


The University of Chicago

2022-2023

Financial Statements and Supplemental University Information




THE UNIVERSITY OF CHICAGO

Years ended June 30, 2023 and 2022

Table of Contents

KPMG LLP
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Independent Auditors' Report

The Board of Trustees
The University of Chicago:

Opinion

We have audited the consolidated financial statements of The University of Chicago (the University), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The University of Chicago as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplemental information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
November 22, 2023

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2023 and 2022

(In thousands of dollars)

Assets		2023	2022
Cash and cash equivalents	$	231,148	113,649
Notes and accounts receivable, net		786,236	713,116
Prepaid expenses and other assets		768,221	484,466
Right-of-use assets – operating leases		223,500	199,180
Pledges receivable, net		1,328,890	1,310,173
Investments		11,361,166	11,308,967
Land, buildings, equipment, and books, net		5,138,570	4,681,571
Total assets	$	19,837,731	18,811,122
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	1,298,466	1,200,930
Deferred revenue		210,705	203,805
Assets held in custody for others		195,410	208,653
Self-insurance liability		357,013	341,790
Pension and other postretirement benefit obligations		44,237	130,906
Asset retirement obligation		50,275	50,999
Lease liability		295,091	274,967
Notes and bonds payable		6,030,723	5,220,909
Refundable U.S. government student loan funds		11,964	13,265
Total liabilities		8,493,884	7,646,224
Net assets:			
Without donor restrictions controlled by the University		3,189,188	3,362,554
Net assets without donor restrictions related to noncontrolling interest in consolidated joint venture		305,185	—
Total without donor restrictions		3,494,373	3,362,554
With donor restrictions		7,849,474	7,802,344
Total net assets		11,343,847	11,164,898
Total liabilities and net assets	$	19,837,731	18,811,122

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

(In thousands of dollars)

	2023	2022
Changes in net assets without donor restrictions:		
Operating:		
Revenue:		
Tuition and fees, net of student aid	$ 601,973	597,745
Government grants and contracts	539,790	520,785
Private gifts, grants, and contracts	291,229	270,299
Endowment payout	546,105	514,155
Net patient services	3,497,363	2,770,241
Auxiliaries	200,216	184,733
Other income	752,854	645,262
Net assets released from restrictions	148,434	168,465
Total operating revenue	6,577,964	5,671,685
Expenses:		
Compensation:		
Academic salaries	799,601	751,850
Staff salaries	2,233,499	1,848,484
Benefits	629,413	638,997
Total compensation	3,662,513	3,239,331
Other operating expenses:		
Utilities, alterations, and repairs	120,565	101,195
Depreciation	363,977	343,813
Interest	199,853	187,838
Supplies, services, and other	2,432,747	1,797,532
Total other operating expenses	3,117,142	2,430,378
Total operating expenses	6,779,655	5,669,709
Excess (deficiency) of operating revenue over expenses	$ (201,691)	1,976

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THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

(In thousands of dollars)

		2023	2022
Changes in net assets without donor restrictions:			
Nonoperating:			
Investment loss	$	(99,354)	(631,070)
Net periodic benefit cost other than service cost		20,292	4,919
Other pension and postretirement benefit changes		52,251	52,973
Changes in fair value of derivative instruments		63,786	147,536
Contribution of AdventHealth joint venture net assets		302,379	—
Gain (loss) on debt refinancing		(724)	32,533
Other, net		(16,056)	(106,666)
Net assets released from restrictions		8,130	3,575
Nonoperating changes in net assets without donor restrictions		330,704	(496,200)
Increase (decrease) in net assets without donor restrictions controlled by the University		129,013	(494,224)
Less: Decrease in net assets without donor restrictions attributable to noncontrolling interest		(2,806)	—
Total increase (decrease) in net assets without donor restrictions		131,819	(494,224)
Changes in net assets with donor restrictions:			
Private gifts		363,714	354,074
Endowment payout		928	862
Investment loss		(168,784)	(892,840)
Contribution of AdventHealth joint venture net assets		8,713	—
Other, net		(877)	(16,318)
Net assets released from restrictions		(156,564)	(172,040)
Increase (decrease) in net assets with donor restrictions		47,130	(726,262)
Increase (decrease) in net assets		178,949	(1,220,486)
Net assets at beginning of year		11,164,898	12,385,384
Net assets at end of year	$	11,343,847	11,164,898

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands of dollars)

		2023	2022
Cash flows from operating activities:			
Increase (decrease) in net assets	$	178,949	(1,220,486)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Depreciation		363,977	343,813
Change in value of derivative instruments		(63,786)	(147,536)
Loss (gain) on disposal of land, buildings, equipment, and books		906	(23,138)
Net loss (gain) on investments		(201,382)	1,123,552
Loss (gain) on debt refinancing		724	(32,533)
Reduction (increase) in the carrying amount of the right-of-use assets – operating leases		(24,320)	6,264
Private gifts and grants restricted for long-term investment		(296,502)	(349,072)
Contributions of securities		(70,000)	—
Contribution of AdventHealth joint venture net assets		(241,629)	—
Additional working capital from AdventHealth		(70,896)	—
Other nonoperating changes		169,330	191,777
Pension and postretirement benefit changes		(72,541)	(57,892)
Amortization of bond premium/discount/cost of issuance		(11,104)	—
Changes in operating assets and liabilities:			
Notes and accounts receivable		(73,328)	(64,794)
Prepaid expenses and other assets		(180,819)	(49,837)
Accounts payable and other liabilities		43,286	(183,649)
Lease liability		27,945	(1,103)
Self-insurance liability		15,223	27,989
Total adjustments		(684,916)	783,841
Net cash used in operating activities		(505,967)	(436,645)
Cash flows from investing activities:			
Purchase of investments		(2,384,147)	(2,351,981)
Investment in joint venture		(250,000)	—
Proceeds from sale of investments		2,609,033	2,667,047
Proceeds from sale of property		—	30,164
Acquisition of land, buildings, equipment, and books		(362,962)	(283,188)
Net cash provided by (used in) investing activities		(388,076)	62,042
Cash flows from financing activities:			
Proceeds from issuance of debt instruments		748,915	355,454
Principal payments on debt instruments		(248,600)	(406,786)
Proceeds from issuance of commercial paper and lines of credit		2,639,412	—
Payments on issuance of commercial paper and lines of credit		(2,320,199)	—
Prepayment to bond trustee		(355)	—
Payment of finance lease liability		(7,821)	(4,865)
Additional working capital from AdventHealth and acquired cash		98,585	—
Proceeds from private gifts and grants restricted for long-term investment		130,892	220,742
Other nonoperating changes		(29,287)	(58,234)
Net cash provided by financing activities		1,011,542	106,311
Increase (decrease) in cash and cash equivalents		117,499	(268,292)
Cash and cash equivalents at:			
Beginning of year		113,649	381,941
End of year	$	231,148	113,649
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	205,388	194,356
Change in construction payable		3,001	6,428
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	27,299	35,729
Operating cash flows from finance leases		1,155	2,325
Financing cash flows from finance leases		7,810	4,865
Right of use assets obtained in exchange for new lease obligations:			
Finance leases	$	1,940	12,151
Operating leases		45,317	13,661
Contributed limited partnership stock		70,000	—

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Business

The University of Chicago (the University) is a private, nondenominational, coeducational institution of higher learning and research. The University provides education and training services, primarily for students enrolled in undergraduate, graduate, and professional degree programs, and performs research, training, and other services under grants, contracts, and other agreements with sponsoring organizations, including both government agencies and private enterprises. Certain members of the University's faculty also provide professional medical services to patients at The University of Chicago Medical Center (the Medical Center) and other healthcare facilities located in the area.

Significant accounting policies followed by the University, the Medical Center, and the Marine Biological Laboratory (MBL) are set forth as follows. Accounting policies specific to the Medical Center and MBL are discussed in notes 2 and 3, respectively.

(b) Basis of Presentation

The consolidated financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts of the University, the Medical Center, and MBL. The organization of the Medical Center and MBL and associated agreements with the University are discussed in notes 2 and 3, respectively.

The University maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For financial reporting purposes, however, the University follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the University: instruction, conduct of sponsored research, and provision of healthcare services. In addition to these transactions, changes in this category of net assets include investment returns on "funds functioning as endowment" funds, actuarial adjustments to self-insurance liabilities, changes in postretirement benefit obligations, and certain types of philanthropic support.

  Such philanthropic support includes gifts without restrictions, including those designated by the Board of Trustees (the Board) to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as previously restricted gifts and grants for buildings and equipment that have been placed in service.

- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and

(Continued)

(In thousands of dollars)

grants for buildings and equipment not yet placed in service; endowment, annuity, and life income gifts; pledges; and investment returns on “true” endowment funds and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment and providing loans to students) and that only the income be made available for program operations. Other permanently restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

Net assets consisted of the following at June 30:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
University:						
Operating	$ (1,509,908)	48,238	(1,461,670)	(1,332,679)	59,588	(1,273,091)
Unamortized capital gifts for construction	142,145	2,038	144,183	145,191	8,538	153,729
Pledges receivable	—	1,316,139	1,316,139	—	1,296,341	1,296,341
Student loan funds	—	35,703	35,703	—	33,174	33,174
Endowment funds	2,323,955	6,132,714	8,456,669	2,369,589	6,103,298	8,472,887
Annuity and life income funds	—	60,915	60,915	—	57,056	57,056
Subtotal	956,192	7,595,747	8,551,939	1,182,101	7,557,995	8,740,096
Medical Center:						
Operating	919,355	38,812	958,167	846,479	25,090	871,569
Pledges receivable	—	8,345	8,345	—	8,147	8,147
Endowment funds	1,216,476	100,575	1,317,051	1,242,517	102,427	1,344,944
Noncontrolling interest in joint venture	305,185	—	305,185	—	—	—
Subtotal	2,441,016	147,732	2,588,748	2,088,996	135,664	2,224,660
Marine Biological Laboratory:						
Operating	87,003	11,818	98,821	81,419	12,150	93,569
Pledges receivable	—	4,406	4,406	—	5,685	5,685
Annuity and life income funds	472	3,456	3,928	472	3,500	3,972
Endowment funds	9,690	86,315	96,005	9,566	87,350	96,916
Subtotal	97,165	105,995	203,160	91,457	108,685	200,142
Total	$ 3,494,373	7,849,474	11,343,847	3,362,554	7,802,344	11,164,898

(In thousands of dollars)

The endowment component of net assets without donor restrictions is comprised of amounts designated by the Board to function as endowment which amounted to $3,550,121 and $3,621,672 as of June 30, 2023 and 2022, respectively. Included in the University's endowment without donor restrictions is a fund designated by the Board to be used to support the University's strategic initiatives which amounted to $180,085 and $201,743 as of June 30, 2023 and 2022, respectively.

