>	<u>-</u>	<u>(8,226)</u>	<u>171,190</u>	<u>8,618</u>
Other noncurrent liabilities:								
Accrued compensated absences				30,940	30,293	(27,048)	34,185	27,690
Net pension liability				197,023	20,720	-	217,743	-
Post employment benefits obligation				87,656	10,759	(3,489)	94,926	4,545
Federal loans program contributions refundable				7,147	-	(38)	7,109	-
Total other noncurrent liabilities				<u>322,766</u>	<u>61,772</u>	<u>(30,575)</u>	<u>353,963</u>	<u>32,235</u>
Total noncurrent liabilities				<u>\$ 502,182</u>	<u>\$ 61,772</u>	<u>\$ (38,801)</u>	<u>\$ 525,153</u>	<u>\$ 40,853</u>

### Revenue Bonds Payable

In fiscal year 2009, General Revenue Bonds, Series 2008A and 2008B, were issued by the Board of Regents pursuant to the Master Resolution establishing the University of Oklahoma Health Sciences Center General Revenue Financing System in support of funding for the OU Cancer Institute. 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.

In fiscal year 2010, General Revenue Bonds, Series 2010A and 2010B, 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 provide funds to refund certain prior bond issues and to construct, renovate, remodel, expand, and equip certain additions and improvements to parking, utility, and data center facilities on the Center's Oklahoma City campus. 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, 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.

In fiscal year 2014, General Revenue Bonds, Series 2013A, 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 provide funds to acquire a research park for the Center. 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, 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, 2017 and 2016, the total principal and interest remaining to be paid on the General Revenue Bonds was \$235,016 and \$247,107. Total pledged revenue received during the years ended June 30, 2017 and 2016 was \$636,643 and \$629,507. Debt service payments of \$12,065 and \$12,082, including both principal and interest, were 1.9 percent and 2 percent of pledged revenues at June 30, 2017 and 2016.

Utility System Revenue bonds issued prior to the Resolution (prior encumbered obligations) are payable both as to principal and interest from the net revenues arising from operations of the physical plant utilities system. At June 30, 2017 and 2016, the Center had \$545 and \$531 respectively, of cash and investments, reported as restricted cash on the statements of net position, held in trust for the bond indentures, restricted to the payment of principal and interest.

### **Capital Lease Obligations**

In December 2007, the Center entered into a 15 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2007B. The Center financed \$6,067 to renovate the Medical Student Education Facility on the Oklahoma City, Oklahoma campus. Assets under this capital lease totaled \$5,017 and \$5,096 net of accumulated depreciation of \$1,050 and \$971 as of June 30, 2017 and 2016, respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

In December 2007, the Center entered into a 15 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2007C. The Center financed \$1,304 to construct a cooling tower on the Tulsa Oklahoma campus. Assets under this capital lease totaled \$1,077 and \$1,093 net of accumulated depreciation of \$227 and \$211 at June 30, 2017 and 2016, respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

# The University of Oklahoma Health Sciences Center

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In December 2014, the Center entered into a 5 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2014C. The Center financed \$401 to purchase a Practice Management System. Assets under this capital lease totaled \$192 and \$256 net of accumulated depreciation of \$206 and \$142 at June 30, 2017 and 2016, respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

*OCIA capital lease obligations:* The Oklahoma Capital Improvement Authority (OCIA) periodically issues bonds, which are allocated to the State Regents for Higher Education (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 the fall of 2005, the Center entered into a 25 year lease agreement with the OCIA and the State Regents as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F and 2005G. The Center received \$26,146 of the proceeds for capital improvement projects on the Oklahoma City and Tulsa Campuses as approved by the Regents. Assets under these capital leases totaled \$21,541 and \$22,064, net of accumulated depreciation of \$4,605 and \$4,082 at June 30, 2017 and 2016, respectively.

In August 2010, the Center's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. 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. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the Center's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The Center previously recorded a deferred outflow of resources of \$2,295 on restructuring that was amortized over a period of 6 years and wrote off \$623 of previously capitalized deferred outflows of resources from the refinanced 2005F agreement. During the years ended June 30, 2017 and 2016, amortization of the deferred outflows of resources was \$0 and \$279. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$113 which also approximates the economic cost of the lease restructuring.

In April 2014, the Center's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued a new bond, Series 2014A. 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. OCIA issued this new debt to provide budgetary relief by restructuring debt service. Consequently, the Center's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has reduced the principal payments. The Center has recorded a deferred inflow of resources of \$783, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the debt, whichever is shorter. During the years ended June 30, 2017 and 2016, amortization of the deferred inflows of resources was \$48. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$1,828.

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During the year ended June 30, 2017, the State Regents made lease principal and interest payments totaling \$3,127 and \$2,923 on behalf of the Center. These on-behalf payments have been recorded in the Center's statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

Maturities of principal and interest requirements on revenue bonds payable and capital lease obligations are as follows at June 30, 2017:

	2018	2019	2020	2021	2022	2023 - 2027	2028 - 2032	2033 - 2037	2038 - 2042	2043 - 2044	Total
Utility System Series 2004 A&B	\$ 871	\$ 870	\$ 872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,613
General Revenue Bonds Series 2008 A&B	4,798	4,795	4,790	4,784	4,779	23,899	23,868	23,744	-	-	95,457
General Revenue Bonds Series 2010 A&B	2,903	2,900	2,283	2,278	2,271	9,564	1,030	-	-	-	23,229
General Revenue Bond Series 2013 A	4,305	4,307	4,306	4,304	4,302	21,527	21,518	21,538	21,538	8,615	116,260
<b>Total principal and interest</b>	<b>12,877</b>	<b>12,872</b>	<b>12,251</b>	<b>11,366</b>	<b>11,352</b>	<b>54,990</b>	<b>46,416</b>	<b>45,282</b>	<b>21,538</b>	<b>8,615</b>	<b>237,559</b>
Less interest	7,186	6,936	6,668	6,401	6,127	26,156	19,576	11,942	5,043	522	96,557
<b>Total principal</b>	<b>5,691</b>	<b>5,936</b>	<b>5,583</b>	<b>4,965</b>	<b>5,225</b>	<b>28,834</b>	<b>26,840</b>	<b>33,340</b>	<b>16,495</b>	<b>8,093</b>	<b>141,002</b>
Capital leases	4,057	4,023	1,337	1,283	1,282	9,280	7,127	-	-	-	28,389
Less interest	937	796	711	686	662	2,377	650	-	-	-	6,819
<b>Total principal</b>	<b>3,120</b>	<b>3,227</b>	<b>626</b>	<b>597</b>	<b>620</b>	<b>6,903</b>	<b>6,477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,570</b>
<b>Total principal</b>	<b>\$ 8,811</b>	<b>\$ 9,163</b>	<b>\$ 6,209</b>	<b>\$ 5,562</b>	<b>\$ 5,845</b>	<b>\$ 35,737</b>	<b>\$ 33,317</b>	<b>\$ 33,340</b>	<b>\$ 16,495</b>	<b>\$ 8,093</b>	<b>\$ 162,572</b>

### 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)	Cost-Sharing Multiple Employer Defined Benefit Plan
Optional Retirement Plan (ORP)	Defined Contribution Plan
University of Oklahoma Defined Contribution Plan (Plan 1)	Defined Contribution Plan
University of Oklahoma Defined Contribution Plan for Hourly Employees who are Non-OTRS Participants (Plan 2)	Defined Contribution Plan



## Oklahoma Teachers Retirement System

### Plan Description

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

### Benefits Provided

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

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. 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 percent of final compensation for each year of credited service.
- Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40 or \$25, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

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

### Contributions

The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual compensation. The Center's contribution rate is 8.55 percent for the years ended June 30, 2017 and 2016. In addition, the Center is required to contribute 2.5 percent as a result of the adoption of ORP, Plan 1 and Plan 2 (the Alternate Retirement Plans, or ARP) for certain employees that have elected not to participate in OTRS due to a one-time irrevocable election provision which became effective July 1, 2004. The Center's contributions to OTRS in 2017 and 2016, which include the 8.55 percent regular employer contribution and the 2.5 percent ARP contribution, were approximately \$17,312 and \$17,656, respectively, equal to the required contributions each year. In addition, the State of Oklahoma also contributed 5 percent of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the Center and recognized in the Center's Statement of Revenues, Expenses and Changes in Net Position as both revenues and compensation and employee benefit expense in 2017 and 2016 were \$10,478 and \$10,645, respectively. These on-behalf payments do not meet the definition of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2017 and 2016, the Center reported a liability of \$312,670 and \$215,886, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015, 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, 2016 and 2015. Based upon this information, the Center's proportion was 3.61467924% and 3.41236752% as of June 30, 2016 and 2015, respectively.

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For the years ended June 30, 2017 and 2016, the Center recognized pension expense of \$38,674 and \$10,852, respectively. At June 30, 2017 and 2016, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	2016
Deferred Outflows of Resources		
Changes of assumptions	\$ 36,325	\$ 9,923
Center contributions subsequent to the measurement date	17,312	17,656
Changes in proportion	10,681	-
Net difference between projected and actual earnings on pension plan investments	35,215	-
	<u>\$ 99,533</u>	<u>\$ 27,579</u>
Total		
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 7,003	\$ 7,039
Net difference between projected and actual earnings on pension plan investments	-	14,058
Changes in proportion	669	827
	<u>\$ 7,672</u>	<u>\$ 21,924</u>
Total		

Deferred pension outflows: Deferred pension outflows totaling \$17,312 at June 30, 2017, resulting from the Center's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred pension outflows totaling \$17,656 at June 30, 2016, resulting from the Center's contributions subsequent to the measurement date, were recognized as a reduction of the net pension liability in the year ended June 30, 2017. The deferred pension outflows totaling \$36,325 and \$9,923 at June 30, 2017 and 2016, resulting from the Center's portion of changes in assumptions, will be recognized in pension expense using the average expected remaining life of the Plan. The deferred outflows totaling \$10,681 at June 30, 2017, due to changes in proportion, will be recognized in pension expense using the average expected remaining life of the Plan. The deferred outflows resulting from the difference between projected and actual earnings on pension plan investments totaling \$35,215 at June 30, 2017, is net of the deferred inflows of \$14,058 at June 30, 2016. The deferred outflow will be recognized in pension expense over five years.

Deferred pension inflows: The deferred inflows totaling \$7,003 and \$7,039 at June 30, 2017 and 2016, resulting from differences between expected and actual experience, will be recognized in pension expense using the average expected remaining life of the Plan. The deferred inflows totaling \$669 and \$827 at June 30, 2017 and 2016, due to changes in proportion, will be recognized in pension expense using the average expected remaining life of the Plan.

