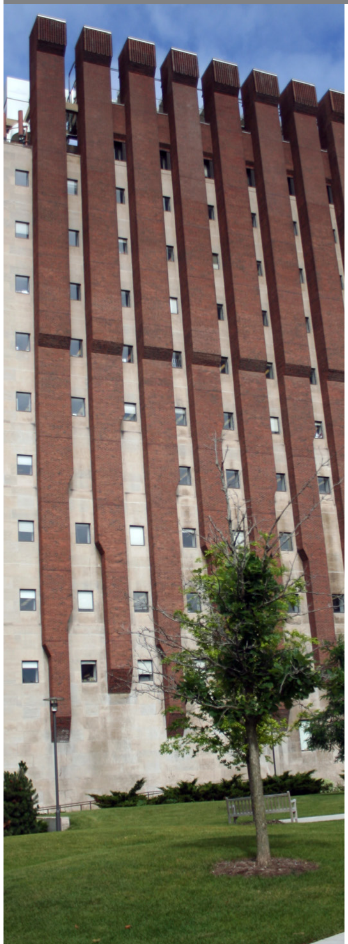
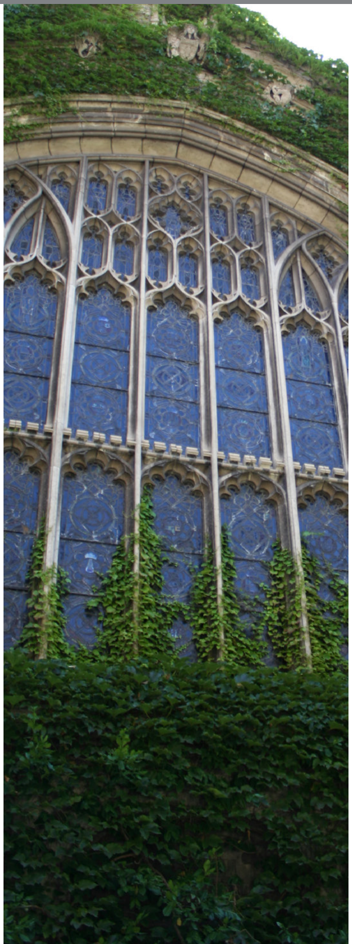
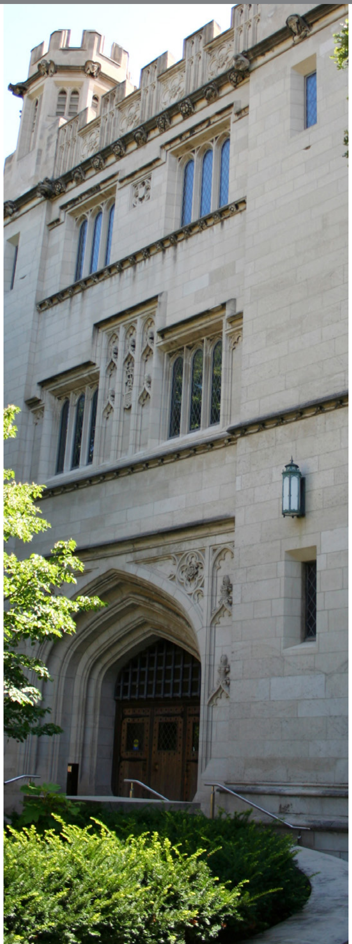



The University of Chicago

2021-2022

Financial Statements and Supplemental University Information


THE UNIVERSITY OF CHICAGO

Years ended June 30, 2022 and 2021

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

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, 2022 and 2021, 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, 2022 and 2021, 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 2, 2022

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2022 and 2021

(In thousands of dollars)