(c) Operations

Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items associated with long-term investment, actuarial adjustments to self-insurance liabilities, changes in postretirement benefit obligations other than service cost, changes in the fair value of derivative instruments, unamortized capital gifts associated with the acquisition or construction of long-lived assets placed in service, and other infrequent transactions. Operating results also include a reclassification associated with amortization of capital gifts placed in service, as described below.

(d) Capital Gifts to Acquire or Construct Long-Lived Assets

Capital gifts to acquire or construct a long-lived asset are recorded as a donor restricted gift until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This amortization, which amounted to $10,939 in fiscal year 2023 and $10,686 in fiscal year 2022, is recorded as a reclassification between the nonoperating and operating sections of the change in net assets without donor restrictions in the consolidated statements of activities.

(e) Tuition and Fees, Net of Student Aid

Student tuition and fees and related student aid are recorded during the year in which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Tuition and fees, less student aid, consist of the following:

	2023			2022		
	Tuition and fees	**Student aid**	**Net**	**Tuition and fees**	**Student aid**	**Net**
University:						
Precollegiate	$ 84,281	(5,453)	78,828	80,755	(4,899)	75,856
College	456,208	(189,463)	266,745	440,043	(178,733)	261,310
Graduate and professional schools	630,824	(385,684)	245,140	625,098	(389,425)	235,673
Continuing professional education and other	13,378	(3,064)	10,314	25,658	(1,891)	23,767
	1,184,691	(583,664)	601,027	1,171,554	(574,948)	596,606
Marine Biological Laboratory	2,370	(1,424)	946	2,518	(1,379)	1,139
Total	$ 1,187,061	(585,088)	601,973	1,174,072	(576,327)	597,745

(In thousands of dollars)

(f) Gifts, Grants, and Contracts

Gifts, including unconditional pledges, are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue on the consolidated balance sheets. Included in deferred revenue at June 30, 2023 and 2022 are $77,788 and $99,341, respectively, of private grant and contract receipts. Future funding from government and private grant and contract agreements is dependent on fiscal funding clauses and annual appropriations from granting agencies and organizations. Such conditional funding as of June 30, 2023 approximates the annual revenue reported on the consolidated statements of activities.

Private gifts, grants, and contracts operating revenue for fiscal years 2023 and 2022 consist of the following:

		2023				2022
		University	Medical Center	MBL	Consolidated	Consolidated
Private gifts:						
Unrestricted as to use	$	26,461	—	1,575	28,036	28,656
Restricted gifts whose restrictions were met during the fiscal year and reported as operating revenue		110,720	—	—	110,720	116,201
Private grants and contracts		147,194	13	5,266	152,473	125,442
Total	$	284,375	13	6,841	291,229	270,299

(g) Nonfinancial Gifts

The University recognized a total of $694 in fiscal year 2023 and $3,061 in fiscal year 2022 in nonfinancial gifts including artwork, books, travel, services, and real estate. This revenue is presented within private gifts, grants, and contracts line in the consolidated statements of activities. Unless otherwise noted, nonfinancial gifts did not have donor-imposed restrictions and are valued at their estimated fair value except for real estate that is valued based on actual cash proceeds when sold.

(h) Patient Services

The University recognizes net patient revenue in the period in which it satisfies the performance obligations under contracts by providing services to its patients, net of amounts to which it does not expect to be entitled. The University has agreements with governmental and other third-party payors that provide payments to the University based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, or other methods. The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Financial Assistance Program, and implicit price concessions provided primarily to uninsured patients. The estimates of contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience.

(In thousands of dollars)

Net patient service revenue recognized in the consolidated statements of activities in net assets without donor restrictions by major payor sources are as follows:

		2023				
		University	Medical Center	Elimination	Consolidated	2022 Consolidated
Medicare	$	94,671	966,491	(39,170)	1,021,992	779,923
Medicaid		65,511	786,454	(31,873)	820,092	681,184
Managed care		173,912	1,489,351	(60,360)	1,602,903	1,270,392
Patients and other		34,912	18,202	(738)	52,376	38,742
Net patient service revenue after provision for doubtful accounts	$	369,006	3,260,498	(132,141)	3,497,363	2,770,241

University Biological Sciences Division (BSD) physicians perform ambulatory clinical patient care services at the Medical Center which generate patient service revenue for the Medical Center. The University incurs the compensation expense related to these services and the Medical Center transfers the earned revenue to the University for these services, which are recognized by the University as patient service revenue.

(i) Auxiliaries

Included in auxiliaries are revenues generated by the University Press, rental properties, parking facilities, residence halls and dining, and other student related services. Revenue from these activities is recorded during the year in which the related services are rendered, less an allowance for uncollectible amounts.

(j) Capitalized Interest

The University capitalizes interest costs incurred on debt during the construction of major projects exceeding one year. During fiscal years 2023 and 2022, the amount of interest capitalized amounted to $1,380 and $89 for the University and $3,100 and $658 for the Medical Center, respectively.

(k) Fair Value

Fair value is defined as the price that the University would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The University uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the University. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – quoted market prices in active markets for identical investments

Level 2 – inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques

Level 3 – valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all

(i) Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less. All short-term, highly liquid investments, otherwise qualifying as cash equivalents or restricted cash equivalents, included in the University's investments are treated as Investments, at fair value and are therefore excluded from Cash and cash equivalents in the Statements of Cash Flows. Cash equivalents are classified in Level 1 of the fair value hierarchy.

(ii) Investments

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year and are classified in Level 1. The University's interests in alternative investment funds such as private debt, global public equity, private equity, real estate, natural resources, and absolute return are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2023 and 2022, the University had no plans to sell investments at amounts different from NAV. Funds measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

The University does not engage directly in unhedged speculative investments; however, the Board has authorized the use of derivative investments to adjust market exposure within asset class ranges.

(Continued)

A summary of the inputs used in valuing the University's investments as of June 30, 2023 and 2022 is included in note 5.

(iii) Prepaid Expenses and Other Assets

Prepaid expenses include amounts paid for services attributable to future fiscal years. These services include implementation costs of cloud computing arrangements totaling $39,456 and $9,610 for the University as of June 30, 2023 and 2022, respectively, and $44,143 and 27,473 for the Medical Center as of June 30, 2023 and 2022, respectively.

(iv) Pledges Receivable

Unconditional promises to give are recognized initially at fair value as private gift revenue in the period the promise is made by a donor. The fair value of the pledge is estimated based on anticipated future cash receipts (net of a valuation adjustment), discounted using a risk-adjusted rate commensurate with the duration of the payment plan. These inputs to the fair value estimate are classified in Level 3 of the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the valuation adjustment is reassessed and adjusted if necessary.

(v) Land, Buildings, Equipment, and Books

Land, buildings, equipment, and books are generally stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 20 to 60 years for buildings and building improvements, 3 to 10 years for equipment, and 10 years for library books.

(vi) Split-Interest Agreements

Split-interest agreements with donors consist primarily of charitable remainder trusts for which the University serves as trustee, gift annuity contracts, and pooled life income agreements. Assets associated with split-interest agreements are included in investments. A liability for split-interest obligations is recorded when the agreement is established at the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments. These inputs to the fair value estimate are classified in Level 3 of the fair value hierarchy. At June 30, 2023 and 2022, the University had liabilities of $53,257 and $48,641 associated with its charitable remainder trust and gift annuity contracts and deferred revenue of $4,336 and $4,535 associated with its pooled income agreements, respectively. In subsequent periods, the discount rate is unchanged.

(vii) Interest Rate Swap Agreements

In order to reduce exposure to adjustable interest rates on variable rate debt, the University has entered into debt-related interest rate swap agreements. These agreements have the effect of fixing the rate of interest for the variable rate debt. The fair value of these swap agreements is the estimated amount that the University would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. These inputs to the fair value estimate are classified in Level 2 of the fair value hierarchy.

(Continued)

(viii) Assets Held in Custody for Others

Assets held in custody for others consist of resources, primarily investments, held by the University as a custodian for affiliated organizations. Investments held for others are included in the University's investment portfolio. The leveling of these investments is presented in note 5.

(ix) Self-insurance Liability

The self-insurance liability is the estimated present value of self-insured claims that will be settled in the future and considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the self-insurance liability is a risk-adjusted rate commensurate with the duration of anticipated payments.

(x) Pension and Other Postretirement Benefit Obligations

The pension and other postretirement benefit obligations consider anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments.

(xi) Asset Retirement Obligation

Asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. The obligation to remove asbestos is estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable.