The average expected remaining service life of the plan participants 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 estimated at 5.71 and 6.22 years at June 30, 2016 and 2015, respectively, and are determined using the mortality, termination, retirement, and disability assumptions associated with the Plan.

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2018	\$ 14,617	\$ (1,905)
2019	14,617	(1,905)
2020	25,772	(1,905)
2021	20,920	(1,517)
2022	6,295	(440)
	<u>\$ 82,221</u>	<u>\$ (7,672)</u>

### Actuarial Assumptions

The total pension liability as of June 30, 2017, was determined based on actuarial valuations prepared as of June 30, 2016, using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—2.50 percent
- Future Ad Hoc Cost-of-living Increases—None
- Salary Increases—Composed of 3.00 percent inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return—7.50 percent
- Retirement Age— Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement— Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.

The total pension liability as of June 30, 2016, was determined based on actuarial valuations prepared as of June 30, 2015, using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—3.00 percent
- Future Ad Hoc Cost-of-living Increases—None
- Salary Increases—Composed of 3.75 percent wage inflation, including 3.00 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service
- Investment Rate of Return—8.00 percent
- Retirement Age— Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014
- Mortality Rates after Retirement— Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members—RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2016 and 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		2016	2015
Domestic All Cap Equity*	7.0%	6.2%	6.0%
Domestic Large Cap Equity	10.0%	5.8%	5.3%
Domestic Mid Cap Equity	13.0%	6.3%	6.1%
Domestic Small Cap Equity	10.0%	7.0%	6.6%
International Large Cap Equity	11.5%	6.6%	5.8%
International Small Cap Equity	6.0%	6.6%	5.8%
Core Plus Fixed Income	17.5%	1.6%	1.8%
High-yield Fixed Income	6.0%	4.9%	4.1%
Private Equity	5.0%	8.3%	7.6%
Real Estate**	7.0%	4.5%	5.5%
Master Limited Partnerships	7.0%	7.7%	7.6%
Total	<u>100.0%</u>		

\* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small Cap

\*\* The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value added Real Estate (unleveraged)

### Discount Rate

The discount rate used to measure the total pension liability at June 30, 2016, was 7.5 percent and at June 30, 2015, was 8 percent. 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 percent of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability of the Center calculated using the discount rate of 7.5 percent, 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
<u>June 30, 2017</u>			
Center's net pension liability	<u>\$ 409,598</u>	<u>\$ 312,670</u>	<u>\$ 231,376</u>
<u>June 30, 2016</u>			
Center's net pension liability	<u>\$ 297,923</u>	<u>\$ 215,886</u>	<u>\$ 146,802</u>

**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:

	<u>2017</u>	<u>2016</u>
Net pension liability	\$ 3,136	\$ 1,823
Deferred outflows related to pensions	1,876	900
Deferred inflows related to pensions	255	500
Pension expense	670	299

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.olders.state.ok.us](http://www.olders.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:

	<u>2017</u>	<u>2016</u>
Net pension liability	\$ 162	\$ 34
Deferred outflows related to pensions	147	29
Deferred inflows related to pensions	135	262
Pension expense	(70)	(115)

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](http://www.opers.ok.gov).

**Defined Contribution Plan—Optional Retirement Plan****Plan Description**

Monthly employees, hired July 1, 2004 or later, who would have been previously required to participate in OTRS, now have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 30 days of employment. This is a one-time election, and if an employee does not make an election, the employee defaults into OTRS and will also participate in Plan 1 or 2 of the Defined Contribution Plan noted below. Hourly employees not participating in OTRS are also included in this plan; however, their option to not participate in OTRS is revocable and can be changed upon their request.

Under the ORP, the Center contributes, at the direction of the participating employee, to the master record keeper, Fidelity Investments Company. The ORP is a non-contributory defined contribution plan, and the retirement investment firm is separately managed. Participants in the plan have the ability to direct their investments to a variety of different fund options and companies within the plan. The authority for contributing to the Defined Contribution plans is contained in the following policy document, “University of Oklahoma Defined Contribution Retirement Plan,” amended and restated July 2004.

**Funding Policy**

The ORP provisions and contribution requirements are established and may be amended by the Center. The Center’s contribution rate is 9 percent of covered payroll and is determined by the previously mentioned plan document. The Center’s contributions to the ORP for the years ended June 30, 2017 and 2016 were approximately \$23,938 and \$24,599, respectively. Employees do not contribute to the ORP. The vesting period for the ORP is three years. For employees hired on or after July 1, 2016, there is a one-year waiting period before participation in the plan begins.

**Defined Contribution Plan—Plan 1 and Plan 2****Plan Descriptions**

For employees participating in OTRS, contributions to the defined contribution plan fall into Plan 1 or Plan 2 depending upon the employee’s participation date. The Center contributes, at the direction of the participating employee, to the master record keeper, Fidelity Investments Company. Plans 1 and 2 are non-contributory defined contribution plans, and the retirement investment firm is separately managed.

Participants in the plan have the ability to direct their investments to a variety of different fund options and companies within the plan. The authority for contributing to the Defined Contribution plans is contained in the following policy document, “University of Oklahoma Defined Contribution Retirement Plan,” amended and restated July 2004.

**Funding Policy**

Plan 1 and Plan 2 provisions and contribution requirements are established and may be amended by the Center. The Center’s contribution rate is 15 percent for Plan 1 and 8 percent for Plan 2 of covered payroll and is determined by the previously mentioned plan document. Total contributions to Plans 1 and 2 were \$10,986 and \$7,049, respectively, for the year ended June 30, 2017. Total contributions to Plans 1 and 2 were \$12,276 and \$7,236, respectively, for the year ended June 30, 2016. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years. For employees hired on or after July 1, 2016, there is a one-year waiting period before participation in the plan begins.

**Note 14 - Other Postemployment Benefits**

**Plan Description**

Health and dental insurance is provided by the Center for all retirees who began employment prior to January 1, 2008 and meet specific age and service requirements, with varying premium subsidies based on retirement age and years of service as described below. Employees hired on or after January 1, 2008 may participate in the retiree insurance plan at the group rates at the retiree’s own expense. Retirees may also elect the Center’s health and dental coverage for eligible dependents at their own expense. The Center’s retiree insurance plan is considered a single-employer defined benefit plan. After retirees become eligible for Medicare primary coverage, those participating in the OTRS (see Note 13) are provided with the Oklahoma State and Education Employees Group health plan as a secondary plan. For retirees not participating in OTRS, the Center’s insurance continues in a secondary role. The Center’s plan does not issue a standalone financial report. The Center has the authority to establish and amend the benefit provisions offered to retirees. The Board of Regents approved the following changes to the Retiree Medical Benefits Plan at their May 2012 meeting.

1. As part of these changes, two eligibility groups were established for future subsidized Center retiree medical benefits:

Group 1—Current retirees, employees currently eligible to retire, and those who will meet eligibility for retirement on or before December 31, 2015.

Group 2—Current employees hired on or before January 1, 2008 who will meet eligibility requirements on or after January 1, 2016.

2. The Center will continue to provide a 100 percent premium subsidy for Group 1 retirees.
3. An insurance premium subsidy for Group 2 was established as follows:

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

4. For the Center’s Medicare Plan participants who retired on or after July 1, 1995, an individual deductible will be phased in beginning January 1, 2013. Effective January 1, 2016, the Medicare coordination method will be changed to “exclusion,” and the annual out-of-pocket maximum will be reduced from \$3,000 to \$1,500.
5. Beginning January 1, 2013, 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.



The University of Oklahoma Health Sciences Center

Notes to Financial Statements

June 30, 2017 and 2016 (in thousands)

**Funding Policy**

For the Center’s plan, the contribution requirement is based on a projected pay-as-you-go basis. The funding policy may be amended by the Regents of the University. The Center pays the premiums for the current retirees. On June 30, 2017, there were 1,656 individuals who met the age and service eligibility requirements, and 1,150 were retired and participated in the plan. For the years ended June 30, 2017 and 2016, the Center contributed \$3,674 and \$3,489, respectively, for current retirees.

**Annual OPEB Cost and Net OPEB Obligation**

The Center’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (GASB No. 45). The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Center’s annual OPEB cost, the amount actually contributed by the Center, and changes in the Center’s net OPEB obligation for the years ended June 30:

	2017	2016
Annual Required Contribution (ARC)	\$ 9,500	\$ 10,127
Interest on net OPEB obligation	4,746	4,383
Adjustment to ARC	<u>(4,062)</u>	<u>(3,751)</u>
Annual OPEB cost	10,184	10,759
Contributions paid during year	<u>(3,674)</u>	<u>(3,489)</u>
Increase in net OPEB obligation	6,510	7,270
Net OPEB Obligation—beginning of year	<u>94,926</u>	<u>87,656</u>
Net OPEB Obligation—end of year	<u>\$ 101,436</u>	<u>\$ 94,926</u>

**Funded Status and Funding Progress**

The unfunded actuarial accrued liability totaled \$135,218 as of the July 1, 2016 actuarial valuation date. The initial unfunded actuarial accrued liability (UAAL) is being amortized over an open period of thirty years using the level percentage of projected covered payroll amortization method. The covered payroll (annual payroll of active employees covered by the plan, subsidized and nonsubsidized) was \$355,422, and the ratio of the UAAL to the covered payroll was 38 percent.

The University of Oklahoma Health Sciences Center

Notes to Financial Statements

June 30, 2017 and 2016 (in thousands)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual OPEB</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2017	\$ 10,184	36%	\$ 101,436
2016	10,759	32%	94,926
2015	10,045	31%	87,656

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the Retirement Policy document, amended as of July 1, 2002. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in reported amounts and reflect a long-term perspective of the calculations. In the July 1, 2016 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5% investment rate of return, which is based on the expected long-term investment returns of the Center’s own investments, an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to 4.5% after seven years, and a payroll annual inflation rate of 3.5%.

**Note 15 - Affiliates and Related Party Transactions**

**HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center:** The Center has contracts with HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center (HCA) for the Center’s staff to provide in-service education and administrative duties within University Hospital and Children’s Hospital of Oklahoma, two of the institutions comprising the OU Medical Center. In addition, the Center provides phone services and steam and chilled water for heating and cooling purposes to the OU Medical Center. Total sales and services under the above transactions were approximately \$38,683 and \$39,605 for 2017 and 2016, respectively. Amounts due from HCA for such transactions were \$5,929 and \$8,687 as of June 30, 2017 and 2016, respectively, and are included in accounts receivable, net of allowances, on the statements of net position.

