

Financial Overview

From Brandon Gilliland

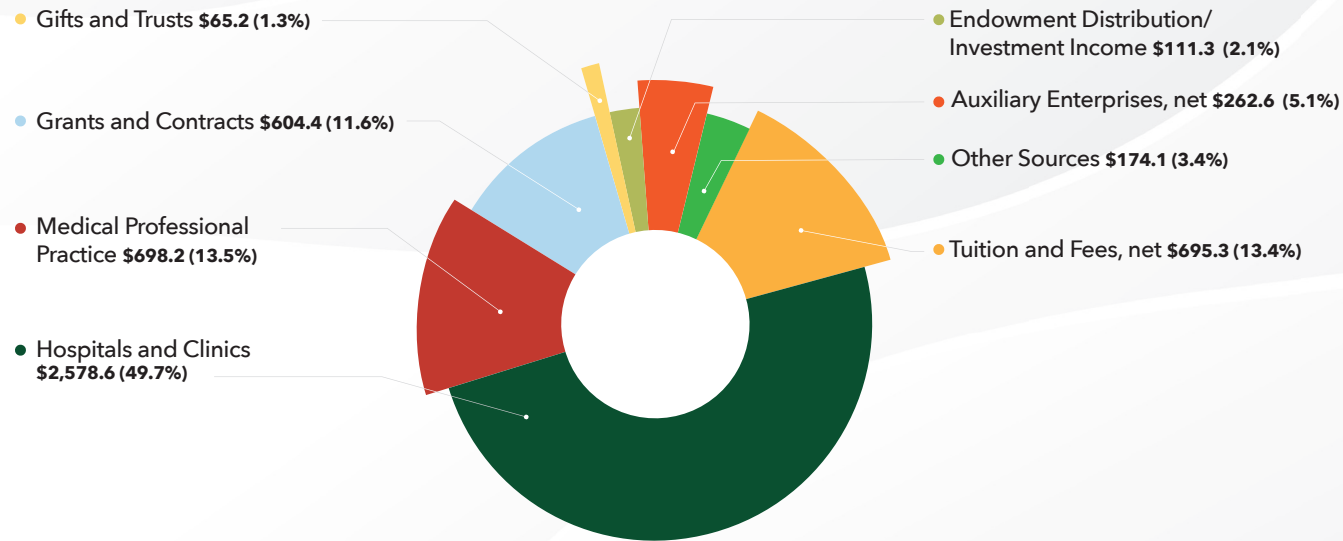


As the University approaches its centennial in 2025, there's a palpable sense of reflection on the enduring core values: integrity, responsibility, excellence, and teamwork. These principles have consistently served as the bedrock of the institution's financial stewardship. Such unwavering commitment has equipped the University with the agility to evolve and flourish amid the shifting sands of its operational terrain. The challenges of 2023, marked by labor shortages, inflationary pressures, and an unpredictable economic climate, were significant. However, the University didn't merely endure, it thrived, evidenced by a robust operating margin of \$335.6 million or 6.5%.



OPERATING REVENUES

\$5,189.7 (in millions)