(xii) Leases

The University and the Medical Center have entered into a variety of operating and finance leases for office space and equipment. The obligations associated with these leases have been recognized as a liability in the consolidated balance sheet based on future lease payments, discounted by the incremental borrowing rate or risk-free rate.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

(l) Income Taxes

The University, Medical Center, and MBL are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income, are exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2023 and 2022, and there are no uncertain tax positions considered to be material.

Effective in fiscal year 2022, the University is subject to a federal excise tax of 1.4% on net investment income under the Tax Cuts and Jobs Act signed into law on December 22, 2017. Net investment income includes interest, dividends, and net realized gains on the sale of investments. Estimated excise tax expense for the fiscal year ended June 30, 2023 is reported in accounts payable and accrued liabilities in the consolidated balance sheets and in investment return (loss) in the consolidated statements of activities.

The University has also made provisions for deferred taxes. The deferred tax liability represents future excise tax payable on unrealized gains in excess of the tax basis of investments. The liability is reported in accounts payable and accrued liabilities in the consolidated balance sheets and in investment return (loss) in the consolidated statements of activities.

(m) Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires that management make a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the consolidated balance sheet dates, and the reporting of revenue, expenses, gains, and losses during the reporting periods. Actual results may differ from those estimates.

(n) Related Parties

Transactions between the University and any of its trustees, officers or employees are subject to the University's conflict of interest policies, which require disclosure of conflicting interests and abstention by the conflicted persons from University decision making. Disclosures about the University's related party transactions, including those with affiliates, are described in note 15 to the consolidated financial statements.

(o) Reclassification

Certain 2022 amounts have been reclassified to conform to the 2023 financial statement presentation.

(p) Subsequent Events

The University has performed an evaluation of subsequent events through November 22, 2023, which is the date the consolidated financial statements were issued.

In July 2023, the University terminated its forward off-market swaption on the Series 2013B bonds with Barclays for $4,770. Additionally, the University issued $50,000 in commercial paper, replacing existing short-term debt. In July and August of 2023, the University liquidated its working capital funds in the amount of $196,000 to repay a portion of its line of credit.

(2) The University of Chicago Medical Center

(a) Organization

The Medical Center, an Illinois not-for-profit corporation, operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, the Ingalls Health System, and various other outpatient clinics and treatment areas. The University, as the sole corporate member of the Medical Center, elects the Medical Center's Board of Trustees and approves its bylaws.

(In thousands of dollars)

On January 1, 2023, the Medical Center acquired a controlling interest in AdventHealth Great Lakes Region (AdventHealth GLR) through a member substitution. This resulted in the Medical Center becoming the sole Class A member and AdventHealth becoming the sole Class B member of this 501(c)(3) corporation and affiliation agreement. As a result of this transaction, AdventHealth GLR is included in the consolidated financial statements of the Medical Center for the six-month period from January 1, 2023 through June 30, 2023 with distinguishing of net assets deemed controlling interest versus noncontrolling interest. This affiliation positions the Medical Center, under the University of Chicago Medical Center brand (UChicago Medicine), to expand its integrated academic health delivery system to the Southwest and Western suburbs of Chicago, providing patients access to care at the forefront of medicine where patients live and work.

The affiliation was effected through a member substitution with consideration paid by the Medical Center of $250,000 for a controlling interest of 51% of the AdventHealth GLR. AdventHealth GLR’s noncontrolling interest was recorded as a direct addition to net assets as well as subsequent working capital infusions.

The acquisition-date fair value of identifiable assets and liabilities of AdventHealth GLR at January 1, 2023 consisted of the following:

Assets:		
Cash and cash equivalents	$	27,689
Prepaids, inventory and other current assets		19,199
Property, plant, and equipment, net		456,982
Other assets, net		37,893
		541,763
Liabilities:		
Accounts payable and accrued expenses		14,890
Other long-term liabilities		35,244
		50,134
Net assets contributed by AdventHealth	$	491,629

The valuation of the fair value of identifiable assets and liabilities has been completed. In valuing these assets and liabilities, fair values were based on, but not limited to, independent appraisals, discounted cash flows, replacement costs, and actuarially determined values.

Operating expenses for the year ended June 30, 2023 include costs related to the integration of AdventHealth GLR into the Medical Center in accordance with the affiliation agreement and terms of the joint venture including costs of the valuation, transaction related costs, marketing and other operating programs for the benefit of patients. At June 30, 2023, AdventHealth GLR had a receivable due from the noncontrolling interest of $66,397, which was collected subsequent to year-end.

(In thousands of dollars)

Operating results and changes in net assets attributable to AdventHealth GLR since the date of acquisition in the accompanying consolidated financial statement of activities for the year ended June 30, 2023 are as follows:

Total operating revenue	$	512,626
Total expenses		518,353
Deficiency of revenues over expenses		5,727

The following unaudited pro forma information presents the Medical Center's results for the years ended June 30, 2023 and 2022, as if the acquisition date had been July 1, 2021:

		2023	2022
		(Unaudited)	
Total operating revenues	$	4,238,549	3,967,448
Total operating expenses		4,173,819	3,876,167

(b) Agreements with the University

The relationship between the University and the Medical Center is defined in an Affiliation Agreement and an Operating Agreement along with an associated Lease Agreement. The Affiliation Agreement specifies University and Medical Center responsibilities for the provision of patient care, teaching, and research at the hospitals and clinics. The Operating Agreement provides for the management and operation by the Medical Center of the University's hospital and clinic facilities. The Lease Agreement provides the Medical Center a leasehold interest in certain University facilities and land.

(c) Community Benefits

The Medical Center's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals and patients accepted through the Perinatal and Pediatrics Trauma Networks. Patients are offered discounts of up to 100% of charges on a sliding scale based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Medical Center policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the Medical Center does not pursue collection of these amounts, they are not reported as net patient care revenue.

The unreimbursed cost of providing such care, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs, amounted to $595,257 and $492,283 for the years ended June 30, 2023 and 2022, respectively.

(d) Basis of Presentation

The Medical Center maintains its accounts and prepares stand-alone financial statements in conformity with GAAP applicable to not-for-profit health care entities. For purposes of presentation of the Medical Center financial position and changes in net assets in the accompanying consolidated financial statements, several reclassifications have been made as follows: (1) investment gains used for operations of $71,404 in fiscal year 2023 and $67,513 in fiscal year 2022 have been recorded as operating revenue and (2) transfers to the University of $71,750 in fiscal years 2022 and 2023 have been recorded as a reduction of other income.

(3) Marine Biological Laboratory (MBL)

(a) Organization

MBL is a private, independent not-for-profit research and educational institution dedicated to establishing and maintaining a laboratory and station for scientific study and investigations, and a school for instruction in biology and natural history. MBL is located in Woods Hole, Massachusetts. The University is the sole corporate member of MBL, elects MBL's Board of Trustees, and approves its bylaws.

(b) Agreement with the University

The relationship between the University and MBL is defined in an Affiliation Agreement which specifies the University and MBL responsibilities for the provision of research and education in biology, biomedicine, ecology, and related fields.

(In thousands of dollars)

(4) Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2023				2022
	University	Medical Center	MBL	Consolidated	Consolidated
Financial assets:					
Cash and cash equivalents	$ 51,094	176,546	3,508	231,148	113,649
Notes and accounts receivable, net	175,579	525,670	8,301	709,550	639,315
Pledge payments available for operations	142,154	3,543	1,952	147,649	130,810
Short-term investments	270,580	58,638	15,372	344,590	342,533
Board designations:					
Funds functioning as endowment available for operations	180,085	—	—	180,085	201,743
Subsequent year's endowment payout	478,905	71,805	5,268	555,978	522,349
Total financial assets available within one year	1,298,397	836,202	34,401	2,169,000	1,950,399
Liquidity resources:					
Taxable commercial paper	137,974	—	—	137,974	118,000
Bank lines of credit	160,813	—	—	160,813	500,000
Total financial assets and liquidity resources available within one year	$ 1,597,184	836,202	34,401	2,467,787	2,568,399

The University's cash flows have seasonal variations during the year attributable to tuition billing, patient service reimbursement from the State of Illinois, and a concentration of contributions received at calendar and fiscal year-end.

To manage liquidity, the University maintains lines of credit with several banks and a taxable commercial paper program that are drawn upon as needed during the year to manage cash flows. As of June 30, 2023, there were outstanding amounts under these lines of credit facilities of $339,187 for bank lines of credit and $62,026 for commercial paper for the University, respectively. The University's line of credit with JP Morgan expires on September 27, 2024. Additionally, in July and August of 2023, the University liquidated $196,000 of its short-term investments to pay off a portion of operating line of credit balances.

In addition, as of June 30, 2023 the University, Medical Center, and MBL had an additional $2,143,870, $1,216,476, and $9,690 in funds functioning as endowment, respectively, which is available for general expenditure with Board approval subject to the liquidity of the underlying investments.

(In thousands of dollars)

(5) Investments

Investments at June 30, 2023 and 2022 are comprised of the following:

		Consolidated	
		2023	2022
Cash equivalents	$	56,511	224,333
Global public equities		3,260,354	3,110,822
Private debt		449,800	423,382
Private equity		2,909,926	2,796,536
Real estate		507,731	592,256
Natural resources		519,102	586,254
Absolute return		2,292,889	2,421,283
Fixed income		1,086,726	1,070,138
Funds in trust		278,127	83,963
Total	$	11,361,166	11,308,967

(a) Overall Investment Objective

The overall investment objective of the University is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The University diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. Major investment decisions are authorized by the Board’s Investment Committee, which oversees the University’s investment program in accordance with established guidelines.