Assets		**2022**	**2021**
Cash and cash equivalents	$	113,649	381,941
Notes and accounts receivable, net		713,116	646,926
Prepaid expenses and other assets		484,466	396,643
Right-of-use assets – operating leases		199,180	205,444
Pledges receivable, net		1,310,173	1,329,486
Investments		11,308,967	12,741,704
Land, buildings, equipment, and books, net		4,681,571	4,754,371
Total assets	$	18,811,122	20,456,515
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	1,200,930	1,502,673
Deferred revenue		203,805	164,325
Assets held in custody for others		208,653	244,090
Self-insurance liability		341,790	313,801
Pension and other postretirement benefit obligations		130,906	188,862
Asset retirement obligation		50,999	51,825
Lease liability		274,967	280,935
Notes and bonds payable		5,220,909	5,308,389
Refundable U.S. government student loan funds		13,265	16,231
Total liabilities		7,646,224	8,071,131
Net assets:			
Without donor restrictions		3,362,554	3,856,778
With donor restrictions		7,802,344	8,528,606
Total net assets		11,164,898	12,385,384
Total liabilities and net assets	$	18,811,122	20,456,515

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
Changes in net assets without donor restrictions:			
Operating:			
Revenue:			
Tuition and fees, net of student aid	$	597,745	526,209
Government grants and contracts		520,785	445,904
Private gifts, grants, and contracts		270,299	260,803
Endowment payout		514,155	495,253
Patient service		2,770,241	2,537,904
Auxiliaries		184,733	135,143
Other income		645,262	643,340
Net assets released from restrictions		168,465	169,958
Total operating revenue		5,671,685	5,214,514
Expenses:			
Compensation:			
Academic salaries		751,850	713,448
Staff salaries		1,848,484	1,667,512
Benefits		638,997	480,777
Total compensation		3,239,331	2,861,737
Other operating expenses:			
Utilities, alterations, and repairs		101,195	93,293
Depreciation		343,813	347,593
Interest		187,838	202,470
Supplies, services, and other		1,797,532	1,636,409
Total other operating expenses		2,430,378	2,279,765
Total operating expenses		5,669,709	5,141,502
Excess of operating revenue over expenses	$	1,976	73,012

(Continued)

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
Changes in net assets without donor restrictions:			
Nonoperating:			
Investment return (loss)	$	(631,070)	933,421
Net periodic benefit cost other than service cost		4,919	(4,375)
Other pension and postretirement benefit changes		52,973	178,381
Changes in fair value of derivative instruments		147,536	124,740
Gain (loss) on debt refinancing		32,533	(22,386)
Other, net		(106,666)	46,054
Net assets released from restrictions		3,575	15,532
Nonoperating changes in net assets without donor restrictions		(496,200)	1,271,367
Increase (decrease) in net assets without donor restrictions		(494,224)	1,344,379
Changes in net assets with donor restrictions:			
Private gifts		354,074	369,940
Endowment payout		862	849
Investment return (loss)		(892,840)	1,616,616
Other, net		(16,318)	15,789
Net assets released from restrictions		(172,040)	(185,489)
Increase (decrease) in net assets with donor restrictions		(726,262)	1,817,705
Increase (decrease) in net assets		(1,220,486)	3,162,084
Net assets at beginning of year		12,385,384	9,223,300
Net assets at end of year	$	11,164,898	12,385,384