**The Tulsa Foundation for Health Care Services, Inc.:** The Tulsa Foundation for Health Care Services, Inc. (the Tulsa Foundation) is an Oklahoma not-for-profit organization organized for the benefit of, to perform the functions of, or to carry out the purposes of the University of Oklahoma College of Medicine— Tulsa Bedlam Clinic and/or successor clinics. The purposes of the Tulsa Foundation are exclusively charitable, educational, and research, specifically to receive funds from various entities to provide compassionate medical and health care services for the underserved community in the greater Tulsa area with an emphasis on caring for children and their families through the Bedlam Clinic or its successor entities. The economic resources received and held by the Tulsa Foundation for the benefit of the Center are not significant to its overall financial position. As a result, the Tulsa Foundation is not considered a component unit of the Center.

**The Academic Physicians Insurance Company:** The Academic Physicians Insurance Company (the Captive), formed in 2006, is a not-for-profit 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. Premiums paid by the Center to obtain professional liability coverage from the Captive totaled \$10,711 and \$10,398 for fiscal years 2017 and 2016, respectively, thus eliminating the Center's deductible expense for current and future claims. As of and for the year ended June 30, 2017, the economic resources of the Captive include total assets of \$53,349, total revenue of \$9,094, and total equity of \$23,543. The Captive is not considered a component unit of the Center as the economic resources received and held by the Captive are not significant to the Center's overall financial position and the Center is not entitled to or have the ability to otherwise access a majority of the resources received or held by the Captive.

**The University of Oklahoma Foundation:** The OU Foundation is a public foundation organized to receive and administer gifts for the benefit of the Norman Campus and the Center. At June 30, 2017 and 2016, the OU Foundation had net position of approximately \$1,510,448 (unaudited) and \$1,399,952 (audited), respectively. The OU Foundation expended on behalf of the Norman Campus and the Center approximately \$129,707 in 2017 and \$105,278 in 2016 for facilities and equipment, salary supplements, general educational assistance, faculty awards, and scholarships. Of these expenditures, \$18,444 in 2017 and \$23,819 in 2016 are reflected in the Center's financial statements as revenue. The amounts not reflected herein consist of direct OU Foundation expenditures for general university educational purposes and amounts reflected in the Norman Campus financial statements.

The Center's investments are also held by OU Foundation (Note 2).

As discussed in Note 1, the OU Foundation is not considered a component unit of the Center because the resources received and held by the OU Foundation are not entirely or almost entirely held for the benefit of the Center.

## **Note 16 - 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 guidelines in risk assessment, risk avoidance, risk acceptance, and risk transfer.

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

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

- The buildings and contents are insured for replacement value. For most buildings, each loss incident is subject to a \$500 deductible. A small portion of buildings are subject to a \$100 deductible per loss.
- In addition, certain fine arts and valuable papers are covered under a separate policy of insurance.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, leased vehicles, and equipment) are provided to the Center by OMES Risk Management. Also included in OMES Risk Management coverages are Out-of-State Liability, Foreign General Liability and ACE Executive Services to employees traveling internationally in the course and scope of their employment. The Governmental Crime Policy has differing deductibles, ranging from \$5 to \$25, depending on the type of coverage invoked. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the Center as a whole. The Center has filed three claims with the State in the past three fiscal years.
- Educators' Legal Liability, with a \$150 retention (deductible).
- Medical malpractice losses are insured by Academic Physicians Insurance Company, a captive insurance company formed to finance the medical professional liability insurance for the Center (Note 15).

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

### **Self-Funded Programs**

The Center's workers' compensation program is self-funded and is administered by a third party. 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. Benefits provided are prescribed by State Statute and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The Center records a liability for workers' compensation in its financial statements based on annual actuarial valuations. As of June 30, 2017 and 2016, the accrued workers' compensation liability totaled approximately \$1,823 and \$1,416, respectively.

The Center's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission (OESC). As a reimbursing employer, the Center is billed quarterly by the OESC for benefits paid to former employees. The Center's reserve with the OESC is the average claims paid over the past three years. As of June 30, 2017 and 2016, the required reserve was \$357 and \$338, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

Effective July 1, 2013 the Center entered into an agreement for self-funded student health insurance. The plan is administered by a third party, and claims are processed by Blue Cross Blue Shield. The premiums for the insurance 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 the 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, 2017 and 2016, the cash balance for the plan was \$235 and \$331, respectively, and the accrued liability for claims not yet reported totaled \$157 and \$133, respectively.

Effective January 1, 2015 the Center entered into an agreement for self-funded employee health insurance. As of January 1, 2017, the plan is administered and claims are paid by Cigna. The premiums for the insurance are collected and recorded in a self-insurance fund at the Center. The claims and administrative expenses are paid as incurred directly from the 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, 2017 and 2016, the cash balance for the plan was \$6,111 and \$7,676, respectively and the accrued liability for claims not yet reported totaled \$3,657 and \$2,479, respectively.

Effective January 1, 2017 the Center entered into an agreement for self-funded employee dental insurance. The plan is administered and claims are paid by Delta Dental. The premiums for the insurance are collected and recorded in a self-insurance fund at the Center. The claims and administrative expenses are paid as incurred directly from the 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, 2017, the cash balance for the plan was (\$3) and the accrued liability for claims not yet reported totaled \$168.

### **Note 17 - Contingencies and Commitments**

At June 30, 2017 and 2016, the Center had outstanding commitments under construction contracts of \$529 and \$123, respectively.

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

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

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

The University of Oklahoma Health Sciences Center

Notes to Financial Statements

June 30, 2017 and 2016 (in thousands)

**Note 18 - Functional Classifications**

For the years ended June 30, 2017 and 2016, the following table represents operating expenses within functional classification:

	<u>2017</u>	<u>2016</u>
Function:		
Instruction	\$ 223,024	\$ 213,767
Research	92,098	87,826
Public service	22,094	22,358
Academic support	49,242	45,744
Student services	5,894	6,563
Institutional support	25,713	23,155
Operations and maintenance of plant	32,588	29,549
Scholarships/Fellowships	804	950
Clinical operations	531,220	507,632
Agency	4	4
Auxiliary enterprises	11,726	8,848
Service unit	19,430	16,975
Plant	<u>2,407</u>	<u>10,331</u>
Total operating expenses	<u>\$ 1,016,244</u>	<u>\$ 973,702</u>

**Note 19 - Subsequent Events**

The Center has evaluated events and transactions that occurred subsequent to June 30, 2017, through October 17, 2017, the date these financial statements were available to be issued, for potential recognition or disclosure in the financial statements.

On August 18, 2017, the Center closed on the sale of \$46,900 in general obligation refunding taxable bonds (Series 2017A). The proceeds on the bonds were used to advance refund Series 2008A bonds, which were issued for the purposes of constructing and equipping the Oklahoma Stephenson Cancer Center. The Series 2017A bonds provide the Center with economic savings and increased flexibility related to future building uses. The present value of savings totals \$3,219. The revenue pledged as security for these obligation 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. The interest rate ranges from 1.49-4.03 percent and the bonds mature July 1, 2036.



Required Supplementary Information  
June 30, 2017 and 2016

The University of Oklahoma Health  
Sciences Center

The University of Oklahoma Health Sciences Center  
Schedule of Funding Progress for Other Post-Employment Health and Life Insurance Benefits (Unaudited)  
Year Ended June 30, 2017

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) —entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b/a) / c)
July 1, 2014	\$ -	\$ 123,793	\$ 123,793	-	\$ 339,742	36%
July 1, 2015	-	137,216	137,216	-	356,147	39%
July 1, 2016	-	135,218	135,218	-	355,422	38%

**Notes to Required Supplementary Information**

**Annual required contributions**

See Note 14 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

**Benefit provisions**

During the year ended June 30, 2012, the University’s Board of Regents approved significant changes to the University’s retiree health/dental insurance plans. A more complete description of changes is described in Note 14 to the financial statements.



The University of Oklahoma Health Sciences Center  
 Schedule of the Center's Proportionate Share of the Net Pension Liability (Unaudited)  
 Oklahoma Teacher's Retirement System (OTRS)

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**Last 10 Fiscal Years \***

(Dollar Amounts In Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Center's proportion of the net pension liability	3.6%	3.4%	3.4%
Center's proportionate share of the net pension liability	\$ 312,670	\$ 215,886	\$ 196,223
Center's covered-employee payroll	156,440	159,865	156,304
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.9%	135.0%	125.5%
Plan fiduciary net position as a percentage of the total pension liability	62.2%	70.3%	72.4%

**Notes to Schedule**

\* Only the current and prior two fiscal years are presented because 10-year data is not yet available.

The University of Oklahoma Health Sciences Center  
 Schedule of the Center's Contributions (Unaudited)  
 Oklahoma Teacher's Retirement System (OTRS)

**Last 10 Fiscal Years**  
 (Dollar Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 13,531	\$ 13,734	\$ 13,364	\$ 13,291	\$ 13,174	\$ 13,279	\$ 12,711	\$ 12,480	\$ 11,714	\$ 10,998
Contributions in relation to the contractually required contribution	<u>(13,531)</u>	<u>(13,734)</u>	<u>(13,364)</u>	<u>(13,291)</u>	<u>(13,174)</u>	<u>(13,279)</u>	<u>(12,711)</u>	<u>(12,480)</u>	<u>(11,714)</u>	<u>(10,998)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered-employee payroll	<u>\$ 156,440</u>	<u>\$ 159,865</u>	<u>\$ 156,304</u>	<u>\$ 155,156</u>	<u>\$ 153,450</u>	<u>\$ 154,379</u>	<u>\$ 147,297</u>	<u>\$ 148,491</u>	<u>\$ 149,100</u>	<u>\$ 147,005</u>
Contributions as a percentage of covered-employee payroll	8.65%	8.59%	8.55%	8.57%	8.59%	8.60%	8.63%	8.40%	7.86%	7.48%



Other Supplementary Information  
Year Ended June 30, 2017

The University of Oklahoma Health  
Sciences Center



**Independent Auditor’s 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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Oklahoma Health Science Center (the Center), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Center’s basic financial statements, and have issued our report thereon dated October 17, 2017. Our report includes an emphasis of matter paragraph describing the acknowledgement that the Center is an organizational unit of the Regents and these financial statements reflect only the assets, liabilities, and revenues and expenses of the Center and not the Regents as a whole.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center’s internal control over financial reporting (internal control) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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**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 determination of financial statement amounts. 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
October 17, 2017



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Regents of the University of Oklahoma  
The University of Oklahoma Health Science Center  
Norman, Oklahoma

### **Report on Compliance for Each Major Federal Program**

We have audited The University of Oklahoma Health Science Center's (Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2017. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

Our consideration of internal control over compliance 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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, to be a material weakness.