(b) Investment Strategies

Cash equivalent investments include cash equivalents and fixed-income investments with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, exchange traded funds (ETFs), commingled funds with liquidity ranging from daily to annually, hedge funds investing primarily in long only public equities, and limited partnerships. ETFs and securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Fixed-income investments consist of directly held actively traded treasuries and bond mutual funds that hold securities, the majority of which have maturities greater than one year and are valued based on quoted market prices in active markets.

Funds in trust investments consist primarily of project construction funds and externally managed endowments.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, private debt, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University monitors the valuation methodologies and practices of managers. Direct investments in preferred equity securities are initially held at cost. Valuation is re-evaluated when the company raises additional equity capital priced by a new outside investor.

The absolute return portfolio is comprised of investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

The University believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2023 and 2022. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

(In thousands of dollars)

(c) Fair Value Hierarchy of Investments

Following is the fair value hierarchy of investments as of June 30, 2023:

	Level 1	Level 2	2023 Consolidated total
Cash equivalents	$ 56,511	—	56,511
Global public equities (primarily international)	607,072	22,161	629,233
Private equity	109	—	109
Real estate	20,396	—	20,396
Fixed income	1,109,595	—	1,109,595
Funds in trust	151,199	126,928	278,127
	$ 1,944,882	149,089	2,093,971
Investments measured at net asset value			9,267,195
Total investments at fair value as of June 30, 2023			$ 11,361,166

Following is the fair value hierarchy of investments as of June 30, 2022:

	Level 1	Level 2	2022 Consolidated total
Cash equivalents	$ 224,333	—	224,333
Global public equities (primarily international)	595,244	21,726	616,970
Real estate	109,352	—	109,352
Fixed income	1,067,194	—	1,067,194
Funds in trust	44,860	39,103	83,963
	$ 2,040,983	60,829	2,101,812
Investments measured at net asset value			9,207,155
Total investments at fair value as of June 30, 2022			$ 11,308,967

(In thousands of dollars)

A summary of investment return by entity, net of expenses, is presented below for the years ended June 30, 2023 and 2022:

	2023				2022
	University	**Medical Center**	**MBL**	**Consolidated**	**Consolidated**
Investment return:					
Interest and dividends	$ 63,208	13,673	634	77,515	114,659
Net realized and unrealized gains (losses)	180,376	18,832	2,174	201,382	(1,123,552)
Investment return (loss)	$ 243,584	32,505	2,808	278,897	(1,008,893)

Investment return is reported in the accompanying consolidated statements of activities as investment return (loss) net of endowment payout.

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2023, the University had unfunded commitments of $2,148,091, which are likely to be called through 2035. Details of these commitments are as follows:

	Unfunded commitments
Private equity	$ 1,345,255
Real estate	333,446
Natural resources	204,069
Absolute return	31,424
Private debt	233,897
Total	$ 2,148,091

The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups, and gates. Details on typical redemption terms by asset class and type of investment are provided as follows:

(In thousands of dollars)

	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions or side pockets at June 30, 2023
Cash	N/A	Daily	None	None
Global public equities:				
Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock-up provisions for up to 2 remaining years, some investments have a portion of capital held in side pockets with no redemptions permitted	$97.4 million
Partnerships	N/A	Monthly to triennial with notice periods of 7 to 184 days	Lock-up provisions for up to 2 remaining years, some investments have a portion of capital held in side pockets with no redemptions permitted	$299.8 million
Securities	N/A	Daily	None	None
Separate accounts	N/A	Daily with notice periods of 1 to 90 days	None	None
Private debt:				
Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A	N/A
Private equity:				
Drawdown partnerships	1 to 32 years	Redemptions not permitted	N/A	N/A
Separate account	N/A	Daily with notice period 5 days	None	None
Partnerships	N/A	Semi-annual to annual with notice period of 90 days	Lock-up provisions for up to 2 remaining years, some investments have a portion of capital held in side pockets with no redemptions permitted	$116.4 million
Direct investments	N/A	Redemptions permitted	N/A	$55.5 million

	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions or side pockets at June 30, 2023
Real estate:				
Drawdown partnerships	1 to 14 years	Redemptions not permitted	N/A	N/A
Separate account	N/A	Daily with notice period of 5 days	None	None
Natural resources:				
Drawdown partnerships	1 to 13 years	Redemptions not permitted	N/A	N/A
Absolute return:				
Commingled funds	N/A	Monthly to triennial with notice periods of 30 to 90 days	Some investments have capital held in side pockets with no redemptions permitted	$85.0 million
Drawdown partnerships	1 to 9 years	Redemptions not permitted	N/A	N/A
Partnerships	N/A	Daily to annual with notice periods of 1 to 90 days	Some investments have a portion of capital held in side pockets with redemption periods	$125.6 million
Fixed income	N/A	Daily	None	None
Funds in trust	N/A	Daily	None	None

(6) Endowments

The University’s endowment consists of approximately four thousand four hundred individual funds established for a variety of purposes. The endowment includes both donor-restricted “true” endowment funds and funds designated by the Board to function as endowments commonly referred to as “funds functioning as endowment” (FFE). Net assets associated with endowment funds, including funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

(In thousands of dollars)

The University, Medical Center, and MBL endowment each invest in an investment pool referred to as the Total Return Investment Pool (TRIP). As of June 30, 2023, 97%, 80%, and 100% of the University, Medical Center, and MBL endowments respectively, are invested in TRIP.

(a) University Endowment

Changes in the fair value of the University endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2023:

		2023		
		Without donor restrictions	**With donor restrictions**	**Total**
Changes in the fair value of endowment investments:				
Investment return:				
Endowment yield (interest and dividends)	$	16,075	47,133	63,208
Net appreciation (realized and unrealized) on investments		77,104	103,271	180,375
Total investment return		93,179	150,404	243,583
Endowment payout		(162,119)	(314,292)	(476,411)
Investment return, net of payout		(68,940)	(163,888)	(232,828)
Other changes in endowment investments:				
Gifts and pledge payments received in cash		—	180,652	180,652
Transfers to create funds functioning as endowment		20,859	—	20,859
Other changes		2,447	12,652	15,099
Total other changes in endowment investments		23,306	193,304	216,610
Net change in endowment investments		(45,634)	29,416	(16,218)
Endowment investments at:				
Beginning of year		2,369,589	6,103,298	8,472,887
End of year	$	2,323,955	6,132,714	8,456,669
Investments by type of fund:				
Donor-restricted “true” endowment:				
Historical gift value	$	—	2,835,712	2,835,712
Appreciation		—	3,297,002	3,297,002
Board-designated “funds functioning as endowment”		2,323,955	—	2,323,955
Total – as above	$	2,323,955	6,132,714	8,456,669

(In thousands of dollars)

Changes in the fair value of the University endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2022:

	2022		
	Without donor restrictions	**With donor restrictions**	**Total**
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 25,719	70,606	96,325
Net depreciation (realized and unrealized) on investments	(278,467)	(645,457)	(923,924)
Total investment return	(252,748)	(574,851)	(827,599)
Endowment payout	(154,730)	(293,795)	(448,525)
Investment return, net of payout	(407,478)	(868,646)	(1,276,124)
Other changes in endowment investments:			
Gifts and pledge payments received in cash	—	168,809	168,809
Transfers to create funds functioning as endowment	42,781	—	42,781
Other changes	24,990	27,977	52,967
Total other changes in endowment investments	67,771	196,786	264,557
Net change in endowment investments	(339,707)	(671,860)	(1,011,567)
Endowment investments at:			
Beginning of year	2,709,296	6,775,158	9,484,454
End of year	$ 2,369,589	6,103,298	8,472,887
Investments by type of fund:			
Donor-restricted “true” endowment:			
Historical gift value	$ —	2,644,568	2,644,568
Appreciation	—	3,458,730	3,458,730
Board-designated “funds functioning as endowment”	2,369,589	—	2,369,589
Total – as above	$ 2,369,589	6,103,298	8,472,887

(In thousands of dollars)

(b) Medical Center Endowment

Changes in the fair value of the Medical Center endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2023:

	2023		
	Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 12,108	608	12,716
Net appreciation (realized and unrealized) on investments	25,244	1,341	26,585
Total investment return	37,352	1,949	39,301
Endowment payout	(61,860)	(3,813)	(65,673)
Investment return, net of payout	(24,508)	(1,864)	(26,372)
Other changes in endowment investments:			
Gifts and pledge payments received in cash	—	13	13
Other changes	(1,533)	(1)	(1,534)
Total other changes in endowment investments	(1,533)	12	(1,521)
Net change in endowment investments	(26,041)	(1,852)	(27,893)
Endowment investments at:			
Beginning of year	1,242,517	102,427	1,344,944
End of year	$ 1,216,476	100,575	1,317,051
Investments by type of fund:			
Donor-restricted “true” endowment:			
Historical gift value	$ —	20,563	20,563
Appreciation	—	80,012	80,012
Board-designated “funds functioning as endowment”	1,216,476	—	1,216,476
Total – as above	$ 1,216,476	100,575	1,317,051

(Continued)

(In thousands of dollars)

Changes in the fair value of the Medical Center endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2022:

		2022	
	Without donor restrictions	**With donor restrictions**	**Total**
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 14,863	955	15,818
Net depreciation (realized and unrealized) on investments	(147,879)	(12,270)	(160,149)
Total investment return	(133,016)	(11,315)	(144,331)
Endowment payout	(57,852)	(3,961)	(61,813)
Investment return, net of payout	(190,868)	(15,276)	(206,144)
Other changes in endowment investments:			
Gifts and pledge payments received in cash	88,719	3,013	91,732
Other changes	5,506	—	5,506
Total other changes in endowment investments	94,225	3,013	97,238
Net change in endowment investments	(96,643)	(12,263)	(108,906)
Endowment investments at:			
Beginning of year	1,339,160	114,690	1,453,850
End of year	$ 1,242,517	102,427	1,344,944
Investments by type of fund:			
Donor-restricted “true” endowment:			
Historical gift value	$ —	20,299	20,299
Appreciation	—	82,128	82,128
Board-designated “funds functioning as endowment”	1,242,517	—	1,242,517
Total – as above	$ 1,242,517	102,427	1,344,944