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
Cash flows from operating activities:			
Increase (decrease) in net assets	$	(1,220,486)	3,162,084
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation		343,813	347,593
Change in value of derivative instruments		(147,536)	(124,740)
Loss (gain) on disposal of land, buildings, equipment, and books		(23,138)	4,922
Net loss (gain) on investments		1,123,552	(2,966,536)
Loss (gain) on debt refinancing		(32,533)	22,386
Reduction in the carrying amount of the right-of-use assets – operating leases		6,264	9,937
Private gifts and grants restricted for long-term investment		(349,072)	(369,281)
Other nonoperating changes		191,777	185,619
Pension and postretirement benefit changes		(57,892)	(174,000)
Changes in operating assets and liabilities:			
Notes and accounts receivable		(64,794)	(97,440)
Prepaid expenses and other assets		(49,837)	(30,616)
Accounts payable and other liabilities		(183,649)	120,348
Lease liability		(1,103)	34,015
Self-insurance liability		27,989	41,212
Total adjustments		783,841	(2,996,581)
Net cash provided by (used in) operating activities		(436,645)	165,503
Cash flows from investing activities:			
Purchase of investments		(2,351,981)	(2,875,658)
Proceeds from sale of investments		2,667,047	2,317,644
Proceeds from sale of property		30,164	257
Acquisition of land, buildings, equipment, and books		(283,188)	(227,439)
Net cash provided by (used in) investing activities		62,042	(785,196)
Cash flows from financing activities:			
Proceeds from issuance of debt instruments		355,454	1,105,680
Principal payments on debt instruments		(406,786)	(984,749)
Payment of finance lease liability		(4,865)	(9,457)
Proceeds from private gifts and grants restricted for long-term investment		220,742	174,528
Other nonoperating changes		(58,234)	(7,352)
Net cash provided by financing activities		106,311	278,650
Decrease in cash and cash equivalents		(268,292)	(341,043)
Cash and cash equivalents at:			
Beginning of year		381,941	722,984
End of year	$	113,649	381,941
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	194,356	206,760
Change in construction payable		6,428	(8,090)
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases		35,729	28,850
Operating cash flows from finance leases		2,325	2,406
Financing cash flows from finance leases		4,865	9,457
Right of use assets obtained in exchange for new lease obligations:			
Finance leases		12,151	34,573
Operating leases		13,661	9,786

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 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.

(In thousands of dollars)

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:

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
University:						
Operating	$ (1,332,679)	59,588	(1,273,091)	(1,265,700)	68,073	(1,197,627)
Unamortized capital gifts for construction	145,191	8,538	153,729	153,143	1,642	154,785
Pledges receivable	—	1,296,341	1,296,341	—	1,316,881	1,316,881
Student loan funds	—	33,174	33,174	—	30,607	30,607
Endowment funds	2,369,589	6,103,298	8,472,887	2,709,296	6,775,158	9,484,454
Annuity and life income funds	—	57,056	57,056	—	76,322	76,322
Subtotal	1,182,101	7,557,995	8,740,096	1,596,739	8,268,683	9,865,422
Medical Center:						
Operating	846,479	25,090	871,569	830,620	22,837	853,457
Pledges receivable	—	8,147	8,147	—	7,997	7,997
Endowment funds	1,242,517	102,427	1,344,944	1,339,160	114,690	1,453,850
Subtotal	2,088,996	135,664	2,224,660	2,169,780	145,524	2,315,304
Marine Biological Laboratory:						
Operating	81,419	12,150	93,569	78,893	9,704	88,597
Pledges receivable	—	5,685	5,685	—	4,608	4,608
Annuity and life income funds	472	3,500	3,972	360	591	951
Endowment funds	9,566	87,350	96,916	11,006	99,496	110,502
Subtotal	91,457	108,685	200,142	90,259	114,399	204,658
Total	$ 3,362,554	7,802,344	11,164,898	3,856,778	8,528,606	12,385,384

(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 $3,621,672 and $4,059,462 as of June 30, 2022 and 2021, 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 $201,743 and $230,181 as of June 30, 2022 and 2021, 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 $10,686 in fiscal year 2022 and $11,469 in fiscal year 2021, is recorded as a reclassification between the non-operating 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:

	2022			2021		
	Tuition and fees	**Student aid**	**Net**	**Tuition and fees**	**Student aid**	**Net**
University:						
Precollegiate	$ 80,755	(4,899)	75,856	74,185	(4,549)	69,636
College	440,043	(178,733)	261,310	396,809	(168,379)	228,430
Graduate and professional schools	625,098	(389,425)	235,673	577,958	(373,160)	204,798
Continuing professional education and other	25,658	(1,891)	23,767	25,564	(2,337)	23,227
	1,171,554	(574,948)	596,606	1,074,516	(548,425)	526,091
Marine Biological Laboratory	2,518	(1,379)	1,139	404	(286)	118
Total	$ 1,174,072	(576,327)	597,745	1,074,920	(548,711)	526,209

(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, 2022 and 2021 are $99,341 and $69,649, 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, 2022 approximates the annual revenue reported on the consolidated statement of activities.