The Center's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Oklahoma City, Oklahoma  
October 17, 2017

The University of Oklahoma Health Sciences Center  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

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**Research and Development**

Department of Health and Human Services	\$ 58,609,285
Department of Defense	257,141
Department of Education	583,523
National Science Foundation	216,298
Other Federal Agencies	52,439

Total Research and Development 59,718,686

**Instruction**

Department of Health and Human Services	2,586,973
Department of Defense	281,858
Department of Agriculture	1,099,661
Department of Justice	2,687,896
Other Federal Agencies	234,146

Total Instruction 6,890,534

**Other**

Department of Health and Human Services	10,283,149
Department of Agriculture	8,071
Department of Justice	223,565
Other Federal Agencies	34,737

Total Other 10,549,522

**Student Financial Aid**

Department of Education	65,011,775
Department of Health and Human Services	7,936,613

Total Student Financial Aid 72,948,388

Total Federal Program Expenditures \$ 150,107,130



The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
<b>DHHS Research - Direct</b>						
Department of Health and Human Services	Direct	93.077	1R03DA041928	Natl Inst on Drug Abuse	67,724	
Department of Health and Human Services	Direct	93.110	1R40MC29449	Maternal & Child Health Bureau	75,888	
Department of Health and Human Services	Direct	93.121	1R21DE024235	Natl Inst of Dental & Craniofacial Research	85,223	
Department of Health and Human Services	Direct	93.121	2R15DE019940	Natl Inst of Dental & Craniofacial Research	182,209	
Department of Health and Human Services	Direct	93.127	5H33MC06689	Maternal & Child Health Bureau	131,905	
Department of Health and Human Services	Direct	93.213	1R01AT006526	Natl Ctr on Complementary & Alternative Medicine	14,057	
Department of Health and Human Services	Direct	93.226	P1R18HS023919	Agency for Healthcare Research & Quality	4,624,411	16,925
Department of Health and Human Services	Direct	93.226	P30HS021644	Agency for Healthcare Research & Quality	92,560	63,432
Department of Health and Human Services	Direct	93.226	R18HS023237	Agency for Healthcare Research & Quality	422,798	74,788
Department of Health and Human Services	Direct	93.226	R21HS024064	Agency for Healthcare Research & Quality	133,655	
Department of Health and Human Services	Direct	93.242	7K08MH099240	Natl Inst of Mental Health	198,694	
Department of Health and Human Services	Direct	93.262	R01OH010241	Natl Inst of Occupational Safety and Health	611,137	18,823
Department of Health and Human Services	Direct	93.273	1R21AA022596	Office of Aids Research	83,207	
Department of Health and Human Services	Direct	93.273	R01AA012207	Natl Inst on Alcohol Abuse & Alcoholism	447,800	153,724
Department of Health and Human Services	Direct	93.279	7R01DA032581	Natl Inst on Drug Abuse	155,570	
Department of Health and Human Services	Direct	93.279	7R21DA038001	Natl Inst on Drug Abuse	138,115	
Department of Health and Human Services	Direct	93.279	R36DA042208	Natl Inst on Drug Abuse	63,525	
Department of Health and Human Services	Direct	93.307	1R01MD011266	Natl Ctr on Minority Health & Health Disparities	311,279	30,232
Department of Health and Human Services	Direct	93.307	2P20MD000528	Natl Ctr on Minority Health & Health Disparities	1,035,821	129,938
Department of Health and Human Services	Direct	93.351	1P40OD010431	Office of the Director, NIH	731,277	116,360
Department of Health and Human Services	Direct	93.351	2P40OD010988	Office of Research Infrastructure Programs	1,416,535	271,116
Department of Health and Human Services	Direct	93.393	1R01CA19620001A1	Natl Cancer Inst	464,566	
Department of Health and Human Services	Direct	93.393	1R03CA181584	Natl Cancer Inst	22,013	
Department of Health and Human Services	Direct	93.393	7R01CA160271	Natl Cancer Inst	236,577	19,120
Department of Health and Human Services	Direct	93.393	7R01CA172786	Natl Cancer Inst	438,430	97,452
Department of Health and Human Services	Direct	93.393	7R01CA178456	Natl Cancer Inst	410,170	18,212
Department of Health and Human Services	Direct	93.393	R01CA197314	Natl Cancer Inst	375,609	38,266
Department of Health and Human Services	Direct	93.393	R01CA204891	Natl Cancer Inst	208,760	
Department of Health and Human Services	Direct	93.393	R01CA213987	Natl Cancer Inst	59,679	19,563
Department of Health and Human Services	Direct	93.394	1R33CA202898	Natl Cancer Inst	372,928	
Department of Health and Human Services	Direct	93.395	1R01CA167516	Natl Cancer Inst	290,716	29,798
Department of Health and Human Services	Direct	93.395	1R01CA200126	Natl Cancer Inst	450,397	
Department of Health and Human Services	Direct	93.395	1U10CA180798	Natl Cancer Inst	1,297,806	
Department of Health and Human Services	Direct	93.395	7R01CA138701	Natl Cancer Inst	248,953	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.395	R01CA136494	Natl Cancer Inst	284,207	
Department of Health and Human Services	Direct	93.395	R01CA157481	Natl Cancer Inst	321,990	71,568
Department of Health and Human Services	Direct	93.395	R01CA213278	Natl Cancer Inst	131,676	
Department of Health and Human Services	Direct	93.395	R21CA186175	Natl Cancer Inst	89,983	
Department of Health and Human Services	Direct	93.396	1R01CA154745	Natl Cancer Inst	71,180	
Department of Health and Human Services	Direct	93.396	1R01CA182869	Natl Cancer Inst	292,397	45,162
Department of Health and Human Services	Direct	93.396	7R01CA096991	Natl Cancer Inst	61,700	
Department of Health and Human Services	Direct	93.396	7R01CA170006	Natl Cancer Inst	314,134	17,752
Department of Health and Human Services	Direct	93.396	R01CA186338	Natl Cancer Inst	296,532	63,677
Department of Health and Human Services	Direct	93.396	R01CA203108	Natl Cancer Inst	512,269	228,235
Department of Health and Human Services	Direct	93.837	1R01HL109284	Natl Heart, Lung and Blood Institue	998,164	
Department of Health and Human Services	Direct	93.837	1R01HL120585	Natl Heart, Lung and Blood Institue	371,841	37,558
Department of Health and Human Services	Direct	93.837	1R01HL135165	Natl Heart, Lung and Blood Institue	164,421	
Department of Health and Human Services	Direct	93.837	2R56HL056267	Natl Heart, Lung and Blood Institue	207,438	1,378
Department of Health and Human Services	Direct	93.837	R01HL117729	Natl Heart, Lung and Blood Institue	519,003	192,628
Department of Health and Human Services	Direct	93.837	R01HL118558	Natl Heart, Lung and Blood Institue	350,271	
Department of Health and Human Services	Direct	93.837	R01HL122166	Natl Heart, Lung and Blood Institue	265,896	
Department of Health and Human Services	Direct	93.837	R56HL128393	Natl Heart, Lung and Blood Institue	210,828	73,645
Department of Health and Human Services	Direct	93.837	R01HL128393	Natl Heart, Lung and Blood Institue	187,843	53,270
Department of Health and Human Services	Direct	93.837	R01HL128455	Natl Heart, Lung and Blood Institue	288,340	
Department of Health and Human Services	Direct	93.837	R01HL132553	Natl Heart, Lung and Blood Institue	61,489	
Department of Health and Human Services	Direct	93.838	1R01HL116863	Natl Heart, Lung and Blood Institue	264,245	
Department of Health and Human Services	Direct	93.839	1R01HL104286	Natl Heart, Lung and Blood Institue	12,809	
Department of Health and Human Services	Direct	93.839	K01HL135466	Natl Heart, Lung and Blood Institue	15,080	
Department of Health and Human Services	Direct	93.846	1K08AR070891	Natl Inst of Arthritis & Musculoskeletal Disease	4,514	
Department of Health and Human Services	Direct	93.846	R01AR064211	Natl Inst of Arthritis & Musculoskeletal Disease	363,541	
Department of Health and Human Services	Direct	93.847	1R01DK089034	Natl Inst of Diabetes & Digestive Kidney Disease	110	110
Department of Health and Human Services	Direct	93.847	1R01DK093403	Natl Inst of Diabetes & Digestive Kidney Disease	214,545	
Department of Health and Human Services	Direct	93.847	5R01DK059599	Natl Inst of Diabetes & Digestive Kidney Disease	(523)	
Department of Health and Human Services	Direct	93.847	7R01DK097092	Natl Inst of Diabetes & Digestive Kidney Disease	54,997	
Department of Health and Human Services	Direct	93.847	K23DK106533	Natl Inst of Diabetes & Digestive Kidney Disease	119,319	
Department of Health and Human Services	Direct	93.847	R56DK108887	Natl Inst of Diabetes & Digestive Kidney Disease	109,363	
Department of Health and Human Services	Direct	93.853	1R01NS064901	Natl Inst of Neurological Disorders and Stroke	215,248	71,308
Department of Health and Human Services	Direct	93.853	1R21NS082639	Natl Inst of Neurological Disorders and Stroke	19,788	
Department of Health and Human Services	Direct	93.853	1R21NS090117	Natl Inst of Neurological Disorders and Stroke	27,590	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.853	F31NS089358	Natl Inst of Neurological Disorders and Stroke	33,027	
Department of Health and Human Services	Direct	93.853	R01NS056218	Natl Inst of Neurological Disorders and Stroke	478,948	
Department of Health and Human Services	Direct	93.853	R01NS072418	Natl Inst of Neurological Disorders and Stroke	187,155	
Department of Health and Human Services	Direct	93.853	R01NS098891	Natl Inst of Neurological Disorders and Stroke	193,805	
Department of Health and Human Services	Direct	93.855	1R01AI125446	Natl Inst of Allergy & Infectious Disease	274,820	
Department of Health and Human Services	Direct	93.855	1R03AI123951	Natl Inst of Allergy & Infectious Disease	70,272	
Department of Health and Human Services	Direct	93.855	1R03AI126001	Natl Inst of Allergy & Infectious Disease	62,496	
Department of Health and Human Services	Direct	93.855	1R21AI125708	Natl Inst of Allergy & Infectious Disease	152,132	
Department of Health and Human Services	Direct	93.855	1R21AI129560	Natl Inst of Allergy & Infectious Disease	42,492	
Department of Health and Human Services	Direct	93.855	2R01AI053108	Natl Inst of Allergy & Infectious Disease	119,838	
Department of Health and Human Services	Direct	93.855	2R01AI059373	Natl Inst of Allergy & Infectious Disease	168,023	
Department of Health and Human Services	Direct	93.855	2R56AI078993	Natl Inst of Allergy & Infectious Disease	6,066	5,749
Department of Health and Human Services	Direct	93.855	2T32AI007633	Natl Inst of Allergy & Infectious Disease	158,137	
Department of Health and Human Services	Direct	93.855	5R37AI037657	Natl Inst of Allergy & Infectious Disease	564,701	79,212
Department of Health and Human Services	Direct	93.855	R01AI088011	Natl Inst of Allergy & Infectious Disease	73,892	39,431
Department of Health and Human Services	Direct	93.855	R01AI118836	Natl Inst of Allergy & Infectious Disease	270,815	
Department of Health and Human Services	Direct	93.855	R01AI119048	Natl Inst of Allergy & Infectious Disease	439,083	
Department of Health and Human Services	Direct	93.855	R01AI127481	Natl Inst of Allergy & Infectious Disease	99,150	
Department of Health and Human Services	Direct	93.855	R13AI126741	Natl Inst of Allergy & Infectious Disease	9,000	
Department of Health and Human Services	Direct	93.855	R21AI121925	Natl Inst of Allergy & Infectious Disease	214,407	
Department of Health and Human Services	Direct	93.859	1U54GM104938	Natl Inst of General Medical Sciences	3,580,810	1,298,190
Department of Health and Human Services	Direct	93.859	2P20GM103447	Natl Inst of General Medical Sciences	3,864,432	1,131,270
Department of Health and Human Services	Direct	93.859	2R01GM062964	Natl Inst of General Medical Sciences	18,585	
Department of Health and Human Services	Direct	93.859	2R01GM074692	Natl Inst of General Medical Sciences	108,162	
Department of Health and Human Services	Direct	93.859	5P20GM103639	Natl Inst of General Medical Sciences	1,813,387	
Department of Health and Human Services	Direct	93.859	7R01GM094268	Natl Inst of General Medical Sciences	99,173	
Department of Health and Human Services	Direct	93.859	P20GM104934	Natl Inst of General Medical Sciences	2,109,053	117,800
Department of Health and Human Services	Direct	93.859	R01GM060651	Natl Inst of General Medical Sciences	280,616	
Department of Health and Human Services	Direct	93.859	R01GM104251	Natl Inst of General Medical Sciences	333,591	
Department of Health and Human Services	Direct	93.859	R01GM113940	Natl Inst of General Medical Sciences	387,579	
Department of Health and Human Services	Direct	93.859	R01GM118599	Natl Inst of General Medical Sciences	238,898	
Department of Health and Human Services	Direct	93.865	1F32HD075535	Natl Inst of Child Health & Human Development	(660)	
Department of Health and Human Services	Direct	93.865	8UG1OD024950	Natl Inst of Child Health & Human Development	181,936	
Department of Health and Human Services	Direct	93.865	R01HD074579	Natl Inst of Child Health & Human Development	76,530	23,151
Department of Health and Human Services	Direct	93.865	U10HD077680	Natl Inst of Child Health & Human Development	328,782	93,676