(Continued)

(In thousands of dollars)

(c) MBL

Changes in the fair value of the MBL endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2023:

	2023		
	Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 63	570	633
Net appreciation (realized and unrealized) on investments	215	1,930	2,145
Total investment return	278	2,500	2,778
Endowment payout	(506)	(4,443)	(4,949)
Investment return, net of payout	(228)	(1,943)	(2,171)
Other changes in endowment investments:			
Gifts and pledge payments received in cash	352	908	1,260
Net change in endowment investments	124	(1,035)	(911)
Endowment investments at:			
Beginning of year	9,566	87,350	96,916
End of year	$ 9,690	86,315	96,005
Investments by type of fund:			
Donor-restricted “true” endowment:			
Historical gift value	$ —	61,340	61,340
Appreciation	—	24,975	24,975
Board-designated “funds functioning as endowment”	9,690	—	9,690
Total – as above	$ 9,690	86,315	96,005

(In thousands of dollars)

Changes in the fair value of the MBL endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2022:

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Changes in the fair value of endowment investments:				
Investment return:				
Endowment yield (interest and dividends)	$	101	914	1,015
Net depreciation (realized and unrealized) on investments		(1,053)	(9,598)	(10,651)
Total investment return		(952)	(8,684)	(9,636)
Endowment payout		(488)	(4,191)	(4,679)
Investment return, net of payout		(1,440)	(12,875)	(14,315)
Other changes in endowment investments:				
Gifts and pledge payments received in cash		—	704	704
Other changes		—	25	25
Total other changes in endowment investments		—	729	729
Net change in endowment investments		(1,440)	(12,146)	(13,586)
Endowment investments at:				
Beginning of year		11,006	99,496	110,502
End of year	$	9,566	87,350	96,916
Investments by type of fund:				
Donor-restricted “true” endowment:				
Historical gift value	$	—	60,464	60,464
Appreciation		—	26,886	26,886
Board-designated “funds functioning as endowment”		9,566	—	9,566
Total – as above	$	9,566	87,350	96,916

(d) Interpretation of Relevant Law

The “Uniform Prudent Management of Institutional Funds Act” (UPMIFA), which was enacted in the state of Illinois in 2009, does not preclude the University from spending below the original gift value of donor-restricted “true” endowment funds.

For accounting and reporting purposes, the University, Medical Center, and MBL classify as net assets with donor restrictions the historical value of donor-restricted "true" endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted "true" endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

(e) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted "true" endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2023 and 2022, funds with an original gift value of $242,689 and $149,703 were "underwater" by $17,797 and $9,402, respectively.

(f) Endowment Payout

Approximately 98% of the University, Medical Center, and MBL endowment is merged into one investment pool referred to as the Total Return Investment Pool (TRIP). The University utilizes the total return concept in allocating endowment income from TRIP. In accordance with the University's return objective, between 4.5% and 5.5% of a 12 quarter moving average of the fair value of endowment investments lagged by one year, is available each year for expenditure in the form of endowment payout. The payout percentage, which is set each year by the Board with the objective of a 5.0% average payout over time, was 5.5% for the fiscal years ended June 30, 2023 and 2022. Periodically, the University's Board will adjust the endowment payout to fund specifically approved strategic initiatives.

If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

(In thousands of dollars)

The endowment payout is comprised of the TRIP formula payout, payout from separately held investments, as well as special payouts for the funding of Alumni Relations and Development and University wide strategic initiatives as follows:

	2023				2022
	University	Medical Center	MBL	Consolidated	Consolidated
TRIP formula payout	$ 428,216	58,176	4,949	491,341	460,161
Payout from separately invested endowment	8,301	7,497	—	15,798	16,102
Special payouts:					
Alumni relations and development	27,707	—	—	27,707	26,641
Strategic initiatives	12,187	—	—	12,187	12,113
Total	$ 476,411	65,673	4,949	547,033	515,017

(7) Notes and Accounts Receivable

Components of notes and accounts receivable at June 30, 2023 and 2022 are shown as follows:

	2023			2022
	Receivable	Allowance for doubtful accounts	Net receivable	Net receivable
University:				
Patients	$ 15,907	(1,351)	14,556	18,351
Students:				
Loans	26,558	(1,500)	25,058	26,590
Tuition and fees	11,709	(3,250)	8,459	7,032
U.S. government	88,578	—	88,578	88,598
All other	120,733	(6,980)	113,753	92,609
Total University	263,485	(13,081)	250,404	233,180
Medical Center – patients	798,058	(272,388)	525,670	471,321
MBL	10,197	(35)	10,162	8,615
Total	$ 1,071,740	(285,504)	786,236	713,116

Accounts receivable are carried at estimated net realizable value. Management regularly assesses the adequacy of the allowance for doubtful accounts, and balances are written off when deemed uncollectible.

(In thousands of dollars)

(8) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2023 and 2022 are shown as follows:

		2023				
		University	Medical Center	MBL	Consolidated	2022 Consolidated
Land	$	135,057	81,325	52,931	269,313	248,535
Buildings		4,840,366	2,342,288	112,781	7,295,435	6,812,231
Equipment		658,144	878,821	38,820	1,575,785	1,465,970
Books		481,250	—	872	482,122	461,753
Construction in progress		87,262	238,054	2,138	327,454	175,740
Subtotal		6,202,079	3,540,488	207,542	9,950,109	9,164,229
Less accumulated depreciation		(3,133,621)	(1,574,674)	(103,244)	(4,811,539)	(4,482,658)
Total	$	3,068,458	1,965,814	104,298	5,138,570	4,681,571

(9) Leases

The right-of-use asset and corresponding liability associated with future lease payments at June 30, 2023 and 2022 are shown below:

		2023			
		University	Medical Center	Consolidated	2022 Consolidated
Operating lease:					
Right-of-use assets	$	169,344	54,156	223,500	199,180
Finance lease:					
Included in land, buildings, equipment, and books, net		30,866	32,721	63,587	67,889
Total	$	200,210	86,877	287,087	267,069
Operating lease liability	$	179,100	54,156	233,256	206,928
Finance lease liability		29,435	32,400	61,835	68,039
Total	$	208,535	86,556	295,091	274,967

(Continued)

(In thousands of dollars)

Other information related to leases as of June 30, 2023 and 2022 was as follows:

	2023		2022	
	University	Medical Center	University	Medical Center
Weighted average remaining lease term (years):				
Operating leases	14.9	12.7	10.2	13.3
Finance leases	58.3	10.2	61.1	10.1
Weighted average discount rate:				
Operating leases	3.8 %	2.2 %	4.0 %	2.2 %
Finance leases	3.9	5.5	4.0	5.6

(a) Lease Cost

Lease cost reported in supplies, services and other in the consolidated statements of activities amounted to $56,289 in fiscal 2023 as follows:

	2023			2022
	University	Medical Center	Consolidated	Consolidated
Finance:				
Amortization of right-of-use assets	$ 1,800	5,682	7,482	6,968
Interest on lease liability	1,155	1,015	2,170	2,325
Operating	21,373	18,882	40,255	36,017
Variable	5,987	1,908	7,895	7,735
Less sublease income	(419)	(1,094)	(1,513)	(1,182)
Total	$ 29,896	26,393	56,289	51,863

(In thousands of dollars)

(b) Future Lease Payments

The following operating and finance lease payments are expected to be paid for each of the following fiscal years ending June 30:

	University			Medical Center			
	Operating	Finance	Total	Operating	Finance	Total	Consolidated
Fiscal year:							
2024	$ 21,922	3,230	25,152	5,706	6,722	12,428	37,580
2025	20,550	3,162	23,712	5,356	5,412	10,768	34,480
2026	17,851	2,235	20,086	5,287	5,119	10,406	30,492
2027	14,726	2,218	16,944	5,348	2,297	7,645	24,589
2028	14,766	2,218	16,984	5,443	2,322	7,765	24,749
2029-2036	153,052	26,984	180,036	34,768	18,125	52,893	232,929
	242,867	40,047	282,914	61,908	39,997	101,905	384,819
Less present value discount	(63,767)	(10,612)	(74,379)	(7,752)	(7,597)	(15,349)	(89,728)
	$ 179,100	29,435	208,535	54,156	32,400	86,556	295,091

MBL does not have any lease activity as of and for the years ended June 30, 2023 and 2022.