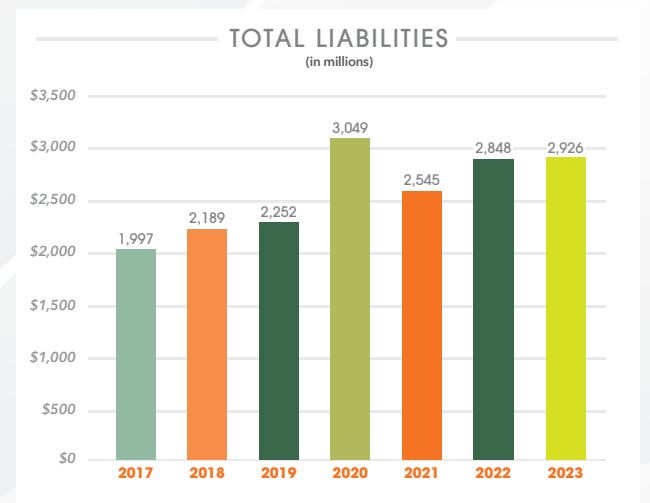
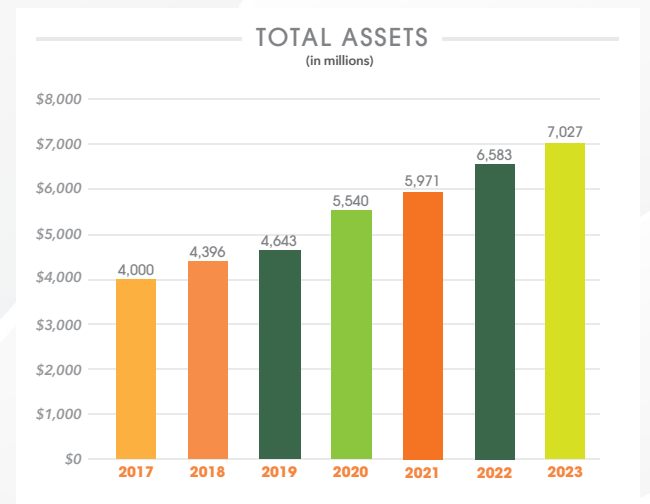
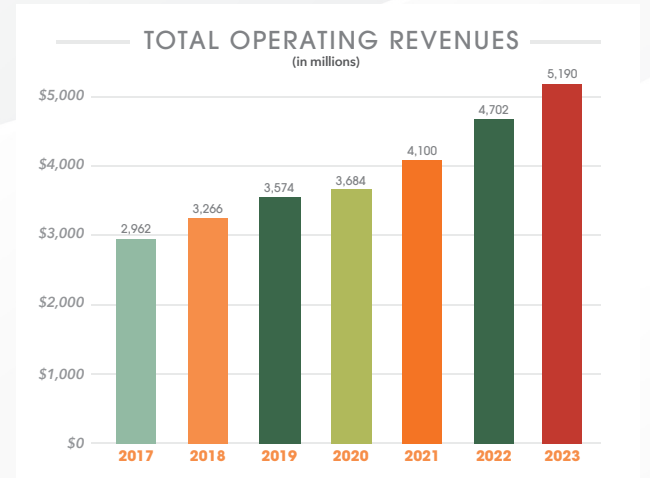
The University's financial performance showcased an impressive operating revenue increase of \$487.6 million, marking a 10.4% growth, resulting in a total of \$5.2 billion. This was driven by consistent growth, ranging between 7% and 11% across the academic, research, and patient care revenue streams, underscoring the robust demand across the University enterprise.

Net patient service revenues increased by \$333.4 million, or 11.3%, resulting from robust clinical volumes, payor rate improvements, and increased physician productivity.

Tuition and fees revenue, net of scholarship and fellowship costs, increased by \$44.9 million, or 6.9%, attributed to an increase in undergraduate enrollment and a modest tuition increase, offset by the University's commitment to providing financial assistance to its students.

Grants and contracts revenue increased by \$49.5 million, or 8.9%, to a total of \$604.4 million. Sponsored research expenditures increased to \$456.2 million in fiscal 2023, or 10.3%. Federal awards represent nearly 70% of total sponsored research expenditures.

Auxiliary enterprises revenue increased by \$23.4 million, or 9.8%. The improvement in revenue can be attributed to an increase in Department of Athletics season ticket



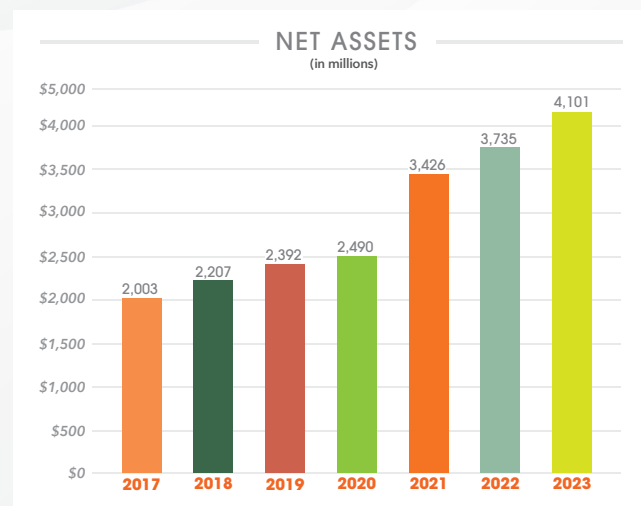
sales and conference revenue, as well as an increase in specialty pharmacy revenue primarily due to higher volume.