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.866	1F32AG048728	Natl Inst on Aging	9,136	
Department of Health and Human Services	Direct	93.866	1P30AG050911	Natl Inst on Aging	1,023,851	479,423
Department of Health and Human Services	Direct	93.866	1R01AG038747	Natl Inst on Aging	(10,853)	
Department of Health and Human Services	Direct	93.866	1R15AG048535	Natl Inst on Aging	91,315	59,769
Department of Health and Human Services	Direct	93.866	1T32AG052363	Natl Inst on Aging	22,556	
Department of Health and Human Services	Direct	93.866	7R13AG012917	Natl Inst on Aging	65,397	
Department of Health and Human Services	Direct	93.866	K99AG051661	Natl Inst on Aging	105,125	
Department of Health and Human Services	Direct	93.866	R01AG045693	Natl Inst on Aging	997,303	
Department of Health and Human Services	Direct	93.866	R01AG047879	Natl Inst on Aging	311,248	
Department of Health and Human Services	Direct	93.866	R01AG049780	Natl Inst on Aging	393,238	
Department of Health and Human Services	Direct	93.867	1R01EY019490	Natl Eye Inst	26,430	
Department of Health and Human Services	Direct	93.867	1R01EY022071	Natl Eye Inst	46,680	
Department of Health and Human Services	Direct	93.867	1R01EY023568	Natl Eye Inst	158,480	6,603
Department of Health and Human Services	Direct	93.867	1R21EY024583	Natl Eye Inst	139,961	
Department of Health and Human Services	Direct	93.867	1R21EY025256	Natl Eye Inst	209,034	38,214
Department of Health and Human Services	Direct	93.867	2R01EY009391	Natl Eye Inst	54,052	
Department of Health and Human Services	Direct	93.867	2R01EY012231	Natl Eye Inst	230,818	
Department of Health and Human Services	Direct	93.867	2R01EY019494	Natl Eye Inst	134,213	
Department of Health and Human Services	Direct	93.867	7R01EY021716	Natl Eye Inst	101,951	
Department of Health and Human Services	Direct	93.867	F31EY025168	Natl Eye Inst	30,184	
Department of Health and Human Services	Direct	93.867	P30EY021725	Natl Eye Inst	601,774	
Department of Health and Human Services	Direct	93.867	R01EY000871	Natl Eye Inst	555,054	
Department of Health and Human Services	Direct	93.867	R01EY004149	Natl Eye Inst	412,191	
Department of Health and Human Services	Direct	93.867	R01EY018659	Natl Eye Inst	429,661	
Department of Health and Human Services	Direct	93.867	R01EY019309	Natl Eye Inst	414,537	
Department of Health and Human Services	Direct	93.867	R01EY021238	Natl Eye Inst	324,617	
Department of Health and Human Services	Direct	93.867	R01EY022111	Natl Eye Inst	(13,120)	10,661
Department of Health and Human Services	Direct	93.867	R01EY024140	Natl Eye Inst	342,523	
Department of Health and Human Services	Direct	93.867	R01EY024951	Natl Eye Inst	360,074	
Department of Health and Human Services	Direct	93.867	R01EY025947	Natl Eye Inst	267,648	25,990
Department of Health and Human Services	Direct	93.867	R13EY022574	Natl Eye Inst	37,901	
Department of Health and Human Services	Direct	93.867	R21EY024520	Natl Eye Inst	178,204	
Department of Health and Human Services	Direct	93.867	R21EY026229	Natl Eye Inst	121,878	
Department of Health and Human Services	Direct	93.867	T32EY023202	Natl Eye Inst	155,018	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.xxx	HHSF223201210008I	Food and Drug Administration	146,365	
Department of Health and Human Services	Direct	93.xxx	HHSN261201200013I	Natl Cancer Inst	949,500	700,498
Department of Health and Human Services	Direct	93.xxx	HHSN261201200020I	Natl Cancer Inst	256,236	75,016
Department of Health and Human Services	Direct	93.xxx	HHSN261201500038I	Natl Cancer Inst	786,264	149,064
<b>Total DHHS Direct Research</b>					<b>50,827,799</b>	<b>6,287,757</b>
<b>Research Direct - Other</b>						
Department of Agriculture	Direct	10.314	20176800126355		12,018	
Department of Defense	Direct	12.420	W81XWH1410392	Dept of the Army	118,219	
Department of Defense	Direct	12.420	W81XWH1610295	Dept of the Army	122,523	
National Science Foundation	Direct	47.074	1616845		54,743	
Department of Education	Direct	84.324	R324A110353		11,137	4,060
Department of Education	Direct	84.324	R324A120232		377,400	91,707
Department of Education	Direct	84.324	R324A160226	Natl Ctr for Special Education	194,986	7,763
<b>Total Other Direct Research</b>					<b>891,026</b>	<b>103,530</b>
<b>Total Direct Research</b>					<b>51,718,825</b>	<b>6,391,287</b>
<b>DHHS Research - Pass Through</b>						
Department of Health and Human Services	Pass-Through	93.077	5P50CA180906	Univ of Texas MD Anderson Cancer Center	36,763	
Department of Health and Human Services	Pass-Through	93.103	60036258	Ohio State University	(15,570)	
Department of Health and Human Services	Pass-Through	93.110	034491	Univ of Arkansas for Medical Sciences	24,432	
Department of Health and Human Services	Pass-Through	93.121	UOKDE024964	Penn State University	119,532	
Department of Health and Human Services	Pass-Through	93.127	307872	University of Arizona	156,429	
Department of Health and Human Services	Pass-Through	93.135	9468SC	University of California, San Francisco	132,484	
Department of Health and Human Services	Pass-Through	93.136	P0386AB	Oregon State University	4,354	
Department of Health and Human Services	Pass-Through	93.136	P0430AC	Oregon State University	5,102	
Department of Health and Human Services	Pass-Through	93.226	431849	Rutgers University	23,050	
Department of Health and Human Services	Pass-Through	93.226	000413884004	Univ of Alabama at Birmingham	2,621	
Department of Health and Human Services	Pass-Through	93.242	11103B	Laureate Institute for Brain Research	5,473	
Department of Health and Human Services	Pass-Through	93.242	32677694	University of California, San Diego	7,711	
Department of Health and Human Services	Pass-Through	93.262	2T42OH008436	Univ of Alabama at Birmingham	427	
Department of Health and Human Services	Pass-Through	93.262	2T42OH008421	University of Texas Health Sciences Ctr	1,760	
Department of Health and Human Services	Pass-Through	93.273	UOHA021661	Penn State University	12,287	
Department of Health and Human Services	Pass-Through	93.279	R01DA033289	Univ of Texas MD Anderson Cancer Center	2,952	
Department of Health and Human Services	Pass-Through	93.279	R34DA037391	Univ of Texas MD Anderson Cancer Center	6,009	
Department of Health and Human Services	Pass-Through	93.307	127687G003657	Washington State University	108,174	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Pass-Through	93.310	3U01AR057956	Children's Hospital of Philadelphia	336	
Department of Health and Human Services	Pass-Through	93.361	132514	Cincinnati Children's Hospital Medical Center	49,309	
Department of Health and Human Services	Pass-Through	93.361	0043908-1260614	University of Pittsburgh	9,711	
Department of Health and Human Services	Pass-Through	93.389	0000188722	University of South Florida	27,061	
Department of Health and Human Services	Pass-Through	93.393	10321288	University of California, San Diego	6,123	
Department of Health and Human Services	Pass-Through	93.393	5R01CA141628	Univ of Texas MD Anderson Cancer Center	70,062	
Department of Health and Human Services	Pass-Through	93.393	R01CA184781	Univ of Texas MD Anderson Cancer Center	5,623	
Department of Health and Human Services	Pass-Through	93.394	RTOG3501	American College of Radiology	8,362	
Department of Health and Human Services	Pass-Through	93.394	2016-86	University of Oklahoma - Norman	6,266	
Department of Health and Human Services	Pass-Through	93.394	U01CA200246	Univ of Texas MD Anderson Cancer Center	31,870	
Department of Health and Human Services	Pass-Through	93.395	ACRIN6690	American College of Radiology	4,062	
Department of Health and Human Services	Pass-Through	93.395	OK003	Brigham and Women's Hospital	62,898	
Department of Health and Human Services	Pass-Through	93.395	1U10CA180886	Children's Hospital of Philadelphia	139,883	
Department of Health and Human Services	Pass-Through	93.395	1R43CA18657701A1	COARE Biotechnology, Inc.	672	
Department of Health and Human Services	Pass-Through	93.395	1R43CA18943601A1	COARE Biotechnology, Inc.	(2,059)	
Department of Health and Human Services	Pass-Through	93.395	U10CA76001	Duke Clinical Research Institute	10,041	
Department of Health and Human Services	Pass-Through	93.395	U10CA180820	ECOG-ACRIN	15,226	
Department of Health and Human Services	Pass-Through	93.395	1U10CA180868	NRG Oncology Foundation, Inc.	14,149	
Department of Health and Human Services	Pass-Through	93.395	UG1CA189867	NRG Oncology Foundation, Inc.	138,394	
Department of Health and Human Services	Pass-Through	93.395		NRG Oncology Foundation, Inc.	401,717	15,750
Department of Health and Human Services	Pass-Through	93.395		Oncolytics Biotech	(4,797)	
Department of Health and Human Services	Pass-Through	93.395	20151445	Optimum Therapeutics LLC	14,201	
Department of Health and Human Services	Pass-Through	93.395	20152632	Optimum Therapeutics LLC	26,090	
Department of Health and Human Services	Pass-Through	93.397	1P20CA202921	University of Oklahoma - Norman	134,445	
Department of Health and Human Services	Pass-Through	93.399	DP2	NRG Oncology Foundation, Inc.	793	
Department of Health and Human Services	Pass-Through	93.424	U38OT000140	Association of University Centers on Disabilities	199,871	55,361
Department of Health and Human Services	Pass-Through	93.505	3409020651	Oklahoma Department of Human Services	663,388	
Department of Health and Human Services	Pass-Through	93.733	NH23IP0009500301	Academic Pediatric Association	46,471	
Department of Health and Human Services	Pass-Through	93.779	1L1CMS331451010004	Iowa Healthcare Collaborative	253,244	
Department of Health and Human Services	Pass-Through	93.837	GENFD0001219271	Boston Children's Hospital	144,342	
Department of Health and Human Services	Pass-Through	93.837	OUB001	DVX, LLC	17,371	
Department of Health and Human Services	Pass-Through	93.837	U01HL107407	New England Research Institute	42,507	
Department of Health and Human Services	Pass-Through	93.837	06DON	National Marrow Donor Program	1,494	
Department of Health and Human Services	Pass-Through	93.837	127880G003664	Washington State University	114,020	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Pass-Through	93.837	127932G003604	Washington State University	116,423	
Department of Health and Human Services	Pass-Through	93.838	5U01HL107681-04	Boston Children's Hospital	1,075	
Department of Health and Human Services	Pass-Through	93.839	BMTCTN0801	National Marrow Donor Program	2,651	
Department of Health and Human Services	Pass-Through	93.839	R42HL110727	Phoenicia Biosciences, Inc.	27,450	
Department of Health and Human Services	Pass-Through	93.839	A12470	Rensselaer Polytechnic Institute	67,237	
Department of Health and Human Services	Pass-Through	93.846	024005OUHSC	Oklahoma Medical Research Institute	110,665	
Department of Health and Human Services	Pass-Through	93.846	026101OUHSC	Oklahoma Medical Research Institute	5,701	
Department of Health and Human Services	Pass-Through	93.846	S1603357009	Oklahoma Medical Research Institute	7,875	
Department of Health and Human Services	Pass-Through	93.846	S1700287009	Oklahoma Medical Research Institute	11,997	
Department of Health and Human Services	Pass-Through	93.846	3002095843	University of Michigan	7,808	
Department of Health and Human Services	Pass-Through	93.847	130018	Children's Mercy Hospital - Kansas City, MO	133	
Department of Health and Human Services	Pass-Through	93.847	1R56DK097016	Columbia University	7,142	
Department of Health and Human Services	Pass-Through	93.847	T659853	Emory University	15,218	
Department of Health and Human Services	Pass-Through	93.847	14D14	George Washington University	267,184	
Department of Health and Human Services	Pass-Through	93.847	130018	Nationwide Children's Hospital	7,378	
Department of Health and Human Services	Pass-Through	93.847	1604613301	Texas Biomedical Research Institute	1,545	
Department of Health and Human Services	Pass-Through	93.847	FY17001022	University of Colorado	15,156	
Department of Health and Human Services	Pass-Through	93.847	TrialNet	University of South Florida	9,881	
Department of Health and Human Services	Pass-Through	93.847	R21DK1059913	University of Texas Rio Grande Valley	121,273	
Department of Health and Human Services	Pass-Through	93.855	0109805s32	Benaroya Research Institute	51,546	
Department of Health and Human Services	Pass-Through	93.855	225488	Massachusetts General Hospital	8,191	
Department of Health and Human Services	Pass-Through	93.855	0170-12OUHSC/WH	Oklahoma Medical Research Institute	33,264	
Department of Health and Human Services	Pass-Through	93.855	0170-13OUHSC/JB	Oklahoma Medical Research Institute	147,618	
Department of Health and Human Services	Pass-Through	93.855	017013OUHSCJM	Oklahoma Medical Research Institute	326,646	
Department of Health and Human Services	Pass-Through	93.855	A199F	Oklahoma Medical Research Institute	356,795	
Department of Health and Human Services	Pass-Through	93.855	A217F	Oklahoma Medical Research Institute	48,734	
Department of Health and Human Services	Pass-Through	93.855	61211467-28281	Stanford University	134,182	
Department of Health and Human Services	Pass-Through	93.855	FY2014066M1	Univ of Kansas Medical Center Research Inst	16,474	
Department of Health and Human Services	Pass-Through	93.855	1R21AI108860	University of California, San Francisco	(2)	
Department of Health and Human Services	Pass-Through	93.855	2015-52	University of Oklahoma - Norman	18,340	
Department of Health and Human Services	Pass-Through	93.859	02490505OUHSC	Oklahoma Medical Research Institute	287,270	
Department of Health and Human Services	Pass-Through	93.859	024905072OUHSC	Oklahoma Medical Research Institute	84,870	
Department of Health and Human Services	Pass-Through	93.859	57113701	Oklahoma State University Center for Health Sciences	155,393	
Department of Health and Human Services	Pass-Through	93.859	5554670	Oklahoma State University	25,404	
Department of Health and Human Services	Pass-Through	93.859	5554678	Oklahoma State University	243,630	