(10) Notes and Bonds Payable

Notes and bonds payable at June 30, 2023 and 2022 are shown as follows:

	Fiscal year maturity	Interest rate as of 6/30/2023	2023	2022
University:				
Fixed rate:				
Illinois Finance Authority (IFA)	2039–2054	2.1-5.3%	$ 1,595,377	1,438,107
Taxable bonds and loans	2031–2054	2.6-5.4	2,483,855	2,516,749
Unamortized premium (discount) net of issuance costs			156,345	147,696
Total fixed rate			4,235,577	4,102,552
Variable rate:				
Illinois Educational Facilities Authority (IEFA)	2034	4.0 %	26,062	27,904
IFA	2035	4.0	56,484	60,087
Taxable commercial paper ($200,000 available)	—	5.1-5.2	62,026	82,000
Bank lines of credit ($500,000 available)	—	5.7	339,187	—
Total variable rate			483,759	169,991
Total University			4,719,336	4,272,543

(In thousands of dollars)

	Fiscal year maturity	Interest rate as of 6/30/2023	2023	2022
Medical Center:				
Fixed rate:				
IFA	2022-2045	2.5–5.0	$ 1,032,700	675,320
Taxable bonds and loans	2042–2047	2.7-4.4	84,400	87,565
New market tax credit bonds (NMTC)	2024–2047	1.0–1.8	32,476	32,476
Unamortized premium and issuance costs			24,433	9,313
Total fixed rate			1,174,009	804,674
Variable rate:				
IFA	2050	1.9–2.5	63,952	65,480
IEFA	2038	3.4	51,526	55,341
Bank lines of credit ($100,000 available)	2023	—	—	—
Total variable rate			115,478	120,821
Total Medical Center			1,289,487	925,495
MBL:				
Fixed rate:				
Massachusetts Development Finance Authority	2036	1	22,005	22,985
Unamortized issuance cost			(105)	(114)
Total MBL			21,900	22,871
Total notes and bonds payable			$ 6,030,723	5,220,909

As of June 30, 2023, the University, Medical Center, and MBL fixed rate notes and bonds payable include variable rate debt with interest rates that have been fixed through interest rate swap agreements which amounted to $312,287, $325,000, and $21,900, respectively. As of June 30, 2022, the University, Medical Center, and MBL fixed rate notes and bonds payable include variable rate debt with interest rates that have been fixed through interest rate swap agreements which amounted to $160,222, $325,000, and $22,871, respectively.

(a) Fiscal 2023 Transactions

During fiscal year 2023, the University issued Series 2023A tax-exempt fixed rate bonds in the principal amount of $181,155 to repay $86,974 of taxable commercial paper and prefund $113,031 of tax-exempt eligible capital projects.

During fiscal year 2023, the University issued Series 2022 taxable variable rate bonds in the principal amount of $155,950, of which $154,990 was used to refund taxable fixed rate Series 2012B bonds. Simultaneously, the University's fixed-payor interest rate swap with Mizuho Capital Markets hedging the Series 2022 bonds became effective.

During fiscal year 2023, the University added one operating line of credit for $100,000 with Bank of America for a total of $500,000 in credit line capacity across three banks.

(In thousands of dollars)

(b) Interest Rate Swaps

On June 30, 2023 and 2022, the fair value of the interest rate swap agreements was included in accounts payable and accrued liabilities on the accompanying balance sheets and amounted to $73,718 and $109,799, respectively, as follows:

		2023	2022
University	$	15,303	24,460
Medical Center		57,511	83,440
MBL		904	1,899
Total	$	73,718	109,799

Additionally, the University maintains two off market rate swap agreements (with notional amounts of $154,990 and $205,000) and three swaptions that are recorded in prepaid expenses and other assets. As of June 30, 2023 and 2022, the fair value of these instruments was $93,481 and $65,776, respectively.

These financial instruments involve counterparty credit exposure. The counterparties for these swap transactions are major financial institutions that meet the University's criteria for financial stability and creditworthiness.

The Medical Center maintains two cash flow hedges against interest on variable rate debt which were entered into in August 2011 and have a combined notional amount of $325,000. The interest rate swaps terminate on February 1, 2044.

When the fair value of a derivative contract is negative, the Medical Center owes the counterparty, and therefore, it does not possess credit risk; however, the Medical Center is required to post collateral to the counterparty when certain thresholds as defined in the derivative agreements are met. At June 30, 2023 and 2022, no collateral was posted. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Medical Center management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

(c) Debt Payments

Principal payments required in each of the five years ending June 30, 2024 through 2028 for the University notes and bonds are $72,596, $87,004, $82,030, $95,049 and $99,477, respectively.

Principal payments required in each of the five years ending June 30, 2024 through 2028 for the Medical Center notes and bonds are $23,293, $25,349, $109,803, $27,248, and $102,894, respectively.

Principal payments required in each of the five years ending June 30, 2024 through 2028 for MBL's notes and bonds are $1,020, $1,060, $1,105, $1,145 and $1,190, respectively.

(In thousands of dollars)

(d) Collateral

Each of the Medical Center bond series is collateralized by accounts receivable and subject to certain contractual restrictions. In addition, the Medical Center variable rate bonds are guaranteed by bank letters of credit.

(e) Remarketing

Included in the University, Medical Center, and MBL's notes and bonds payable are $456,859 $440,478 and $21,900, respectively, of variable rate notes and bonds maturing through fiscal year 2050. In the event the University, Medical Center, or MBL's remarketing agents are unable to remarket the notes and bonds, they become demand obligations and require immediate payment. To supplement internal liquidity, the University, Medical Center, and MBL have credit facility agreements totaling $300,000, $380,341 and $22,210, respectively, which support variable rate debt in the event of a failed remarketing. The University's Royal Bank of Canada letter of credit of $150,000 expires on May 17, 2024.

(11) Pledges

Pledges receivable at June 30, 2023 and 2022 are shown as follows:

		2023				2022
		University	**Medical Center**	**MBL**	**Consolidated**	**Consolidated**
Unconditional promises expected to be collected in:						
Less than one year	$	268,804	3,543	2,552	274,899	254,388
One year to five years		633,900	4,802	2,248	640,950	620,930
More than five years		1,215,564	—	—	1,215,564	1,293,544
		2,118,268	8,345	4,800	2,131,413	2,168,862
Less:						
Valuation allowance		(802,129)	—	(394)	(802,523)	(858,689)
Total	$	1,316,139	8,345	4,406	1,328,890	1,310,173

The University's five largest pledges comprise approximately 95% and 96% percent of pledges receivable at June 30, 2023 and 2022, respectively. Included in this amount is a pledge receivable from a single donor, net of current year pledge payments and amortization of the discount, of $868,000 and $848,000 at June 30, 2023 and June 30, 2022, respectively. The pledge receivable consists of the estimated fair value of a non-marketable equity investment in the donor's company aligned with the promise to give, along with the present value of estimated cash flows from the pledged asset. The range of discounts used for pledges was 2.7% to 10.0%.

In addition, at June 30, 2023, the University has received $76,216 of promises to give, that are conditional upon the raising of matching gifts from other sources or implementation of new academic programs. These amounts will be recognized as revenue in the periods in which the conditions are fulfilled.

(In thousands of dollars)

(12) Self-Insurance Liability

The University maintains a self-insurance program for medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which was $10,000 per claim and unlimited in the aggregate for the fiscal year ended June 30, 2023 and was $10,000 per claim and unlimited in the aggregate for the fiscal year ended June 30, 2022. Claims in excess of $10,000 are subject to an additional self-insurance retention limited to $10,000 per claim and $20,000 in annual aggregate. The Medical Center is included under this insurance program and is charged for its portion of self insurance costs. The University and Medical Center also maintain a self-insurance program for workers' compensation and certain other liability claims.

Under the medical malpractice self-insurance program, the University and Medical Center make annual contributions to a related trust fund at an actuarially determined rate that is intended to provide adequate funding of the self-insurance liability over a period of years. Actual settlements of medical malpractice claims may be more or less than the liability estimated by the University.

The medical malpractice self-insurance liability is the estimated present value of self insured claims that will be settled in the future, and considers anticipated payout patterns as well as interest to be earned on available assets prior to payment. If the present value method was not used, the liability for medical malpractice self-insurance claims would be approximately $42,376 higher than the amount recorded in the consolidated financial statements at June 30, 2023. The interest rate assumed in determining the present value was 5.0%. The University recorded nonoperating actuarial losses of $(3,188) and $(86,433) during the years ended June 30, 2023 and 2022, respectively, which are included in the without donor restrictions section of the accompanying consolidated statements of activities.

In addition, the Medical Center's Community Health and Hospital Division maintains a separate self-insurance program for medical malpractice and workers' compensation. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retentions at various levels by policy year. Under this program, annual contributions are made to captive for malpractice and other liability claims and a bond for the worker's compensation program at actuarially determined rates. The estimated liability for incurred malpractice, workers' compensation, and other claims (filed and unfiled) as of June 30, 2023 and 2022 is presented as follows:

		2023			2022
		University	Medical Center	Consolidated	Consolidated
Medical malpractice	$	235,305	97,381	332,686	320,402
Workers' compensation		4,097	11,267	15,364	12,849
Others		8,963	—	8,963	8,539
Total	$	248,365	108,648	357,013	341,790

(In thousands of dollars)

(13) Pension Plans and Other Postretirement Benefits

(a) Pension Plans

Substantially all personnel of the University participate in either the defined contribution pension plan for academic staff or the defined benefit and contribution pension plans for nonacademic personnel. The majority of Medical Center employees participate in the University's pension plans for nonacademic employees. The University and Medical Center make annual contributions to the defined benefit pension plans at a rate necessary to maintain plan funding on an actuarially recommended basis. The University and Medical Center share contributions to the defined benefit pension plans based primarily on participation.

(b) Postretirement Benefits

In addition to providing pension benefits, the University and MBL provide certain healthcare benefits for retired employees and the University provides a retirement incentive bonus for eligible faculty electing to participate in a retirement incentive program. In addition to a retirement bonus, all Medicare eligible- tenured faculty who elect to participate in the retirement incentive program receive supplemental health insurance at no cost for themselves and their spouses. All other academic and nonacademic employees are entitled to supplemental health insurance coverage subject to deductibles, copayment provisions, and other limitations.