For the fiscal year, the University received total gifts and trusts, with and without restrictions, totaling \$196.5 million. This signifies an increase of \$3.3 million, or 1.7% compared to prior year. Such generosity continues to illuminate our path toward making the U Ever Brighter.

Operating expenses increased \$476.2 million, or 10.9%, from 2022. This is primarily due to an increase in compensation and benefits, supplies and services, interest, utilities, and other operating expenses accounting for \$474.0 million, along with a slight increase of \$2.2 million in depreciation and amortization.

Compensation and benefits, comprising 54.0% of total operating expenses, increased \$236.5 million, or 9.9%, primarily a result of faculty and staff merit increases and an 8% increase in headcount to support operational growth at the health system, demonstrating the University's continued commitment to faculty and staff and service excellence.

Supplies and services, 29.6% of total operating expenses, grew by \$205.2 million, or 16.6%. Medical supplies



supporting UHealth's response to increased clinical volume was the driver of this increase, partially offset by reduced dependency on temporary clinical support.

Utilities expenses increased by \$9.8 million, and interest expenses increased by \$11.3 million. Other expenses increased by \$11.2 million, totaling \$458.6 million.

The change in net assets without donor restrictions from non-operating activities was an increase of \$49.7 million, a \$95.8 million improvement from the prior year.

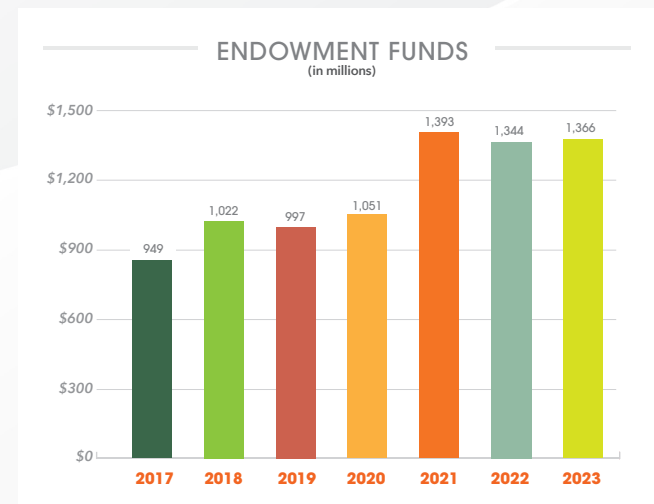
The major contributing factors to the increase were investment returns of \$47.0 million, net assets released from restriction of \$36.1 million, and other components of periodic pension costs of \$12.8 million.

The change in net assets without donor restrictions due to post-retirement related changes other than net periodic benefit costs was a decrease of \$8.7 million, unfavorable by \$25.7 million, or 151%, from the prior year.

The decrease is due to investment returns, net of obligations, and a change in the discount rate used to calculate the benefit obligations in the current year.

The University's total assets increased \$444.5 million, or 6.8%, over the prior year, primarily contributed by an increase in property and equipment, net, of \$364.8 million due to construction projects in progress such as Centennial Village, Doral Ambulatory Care Facility, SoLe Mia Ambulatory Care Center Facility, Transformational Cancer Research Building, and Knight Center for Music Innovation. Investments increased by \$94.7 million, resulting from additional working capital investments, income earned in the Growth Pool and Pediatric Endowment funds, and new endowment gifts. Accounts and loans receivable, net, increased by \$59.9 million primarily due to increases in grant receivables due to timing and an overall increase in grants and contracts revenue.

Total liabilities increased by \$78.5 million, or 2.8%, primarily attributed to an increase in accounts payable and other accrued expenses of \$74.4 million, an increase in liability for medical self-insurance of \$25.5 million, an increase in accrued pension and postretirement benefit costs of \$13.7 million, and an increase in other liabilities of \$9.3 million. These increases were partially offset by the reduction in deferred revenues and other deposits



of \$19.5 million, as well as a reduction in bonds and notes payable of \$24.2 million, and a slight decrease in government advances for student loans of \$0.7 million.

The financial results of fiscal year 2023 have enabled strategic investments that will allow the U to continue to prosper in its next century. These results resonate with a story of dedication, collaboration, and unwavering commitment to our mission. The achievements stand as a beacon for what is attainable when sound strategy aligns with collective effort. Together, with prudence and strategy, we shall continue to foster an environment of excellence and preeminence in teaching, research, and patient care.

Brandon Gilliland
Chief Financial Officer