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Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Pass-Through	93.859	P20GM103648	Oklahoma State University	153,678	
Department of Health and Human Services	Pass-Through	93.859	201687	University of Oklahoma - Norman	320,048	
Department of Health and Human Services	Pass-Through	93.859	201724	University of Oklahoma - Norman	3,927	
Department of Health and Human Services	Pass-Through	93.865	2150113UO	Loma Linda University	80,891	
Department of Health and Human Services	Pass-Through	93.865	1-0002	Miyazaki Enterprises	1,315	
Department of Health and Human Services	Pass-Through	93.865	1R01HD080444	University of Minnesota	224,438	
Department of Health and Human Services	Pass-Through	93.865	RGC000000639C	University of Texas Southwestern Medical	9,830	
Department of Health and Human Services	Pass-Through	93.865	WSU16076A1	Wayne State University	19,753	
Department of Health and Human Services	Pass-Through	93.865	2U10HD055925	Yale University	329,629	
Department of Health and Human Services	Pass-Through	93.866	9008468OUHSC	Oregon Health Science University	14,422	
Department of Health and Human Services	Pass-Through	93.866	1P30AG028718	Univ of Arkansas for Medical Sciences	1,977	
Department of Health and Human Services	Pass-Through	93.866	5P30AG028718	Univ of Arkansas for Medical Sciences	10,558	
Department of Health and Human Services	Pass-Through	93.866	5P30AG02871804	Univ of Arkansas for Medical Sciences	(1,811)	
Department of Health and Human Services	Pass-Through	93.866	FY16.001.013	University of Colorado	16,869	
Department of Health and Human Services	Pass-Through	93.866	P01AG051442	University of Michigan	306,764	
Department of Health and Human Services	Pass-Through	93.866	76533587X6	University of New Mexico	74,429	
Department of Health and Human Services	Pass-Through	93.866	UWSC8856	Washington State University	49,760	
Department of Health and Human Services	Pass-Through	93.867	3209850817	Children's Hospital of Philadelphia	1,650	
Department of Health and Human Services	Pass-Through	93.867	ATS17	Jaeb Center for Health Research	9,401	
Department of Health and Human Services	Pass-Through	93.867	3003705558	University of Michigan	51,331	
Department of Health and Human Services	Pass-Through	93.879	UG4LM012345	Univ of North Texas Health Sciences Center	33,924	
Department of Health and Human Services	Pass-Through	93.933	ONARCH VI	Cherokee Nation of Oklahoma	4,496	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN275201000003I	Duke Clinical Research Institute	20,157	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN276201100007C	Houston Acad of Med-TX Med Ctr Library	(163)	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN261200800001E	Leidos	(3,537)	
Department of Health and Human Services	Pass-Through	93.xxx	50351X05367	Mathematica Policy Research	5,736	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN261201300029I	PPD Development, LLC	2,093	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN261200800001E	Social & Scientific Systems, Inc.	10,638	
<b>Total DHHS Research - Pass Through</b>					<b>7,781,486</b>	<b>71,111</b>