The funded status and amounts recognized in the consolidated financial statements for the defined benefit pension plans and other postretirement benefit plans are shown as follows:

	Defined benefit pension plans		Other postretirement benefit plans	
	2023	**2022**	**2023**	**2022**
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 767,140	1,006,857	136,387	165,353
Service cost	1,133	1,774	6,321	7,855
Interest cost	36,817	30,987	6,501	5,000
Benefits paid	(45,636)	(54,857)	(9,579)	(4,597)
Plan amendment	—	—	—	3,005
Special termination benefits	—	—	—	2,711
Actuarial gain, net	(50,960)	(217,621)	(12,600)	(42,940)
Benefit obligation at end of year	708,494	767,140	127,030	136,387

(In thousands of dollars)

		Defined benefit pension plans		Other postretirement benefit plans	
		2023	**2022**	**2023**	**2022**
Change in fair value of plan assets:					
Fair value of plan assets at beginning of year	$	673,813	871,372	98,808	111,976
Actual return on plan assets		43,304	(154,702)	8,998	(13,168)
Employer contributions		12,000	12,000	9,579	4,597
Benefits paid		(45,636)	(54,857)	(9,579)	(4,597)
Fair value of plan assets at end of year		683,481	673,813	107,806	98,808
Funded status – liability	$	25,013	93,327	19,224	37,579

The accumulated benefit obligation for the defined benefit pension plans was $704,866 and $763,555 at June 30, 2023 and 2022, respectively.

The increase in the discount rate used for measurement of the pension and postretirement benefit obligations resulted in a decrease in the liability as of June 30, 2022 and 2023.

(c) Components of Net Periodic Benefit Cost

		Defined benefit pension plans		Other postretirement benefit plans	
		2023	**2022**	**2023**	**2022**
Operating – service cost	$	1,133	1,774	6,323	7,858
Nonoperating:					
Interest cost		36,817	30,987	6,541	5,027
Expected return on plan assets		(41,973)	(42,940)	(5,951)	(6,746)
Amortization of prior service benefit		—	—	(19,480)	(21,350)
Amortization of actuarial gain (loss)		4,111	20,464	(357)	1,160
Special termination benefits		—	—	—	2,711
Settlements		—	5,768	—	—
Total nonoperating		(1,045)	14,279	(19,247)	(19,198)
Net periodic benefit cost (credit)	$	88	16,053	(12,924)	(11,340)

(In thousands of dollars)

		Defined benefit pension plans		Other postretirement benefit plans	
		2023	2022	2023	2022
Amounts included in the consolidated statements of activities:					
University	$	652	8,691	(12,738)	(10,756)
Medical Center		(564)	7,362	—	—
MBL		—	—	(186)	(584)
Total	$	88	16,053	(12,924)	(11,340)

(d) Actuarial Assumptions

The weighted average assumptions used in the accounting for the pension and other postretirement benefit plans are shown as follows:

	Defined benefit pension plans		Other postretirement benefit plans	
	2023	2022	2023	2022
Discount rate	5.5 %	5.0 %	5.5 %	4.9 %
Expected return on plan assets	5.8	5.8	5.8	5.8
Rate of compensation increase	3.5	3.5	3.7	3.6
Healthcare cost trend rates:				
Next two fiscal years	—	—	7.82-8.40%	7.82-8.40%
Next seven fiscal years	—	—	5.45-7.28	5.45-7.28
Thereafter	—	—	4.5-5.43	4.5-5.43

The expected return on plan assets assumptions for both the defined benefit pension plan and the other postretirement benefit plans is determined based on models that incorporate a number of different methodologies, including historical returns and capital market forecasts.

(In thousands of dollars)

(e) Plan Assets

The table below reflects the changes in plan assets, pension obligations, and postretirement assets recognized as nonoperating items for the years ended June 30, 2023 and 2022:

	Pension plans		Postretirement plans	
	2023	**2022**	**2023**	**2022**
New prior service cost	$ —	—	—	3,005
Net gain for the year	(49,797)	(14,267)	(15,945)	(22,513)
Amortization of prior service cost credit	—	—	19,534	21,359
Net gain due to curtailment settlement	—	(9,153)	—	—
Amortization of net (gain) loss	(6,040)	(30,156)	(4)	(1,248)
Net (gain) loss recognized nonoperating activities	$ (55,837)	(53,576)	3,585	603

Weighted average asset allocations as of fiscal year end by asset category are as follows:

	Defined benefit pension plans		Other postretirement benefit plans	
	2023	**2022**	**2023**	**2022**
Domestic public equities	24 %	29 %	53 %	49 %
International public equities	18	20	—	—
Fixed income	58	51	47	51
	100 %	100 %	100 %	100 %

As of June 30, 2023, 79% of plan assets for the defined benefit pension plans are invested in cash, mutual funds, exchange traded funds, or separately managed accounts comprised of individual securities and are valued based on quoted market prices in active markets for identical investments (Level 1). The remaining 21% of plan assets are primarily invested in commingled funds and limited partnerships generally reported at NAV by external fund managers.

The defined benefit plans combined target asset allocation of 40% public equities and 60% fixed income securities is meant to result in a favorable long-term rate of return from a diversified portfolio of equity and fixed income investments. Plan assets for the other postretirement benefit plans are managed by the University and were held in mutual funds (Level 1) at June 30, 2023.

(In thousands of dollars)

(f) Contributions

The University, combined with the Medical Center, expects to contribute approximately $12,000 to the defined benefit pension plans in fiscal year 2024.

(g) Estimated Future Benefits Payments

The following benefit payments, which reflect expected future service, are expected to be paid for each of the fiscal years ending June 30:

Fiscal year		Defined benefit pension plans	Other postretirement benefit plans
2024	$	75,968	7,874
2025		51,946	8,449
2026		50,554	8,989
2027		50,227	9,417
2028		50,189	9,934
2029–2034		243,223	52,732

(h) Curtailed Pension Plan

The Medical Center maintains a separate noncontributory defined benefit pension plan on behalf of a former affiliated organization. As of June 30, 2021, the plan was annuitized and therefore there was no outstanding liability.

(i) Defined Contribution Pension Plan

Defined contribution pension plan expenses included in the consolidated statements of activities amounted to $95,922 in fiscal year 2023 and $126,283 in fiscal year 2022 for the University and $47,545 in fiscal year 2023 and $41,200 in fiscal year 2022 for the Medical Center.

(14) Functional Classification of Expenses

The University’s primary program service is academic instruction and research. Expenses reported as auxiliary enterprises, library, and student services are incurred in support of this primary program activity. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

(In thousands of dollars)

Expenses by functional classification for the year ended June 30, 2023 consist of the following:

		2023			
		Academic and research	**Healthcare service**	**Administrative support**	**Total**
Operating expenses:					
Compensation	$	1,809,546	1,485,230	367,737	3,662,513
Utilities, alterations, and repairs		56,290	55,077	9,198	120,565
Depreciation		184,379	150,583	29,015	363,977
Interest		103,148	41,175	55,530	199,853
Supplies, services, and other		576,966	1,571,743	284,038	2,432,747
Operating expenses	$	2,730,329	3,303,808	745,518	6,779,655
Nonoperating net periodic benefit credit other than service cost					(20,292)
Total					$ 6,759,363

Expenses by functional classification for the year ended June 30, 2022 consist of the following:

		2022			
		Academic and research	**Healthcare service**	**Administrative support**	**Total**
Operating expenses:					
Compensation	$	1,681,139	1,165,697	392,495	3,239,331
Utilities, alterations, and repairs		54,512	40,349	6,334	101,195
Depreciation		185,633	131,949	26,231	343,813
Interest		100,743	35,075	52,020	187,838
Supplies, services, and other		465,224	1,151,059	181,249	1,797,532
Operating expenses	$	2,487,251	2,524,129	658,329	5,669,709
Nonoperating net periodic benefit credit other than service cost					(4,919)
Total					$ 5,664,790

(15) Affiliated Organizations

The University has an ongoing relationship with the National Opinion Research Center (NORC), a not-for-profit organization that conducts research in the public interest primarily for various federal agencies. The majority of NORC's Board of Trustees are faculty members or officers of the University. Program-related revenue for the years ended December 31, 2022 and 2021 was $324,504 and $291,574, respectively. Net assets at December 31, 2022 and 2021 were $84,160 and $85,006, respectively. Consolidation of this not- for-profit organization is not required because the University does not have both control and an economic interest.

The University, through its affiliate UChicago Argonne, LLC, operates Argonne National Laboratory (ANL) under a contract with the U.S. Department of Energy (DOE). This contract provides for the payment of a fixed management allowance and an additional fee based on performance judged against established measures. The University is the sole member of UChicago Argonne, LLC; however, the performance fee is shared with a subcontractor that assists UChicago Argonne, LLC with the management and operation of ANL.

The University, as a member of Fermi Research Alliance, LLC (FRA), also operates Fermi National Accelerator Laboratory (Fermilab) on behalf of DOE. The Fermilab contract between DOE and FRA provides for the payment of a fixed management allowance and an additional performance fee. The University shares the performance fee with Universities Research Association, the other member of FRA, and with a subcontractor that assists FRA with the management and operation of Fermilab. The expenditures under the respective contracts and the related reimbursements of $1,283,947 for ANL and $607,795 for Fermilab in fiscal year 2023, and $1,107,616 for ANL and $600,220 for Fermilab in fiscal year 2022 are not included in the consolidated statements of activities. Net assets relating to ANL and to Fermilab are owned by the U.S. government and, therefore, are not included in the consolidated balance sheets.

(16) Contingencies

Various lawsuits, claims, and other contingent liabilities arise in the ordinary course of the University's education, research, and healthcare activities. In the opinion of management, all such matters have been adequately provided for, are without merit, or are of such kind that if disposed of unfavorably, would not have a material adverse effect on the consolidated financial position of the University.