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Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
<b>Other Research - Pass Through</b>						
Department of Defense	Pass-Through	12.420	2001214293	Johns Hopkins University	16,399	
National Science Foundation	Pass-Through	47.041	2011-49	University of Oklahoma - Norman	19,369	
National Science Foundation	Pass-Through	47.070	IIS1208639	University of Oklahoma - Norman	138,744	
National Science Foundation	Pass-Through	47.070	14-2-1206654-94802	University of Tulsa	3,442	
Environmental Protection Agency	Pass-Through	66.509	2015-40	University of Oklahoma - Norman	40,421	
<b>Total Other Research - Pass Through</b>					<b>218,375</b>	<b>-</b>
<b>Total Research - Pass Through</b>					<b>7,999,861</b>	<b>71,111</b>
<b>Total Research Cluster</b>					<b>59,718,686</b>	<b>6,462,398</b>
<b>DHHS Instruction - Direct</b>						
Department of Health and Human Services	Direct	93.110	T73MC00033	Maternal and Child Health Bureau	564,414	14,172
Department of Health and Human Services	Direct	93.110	T77MC09799	Maternal and Child Health Bureau	111,355	
Department of Health and Human Services	Direct	93.191	2D40HP26871	Bureau of Health Professions	151,321	
Department of Health and Human Services	Direct	93.243	5U79SM061278	Center for Mental Health Services	363,443	35,293
Department of Health and Human Services	Direct	93.247	1D09HP25024	Bureau of Health Professions	6,034	
Department of Health and Human Services	Direct	93.262	T03OH008614	Natl Inst of Occupational Safety & Health	69,928	
Department of Health and Human Services	Direct	93.358	1A10HP30071	Bureau of Health Professions	237,600	
Department of Health and Human Services	Direct	93.514	1T88HP20943	Bureau of Health Professions	(30,075)	
Department of Health and Human Services	Direct	93.632	90DD0685	Administration on Developmental Disabilities	377,951	22,981
Department of Health and Human Services	Direct	93.884	1D57HP23249	Bureau of Health Professions	31,490	
Department of Health and Human Services	Direct	93.884	5D55HP23210	Bureau of Health Professions	174,333	
Department of Health and Human Services	Direct	93.xxx	HHSP233201400045C	Natl Center for Child Abuse & Neglect	242,183	
<b>Total DHHS Instruction - Direct</b>					<b>2,299,977</b>	<b>72,446</b>
<b>Other Instruction - Direct</b>						
Department of Agriculture	Direct	10.545	FSNSNAPFSUPOK		40,879	
Department of Agriculture	Direct	10.855	OK0746A17		(1)	
Department of Defense	Direct	12.598	HHM4021410007	Defense Intelligence Agency	281,858	68,833
Department of Justice	Direct	16.543	2013MUMUK102	Office of Justice Programs	522,377	26,908
Department of Justice	Direct	16.543	2016MUMUK053	Office of Justice Programs	135,112	

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Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Justice	Direct	16.731	2015MUMUK011	Office of Justice Programs	1,979,336	
Department of Education	Direct	84.325	H325K120310		234,146	
<b>Total Other Instruction - Direct</b>					<b>3,193,707</b>	<b>95,740</b>
<b>Total Instruction - Direct</b>					<b>5,493,684</b>	<b>168,186</b>
<b>DHHS Instruction - Pass Through</b>						
Department of Health and Human Services	Pass Through	93.110	034493	Arkansas Children's Hospital Research Institute	43,045	
Department of Health and Human Services	Pass Through	93.243	SM061116	Kristi House	23,883	
Department of Health and Human Services	Pass Through	93.283	1519IPE03	Assn for Prevention Teaching & Research	2,498	
Department of Health and Human Services	Pass Through	93.283	1522IPE03	Assn for Prevention Teaching & Research	1,074	
Department of Health and Human Services	Pass Through	93.516	TULHSC5547381617	Tulane University	74,286	
Department of Health and Human Services	Pass Through	93.643	16000610	Oklahoma Department of Human Services	3,584	
Department of Health and Human Services	Pass Through	93.933	ONARCH	Cherokee Nation of Oklahoma	32,137	
Department of Health and Human Services	Pass Through	93.959	4529053742	OK Dept of Mental Health Substance Abuse Services	106,489	
<b>Total DHHS Instruction - Pass Through</b>					<b>286,996</b>	<b>-</b>
<b>Total Instruction - Pass Through</b>						
Department of Agriculture	Pass Through	10.561	209340	Oklahoma Department of Human Services	1,058,783	
Department of Justice	Pass Through	16.540	JJAC20130001	Center for Children, Inc.	1,040	
Department of Justice	Pass Through	16.575	2016VOCAOUHSC079	Oklahoma District Attorneys Council	50,031	
<b>Total Other Instruction - Pass Through</b>					<b>1,109,854</b>	<b>-</b>
<b>Total Instruction - Pass Through</b>					<b>1,396,850</b>	<b>-</b>
<b>Total Instruction</b>					<b>6,890,534</b>	<b>168,186</b>
<b>DHHS Public Service - Direct</b>						
Department of Health and Human Services	Direct	93.153	H12HA24834	HIV/Aids Bureau	474,615	
Department of Health and Human Services	Direct	93.253	H4BHS15502	Health Resources & Services Administration	195,629	
Department of Health and Human Services	Direct	93.918	H76HA00185	HIV/Aids Bureau	812,334	
<b>Total DHHS Public Service - Direct</b>					<b>1,482,578</b>	<b>-</b>
<b>Total Public Service - Direct</b>					<b>1,482,578</b>	<b>-</b>

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
<b>DHHS Public Service - Pass Through</b>						
Department of Health and Human Services	Pass Through	93.110	0010176A	Univ of Texas Health Sciences Center	23,038	
Department of Health and Human Services	Pass Through	93.110	UC4MC28042	American College of Obstetricians/Gynecologists	3,883	
Department of Health and Human Services	Pass Through	93.145	OTHER9912	Parkland Health and Hospital System	165,166	29,938
Department of Health and Human Services	Pass Through	93.184	S5039	Association of Schools of Public Health	59,165	
Department of Health and Human Services	Pass Through	93.211	QS851855	Univ of Kansas Medical Center Research Inst	28,214	
Department of Health and Human Services	Pass Through	93.243	4529051054	Oklahoma Department of Human Services	931	
Department of Health and Human Services	Pass Through	93.243	4529053442	Oklahoma Department of Human Services	53,672	
Department of Health and Human Services	Pass Through	93.243	C00051693-1	University of Missouri	86,128	
Department of Health and Human Services	Pass Through	93.283	0011472C	Univ of Texas Health Sciences Center	26,020	
Department of Health and Human Services	Pass Through	93.283	S5064	Association of Schools of Public Health	133,721	
Department of Health and Human Services	Pass Through	93.424	6NU38OT0001400402	Association of University Centers on Disabilities	3,910	
Department of Health and Human Services	Pass Through	93.505	3409020652	Oklahoma State Department of Health	670,881	544,253
Department of Health and Human Services	Pass Through	93.643	17000485	Oklahoma Department of Human Services	31,448	
Department of Health and Human Services	Pass Through	93.643	17000486	Oklahoma Department of Human Services	16,752	
Department of Health and Human Services	Pass Through	93.652	16000634	Oklahoma Department of Human Services	204,710	
Department of Health and Human Services	Pass Through	93.669	16000491	Oklahoma Department of Human Services	105,192	
Department of Health and Human Services	Pass Through	93.719	7760128000007	A+ Government Solutions, Inc.	37,968	
Department of Health and Human Services	Pass Through	93.767	8079003659	Oklahoma Health Care Authority	80,210	
Department of Health and Human Services	Pass Through	93.778	0200259	Oklahoma Department of Human Services	275,916	
Department of Health and Human Services	Pass Through	93.778	0200261	Oklahoma Department of Human Services	146,608	
Department of Health and Human Services	Pass Through	93.778	8079002858	Oklahoma Health Care Authority	4,444,649	
Department of Health and Human Services	Pass Through	93.889	3409017116	Oklahoma State Department of Health	62,676	
Department of Health and Human Services	Pass Through	93.917	3409019629	Oklahoma State Department of Health	757,138	
Department of Health and Human Services	Pass Through	93.917	3409019633	Oklahoma State Department of Health	231,632	
Department of Health and Human Services	Pass Through	93.917	3409019927	Oklahoma State Department of Health	129,174	
Department of Health and Human Services	Pass Through	93.994	0010299	Oklahoma Department of Human Services	26,522	
Department of Health and Human Services	Pass Through	93.994	13000583	Maternal and Child Health Bureau	429,290	
Department of Health and Human Services	Pass Through	93.994	16000441	Oklahoma Department of Human Services	117,568	
Department of Health and Human Services	Pass Through	93.994	17000357	Oklahoma Department of Human Services	286,043	
Department of Health and Human Services	Pass Through	93.994	3409019145	Oklahoma State Department of Health	66,983	
Department of Health and Human Services	Pass Through	93.994	3409020834	Oklahoma State Department of Health	95,363	
<b>Total DHHS Public Service - Pass Through</b>					<b>8,800,571</b>	<b>574,191</b>

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
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Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
<b>Other Public Service - Pass Through</b>						
Department of Agriculture	Pass Through	10.170	14SCBGPOK0040	Oklahoma Department of Agriculture	8,071	
Department of Justice	Pass Through	16.575	2016VOCAOUHSC022	Oklahoma District Attorneys Council	223,565	
US Embassy	Direct	19.900	SRS50016CA182		34,737	
<b>Total Other Public Service - Pass Through</b>					<b>266,373</b>	-
<b>Total Public Service - Pass Through</b>					<b>9,066,944</b>	<b>574,191</b>
<b>Total Public Service</b>					<b>10,549,522</b>	<b>574,191</b>
<b>Student Financial Assistance Program - DOE Direct</b>						
Department of Education	Direct	84.268			65,011,775	-
<b>Student Financial Assistance Program - DHHS Direct</b>						
Department of Health and Human Services	Direct	93.342		Health Professions Student Loan (HPSL) - Pharmacy	250,000	
Department of Health and Human Services	Direct	93.342		Health Professions Student Loan (HPSL) - Dentistry	275,000	
Department of Health and Human Services	Direct	93.342		Health Professions Undergraduate Nursing Student Loan	383,450	
					908,450	-
June 30, 2016 Health Professions Student Loan Program Loan Balance					5,499,390	
June 30, 2016 Nursing Student Loan Program Loan Balance					1,528,773	
					7,028,163	-
<b>Total DHHS Student Financial Assistance</b>					<b>7,936,613</b>	-
<b>Total Student Financial Aid Cluster</b>					<b>72,948,388</b>	-
<b>Total Federal Expenditures</b>					<b>150,107,130</b>	<b>7,204,775</b>