Schedule 1

THE UNIVERSITY OF CHICAGO

Consolidating Balance Sheet

June 30, 2023

(In thousands of dollars)

Assets		University	Medical Center	MBL	2023 Consolidated
Cash and cash equivalents	$	51,094	176,546	3,508	231,148
Notes and accounts receivable, net		250,404	525,670	10,162	786,236
Prepaid expenses and other assets		309,887	453,359	4,975	768,221
Right-of-use assets – operating leases		169,344	54,156	—	223,500
Pledges receivable, net		1,316,139	8,345	4,406	1,328,890
Investments		9,619,012	1,630,775	111,379	11,361,166
Land, buildings, equipment, and books, net		3,068,458	1,965,814	104,298	5,138,570
Total assets	$	14,784,338	4,814,665	238,728	19,837,731
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued liabilities	$	562,064	730,371	6,031	1,298,466
Deferred revenue		203,068	—	7,637	210,705
Assets held in custody for others		195,410	—	—	195,410
Self-insurance liability		248,365	108,648	—	357,013
Pension and other postretirement benefit obligations		44,237	—	—	44,237
Asset retirement obligation		39,420	10,855	—	50,275
Lease liability		208,535	86,556	—	295,091
Notes and bonds payable		4,719,336	1,289,487	21,900	6,030,723
Refundable US government student loan funds		11,964	—	—	11,964
Total liabilities		6,232,399	2,225,917	35,568	8,493,884
Net assets:					
Without donor restrictions controlled by the University		956,192	2,135,831	97,165	3,189,188
Net assets without donor restrictions related to noncontrolling interest in consolidated joint venture		—	305,185	—	305,185
Total without donor restrictions		956,192	2,441,016	97,165	3,494,373
With donor restrictions		7,595,747	147,732	105,995	7,849,474
Total net assets		8,551,939	2,588,748	203,160	11,343,847
Total liabilities and net assets	$	14,784,338	4,814,665	238,728	19,837,731

See accompanying notes to consolidated financial statements.

Schedule 2

THE UNIVERSITY OF CHICAGO

Consolidating Statement of Activities

Year ended June 30, 2023

(In thousands of dollars)

	University	Medical Center	MBL	Total	Eliminations	2023 Consolidated
Changes in net assets without donor restrictions:						
Operating:						
Revenue:						
Tuition and fees, net of student aid	$ 601,027	—	946	601,973	—	601,973
Government grants and contracts	521,718	—	18,072	539,790	—	539,790
Private gifts, grants, and contracts	284,375	13	6,841	291,229	—	291,229
Endowment payout	475,483	65,673	4,949	546,105	—	546,105
Net patient services	369,006	3,260,498	—	3,629,504	(132,141)	3,497,363
Auxiliaries	196,414	—	3,802	200,216	—	200,216
Other income	317,133	435,004	717	752,854	—	752,854
Net assets released from restrictions	136,279	7,641	4,514	148,434	—	148,434
Total operating revenue	2,901,435	3,768,829	39,841	6,710,105	(132,141)	6,577,964
Expenses:						
Compensation:						
Academic salaries	789,973	—	9,628	799,601	—	799,601
Staff salaries	842,810	1,379,551	11,138	2,233,499	—	2,233,499
Benefits	387,046	234,924	7,443	629,413	—	629,413
Total compensation	2,019,829	1,614,475	28,209	3,662,513	—	3,662,513
Other operating expenses:						
Utilities, alterations, and repairs	58,087	59,847	2,631	120,565	—	120,565
Depreciation	208,605	151,344	4,028	363,977	—	363,977
Interest	157,130	41,945	778	199,853	—	199,853
Supplies, services, and other	696,464	1,851,463	16,961	2,564,888	(132,141)	2,432,747
Total other operating expenses	1,120,286	2,104,599	24,398	3,249,283	(132,141)	3,117,142
Total operating expenses	3,140,115	3,719,074	52,607	6,911,796	(132,141)	6,779,655
Excess (deficiency) of operating revenue over expenses	$ (238,680)	49,755	(12,766)	(201,691)	—	(201,691)

Schedule 2

THE UNIVERSITY OF CHICAGO

Consolidating Statement of Activities

Year ended June 30, 2023

(In thousands of dollars)

		University	Medical Center	MBL	2023 Consolidated
Changes in net assets without donor restrictions:					
Nonoperating:					
Investment return (loss)	$	(68,940)	(30,214)	(200)	(99,354)
Net periodic benefit cost other than service cost		19,540	564	188	20,292
Other pension and postretirement benefit changes		52,439	(564)	376	52,251
Change in value of derivative instruments		36,862	25,929	995	63,786
Contribution of Advent Health joint venture net assets		—	302,379	—	302,379
Loss on debt refinancing		(724)	—	—	(724)
Other, net		(34,299)	1,365	16,878	(16,056)
Net assets released from restrictions		7,893	—	237	8,130
Nonoperating changes in net assets without donor restrictions		12,771	299,459	18,474	330,704
Increase (decrease) in net assets without donor restrictions controlled by the University		(225,909)	349,214	5,708	129,013
Less: Increase (decrease) in net assets without donor restrictions attributable to noncontrolling interest		—	(2,806)	—	(2,806)
Total increase (decrease) in net assets without donor restrictions		(225,909)	352,020	5,708	131,819
Changes in net assets with donor restrictions:					
Private gifts		345,767	13,950	3,997	363,714
Endowment payout		928	—	—	928
Investment return (loss)		(163,888)	(2,954)	(1,942)	(168,784)
Contribution of Advent Health joint venture net assets		—	8,713	—	8,713
Other, net		(883)	—	6	(877)
Net assets released from restrictions		(144,172)	(7,641)	(4,751)	(156,564)
Increase (decrease) in net assets with donor restrictions		37,752	12,068	(2,690)	47,130
Increase (decrease) in net assets		(188,157)	364,088	3,018	178,949
Net assets at beginning of year		8,740,096	2,224,660	200,142	11,164,898
Net assets at end of year	$	8,551,939	2,588,748	203,160	11,343,847

See accompanying notes to consolidated financial statements.

Schedule 3

THE UNIVERSITY OF CHICAGO

Consolidating Statement of Cash Flows

Year ended June 30, 2023

(In thousands of dollars)

	University	Medical Center	MBL	2023 Consolidated
Cash flows from operating activities:				
Increase (decrease) in net assets	$ (188,157)	364,088	3,018	178,949
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:				
Depreciation	208,605	151,344	4,028	363,977
Change in value of derivative instruments	(36,862)	(25,929)	(995)	(63,786)
Loss on disposal of land, buildings, equipment, and books	737	—	169	906
Net gain on investments	(180,376)	(18,832)	(2,174)	(201,382)
Loss on debt refinancing	724	—	—	724
Reduction (increase) in the carrying amount of the right-of-use assets – operating leases	(30,214)	5,894	—	(24,320)
Private gifts and grants restricted for long-term investment	(275,767)	(19,681)	(1,054)	(296,502)
Contributed securities	(70,000)	—	—	(70,000)
Contribution of AdventHealth joint venture net assets	—	(241,629)	—	(241,629)
Additional working capital from AdventHealth	—	(70,896)	—	(70,896)
Other nonoperating changes	175,238	7,641	(13,549)	169,330
Pension and postretirement benefit changes	(71,979)	—	(562)	(72,541)
Amortization of bond premium/discount/cost of issuance	(9,964)	(1,148)	8	(11,104)
Changes in operating assets and liabilities:				
Notes and accounts receivable	(17,224)	(54,349)	(1,755)	(73,328)
Prepaid expenses and other assets	(26,659)	(155,592)	1,432	(180,819)
Accounts payable and other liabilities	5,292	37,895	99	43,286
Lease liability	34,161	(6,216)	—	27,945
Self-insurance liability	(4,207)	19,430	—	15,223
Total adjustments	(298,495)	(372,068)	(14,353)	(684,916)
Net cash used in operating activities	(486,652)	(7,980)	(11,335)	(505,967)
Cash flows from investing activities:				
Purchase of investments	(2,087,776)	(291,943)	(4,428)	(2,384,147)
Investment in joint venture	—	(250,000)	—	(250,000)
Proceeds from sale of investments	2,240,974	357,544	10,515	2,609,033
Acquisition of land, buildings, equipment, and books	(199,779)	(155,751)	(7,432)	(362,962)
Net cash used in investing activities	(46,581)	(340,150)	(1,345)	(388,076)
Cash flows from financing activities:				
Proceeds from issuance of debt instruments	355,090	393,825	—	748,915
Principal payments on debt instruments	(218,270)	(29,350)	(980)	(248,600)
Proceeds from issuance of commercial paper and lines of credit	2,639,412	—	—	2,639,412
Payments on issuance of commercial paper and lines of credit	(2,320,199)	—	—	(2,320,199)
Prepayment to bond trustee	(355)	—	—	(355)
Payment of finance lease liability	(2,131)	(5,690)	—	(7,821)
Additional working capital from AdventHealth and acquired cash	—	98,585	—	98,585
Proceeds from private gifts and grants restricted for long-term investment	123,575	6,309	1,008	130,892
Other nonoperating changes	(42,844)	—	13,557	(29,287)
Net cash provided by financing activities	534,278	463,679	13,585	1,011,542
Increase in cash and cash equivalents	1,045	115,549	905	117,499
Cash and cash equivalents at:				
Beginning of year	50,049	60,997	2,603	113,649
End of year	$ 51,094	176,546	3,508	231,148
Supplemental disclosures of cash flow information:				
Cash paid for interest	$ 166,646	38,015	727	205,388
Change in construction payable	1,893	—	1,108	3,001
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 20,571	6,728	—	27,299
Operating cash flows from finance leases	1,155	—	—	1,155
Financing cash flows from finance leases	1,455	6,355	—	7,810
Right of use assets obtained in exchange for new lease obligations:				
Finance leases	$ 1,940	—	—	1,940
Operating leases	45,317	—	—	45,317
Contributed limited partnership stock	70,000	—	—	70,000

See accompanying notes to consolidated financial statements.