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 Supplemental Schedule to Schedule of Expenditures of Federal Awards by Federal Agency and by CFDA Number  
 Year Ended June 30, 2017

<u>Direct/Pass through</u>	<u>CFDA</u>	<u>Award Number</u>	<u>Grantor Name</u>	<u>Expenditure</u>
Department of Agriculture:				
Pass Through	10.170	14SCBGPOK0040	Oklahoma Department of Agriculture	8,071
Direct	10.545	FSNSNAPFSUPOK		40,879
Pass Through	10.561	209340	Oklahoma Department of Human Services	1,058,783
Direct	10.855	OK0746A17		(1)
Total Department of Agriculture				<u>1,107,732</u>
Department of Defense				
Direct	12.598	HHM4021410007	Defense Intelligence Agency	281,858
Department of Justice				
Pass Through	16.540	JJAC20130001	Center for Children, Inc.	1,040
Direct	16.543	2013MUMUK102	Office of Justice Programs	522,377
Direct	16.543	2016MUMUK053	Office of Justice Programs	<u>135,112</u> 657,489
Pass Through	16.575	2016VOCAOUHSC079	Oklahoma District Attorneys Council	50,031
Pass Through	16.575	2016VOCAOUHSC022	Oklahoma District Attorneys Council	223,565 273,596
Direct	16.731	2015MUMUK011	Office of Justice Programs	<u>1,979,336</u>
				2,911,461
US Embassy				
Direct	19.900	SRS50016CA182		34,737
Department of Education				
Direct	84.325	H325K120310		234,146
Department of Health and Human Services				
Direct	93.110		Maternal and Child Health Bureau	675,769
Pass Through	93.110	034493	Arkansas Children's Hospital Research Institute	43,045
Pass Through	93.110	0010176A	Univ of Texas Health Sciences Center	23,038
Pass Through	93.110	UC4MC28042	American College of Obstetricians/Gynecologists	<u>3,883</u> 745,735

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<u>Direct/Pass through</u>	<u>CFDA</u>	<u>Award Number</u>	<u>Grantor Name</u>	<u>Expenditure</u>
Pass Through	93.145	OTHER9912	Parkland Health and Hospital System	165,166
Direct	93.153		HIV/Aids Bureau	474,615
Pass Through	93.184	S5039	Association of Schools of Public Health	59,165
Direct	93.191		Bureau of Health Professions	151,321
Pass Through	93.211	QS851855	Univ of Kansas Medical Center Research Inst	28,214
Direct	93.243		Center for Mental Health Services	363,443
Pass Through	93.243	SM061116	Kristi House	23,883
Pass Through	93.243	4529051054	Oklahoma Department of Human Services	931
Pass Through	93.243	4529053442	Oklahoma Department of Human Services	53,672
Pass Through	93.243	C00051693-1	University of Missouri	86,128
Direct	93.247		Bureau of Health Professions	6,034
Direct	93.253		Health Resources & Services Administration	195,629
Direct	93.262		Natl Inst of Occupational Safety & Health	69,928
Pass Through	93.283	1519IPE03	Assn for Prevention Teaching & Research	2,498
Pass Through	93.283	1522IPE03	Assn for Prevention Teaching & Research	1,074
Pass Through	93.283	0011472C	Univ of Texas Health Sciences Center	26,020
Pass Through	93.283	S5064	Association of Schools of Public Health	133,721
Direct	93.358		Bureau of Health Professions	237,600
Pass Through	93.424	6NU38OT0001400402	Association of University Centers on Disabilities	3,910
Pass Through	93.505	3409020652	Oklahoma State Department of Health	670,881
Direct	93.514		Bureau of Health Professions	(30,075)
Pass Through	93.516	TULHSC5547381617	Tulane University	74,286
Direct	93.632		Administration on Developmental Disabilities	377,951
Pass Through	93.643	16000610	Oklahoma Department of Human Services	3,584
Pass Through	93.643	17000485	Oklahoma Department of Human Services	31,448
Pass Through	93.643	17000486	Oklahoma Department of Human Services	16,752

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 Supplemental Schedule to Schedule of Expenditures of Federal Awards by Federal Agency and by CFDA Number  
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<u>Direct/Pass through</u>	<u>CFDA</u>	<u>Award Number</u>	<u>Grantor Name</u>	<u>Expenditure</u>
Pass Through	93.652	16000634	Oklahoma Department of Human Services	204,710
Pass Through	93.669	16000491	Oklahoma Department of Human Services	105,192
Pass Through	93.719	7760128000007	A+ Government Solutions, Inc.	37,968
Pass Through	93.767	8079003659	Oklahoma Health Care Authority	80,210
Pass Through	93.778	0200259	Oklahoma Department of Human Services	275,916
Pass Through	93.778	0200261	Oklahoma Department of Human Services	146,608
Pass Through	93.778	8079002858	Oklahoma Health Care Authority	4,444,649
Direct	93.884		Bureau of Health Professions	205,822
Pass Through	93.889	3409017116	Oklahoma State Department of Health	62,676
Pass Through	93.917	3409019629	Oklahoma State Department of Health	757,138
Pass Through	93.917	3409019633	Oklahoma State Department of Health	231,632
Pass Through	93.917	3409019927	Oklahoma State Department of Health	129,174
Direct	93.918		HIV/Aids Bureau	812,334
Pass Through	93.933	ONARCH	Cherokee Nation of Oklahoma	32,137
Pass Through	93.959	4529053742	OK Dept of Mental Health Substance Abuse Services	106,489
Pass Through	93.994	0010299	Oklahoma Department of Human Services	26,522
Pass Through	93.994	13000583	Maternal and Child Health Bureau	429,290
Pass Through	93.994	16000441	Oklahoma Department of Human Services	117,568
Pass Through	93.994	17000357	Oklahoma Department of Human Services	286,043
Pass Through	93.994	3409019145	Oklahoma State Department of Health	66,983
Pass Through	93.994	3409020834	Oklahoma State Department of Health	95,363
Direct	93.xxx		Natl Center for Child Abuse & Neglect	242,183
Total Department of Health and Human Services				12,870,122
Total				17,440,056
Reconciliation to Detailed SEFA:				
Total Instruction				6,890,534
Total Public Service				10,549,522
				<u>17,440,056</u>

**Note 1**

The purpose of the Schedule of Expenditures of Federal Awards (the Schedule) is to present a summary of the activities of the University of Oklahoma Health Sciences Center (the Center) which have been financed by the U.S. Government for the year ended June 30, 2017.

For purposes of the Schedule, federal awards have been classified into two types:

- Direct federal awards consisting of federal assistance and federal student financial aid, and
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

Because the Schedule presents only a selected portion of the activities of the Center, it is not intended to and does not present the financial position, changes in fund balances, or the revenues, expenditures, and other changes of the Center.

Complete Catalog of Federal Domestic Assistance (CFDA) numbers are presented for those programs for which such numbers were available. CFDA prefixes and other identifying numbers are presented for programs for which a complete CFDA is not available.

The Center passes through certain Funds to subgrantee organizations. Expenditures incurred by the subgrantees and reimbursed by the Center are included in the Schedule.

The Center is also the subrecipient of federal funds that are reported as expenditures and included in the Schedule. The detailed Schedule of Federal Award Expenditures denotes funding sources for pass-through funds. Federal awards other than those indicated as pass-through are denoted as federal direct funds.

**Note 2**

For purposes of the Schedule, expenditures for federal award programs are recognized on a modified accrual basis of accounting. Federal financial assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient.

**Note 3**

The accompanying detailed Schedule of Expenditures of Federal Awards for the Center is an integral part of the Schedule of Expenditures of Federal Awards.

**Note 4**

The University of Oklahoma Norman Campus administers the Pell, Supplemental Education Opportunity Grants, and College Work Study student award programs for students attending the Norman and Health Sciences Center Campuses. Grant revenues and expenditures under such programs for students attending these campuses are included in the financial statements of the Norman Campus. Therefore, the Norman Campus Schedule of Expenditures of Federal Awards includes expenditures under such programs for students attending both campuses.



**Note 5**

Under the Federal Direct Student Loan Program (Direct Loan Program), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The Center began participation in the Direct Loan Program on July 1, 2010. The Center administers the origination and disbursement of the loans to eligible students or parents. The Center is not responsible for the collection of these loans. Outstanding loans at June 30, 2017 under the Health Professions Student Loan Program (HPSL, PCL) and the Nursing Student Loan Program are \$5,337,931 and \$1,654,171, respectively.

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Section 516:	Yes

Name of Federal Program or Cluster

CFDA number

Student Financial Aid Cluster	93.342, 84.268
Research and Development Cluster	*

\* See the Schedule of Expenditures of Federal Awards for identification of CFDA numbers applicable to this major program.

Dollar threshold used to distinguish between Type A and Type B programs	\$ 2,314,762
Auditee qualified as low-risk auditee	Yes

## Section II – Findings Relating to the Financial Statements

None reported.

## Section III – Findings Related to Federal Awards

**2017-001      Direct Program from U.S. Department of Education  
Student Financial Aid Cluster (CFDA #'s 84.268, 84.063, 93.342, 93.364)  
Special Tests: Return of Funds, Enrollment Reporting  
Material Weakness in Internal Control over Compliance**

**Criteria:**      A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his/her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined by the regulations. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR section 668.22(a)(1) through (a)(5)).

**Condition:**      In our student testing, there were 35 students that had a change in enrollment status (i.e. withdrawal, graduation, reduction from full-time to part-time). We identified 6 status changes that were not reported to the NSLDS within the 60 day time requirement and we noted one instance where the status change date per the institution's records did not agree to the NSLDS records. Further, we identified one instance where the incorrect date was used to calculate the return of funds that resulted in an incorrect calculation of funds to be returned.

**Cause:**      Internal controls do not appear to be in place to accurately and timely identify the relevant dates for reporting to NSLDS and for return of fund calculation purposes.

**Effect:**      Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process. Further, use of improper dates in the return of funds calculation will likely result in incorrect calculations and potential questioned costs.

**Question  
Costs:**      None reported

Context/Sampling:

Out of the 35 sample of enrollment status changes, one of the status change dates did not agree with NSLDS and 6 status changes were not reported to NSLDS within the time required by the federal regulations. Further, one withdrawal had an incorrect calculation of the return of funds due to an improper date being used for the calculation. Non-statistical sampling was used.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend that management update their control processes to ensure that the proper status date changes are being reported and being used for return of funds calculations, if applicable.

Views of Responsible Officials:

Management acknowledges the finding and is implementing internal processes to ensure timely and accurate reporting of enrollment status date changes to NSLDS and for use in the return of funds calculations.