Private gifts, grants, and contracts operating revenue for fiscal years 2022 and 2021 consist of the following:

		2022				
		University	Medical Center	MBL	Consolidated	2021 Consolidated
Private gifts:						
Unrestricted as to use	$	27,128	95	1,433	28,656	47,655
Restricted gifts whose restrictions were met during the fiscal year and reported as operating revenue		116,201	—	—	116,201	99,800
Private grants and contracts		121,006	—	4,436	125,442	113,348
Total	$	264,335	95	5,869	270,299	260,803

(g) Nonfinancial Gifts

The University recognized a total of $3,061 in fiscal year 2022 and $7,637 in fiscal year 2021 in nonfinancial gifts including books and real estate. This revenue is presented within the changes in net assets with donor restrictions private gifts, grants, and contracts line in the consolidated statements of activities. Nonfinancial gifts are valued at their estimated fair value except for real estate that is valued based on actual cash proceeds when sold.

(h) Patient Service

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:

	2022				
	University	Medical Center	Elimination	Consolidated	2021 Consolidated
Medicare	$ 92,862	723,757	(36,696)	779,923	725,419
Medicaid	63,311	650,874	(33,001)	681,184	610,415
Managed care	165,133	1,164,292	(59,033)	1,270,392	1,161,788
Patients and other	29,663	9,564	(485)	38,742	40,282
Net patient service revenue after provision for doubtful accounts	$ 350,969	2,548,487	(129,215)	2,770,241	2,537,904

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 2022 and 2021, the amount of interest capitalized amounted to $89 and $274 for the University and $658 and $751 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. Investments in cryptocurrency are reported at fair market value and are classified as 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, 2022 and 2021, 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.

A summary of the inputs used in valuing the University's investments as of June 30, 2022 and 2021 is included in note 5.

(iii) 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.

(iv) 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.

(v) 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, 2022 and 2021, the University had liabilities of $48,641 and $52,450 associated with its charitable remainder trust and gift annuity contracts and deferred revenue of $4,535 and $5,713 associated with its pooled income agreements, respectively. In subsequent periods, the discount rate is unchanged.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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 2022 and 2021, 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, 2022 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) COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. In response to the pandemic, various policies were implemented by federal, state and local governments, including the suspension of elective surgical procedures performed by health care facilities. As a result, patient volumes and the related revenues for most of the University's patient services were significantly impacted during fiscal year 2021.

During fiscal years 2022 and 2021, the University received $14,348 and $15,684 and the Medical Center received $4,740 and $11,136, respectively, in general and targeted Provider Relief Fund distributions, as provided for under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Generally, provider relief distributions are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. As such, these payments are recognized as operating revenue once there is reasonable assurance that the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results for the year ended June 30, 2022, the University and the Medical Center have recognized revenue of $14,348 as government grants and contracts and $5,386 as other income, respectively, in the operating section of the change in net assets without donor restrictions in the consolidated statements of activities. For the year ended June 30, 2021, the University and Medical Center have recognized revenue of $12,695 as government grants and contracts and $64,792 as other income, respectively, in the operating section of the change in net assets without donor restrictions in the consolidated statements of activities as of June 30, 2022 and 2021, the Medical Center has received $311 and $949 of provider relief distributions which have been classified as deferred revenue in the consolidated balance sheets. This funding is expected to be recognized as operating revenue in fiscal year 2023.

In addition, during the fourth quarter of fiscal year 2020, the University and Medical Center received $8,052 and $214,500, respectively, of accelerated Medicare payments under the Medicare Advanced Payment Program (APP). After 120 days of receipt, claims for services provided to Medicare beneficiaries will be applied against the advance payment balance. Any unapplied advance payment amounts must be paid in full within one year from receipt of the advance payments for acute care hospitals. As of June 30, 2022, the Medical Center has a remaining APP balance of $36,248, which is reported as accounts payable and accrued liabilities in the consolidated balance sheets. The University has no remaining APP balance. On September 30, 2020, federal legislation extended the terms of APP payments such that any claims for services provided to Medicare beneficiaries will be applied against the advance payment balance beginning 365 days after receipt.

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2022 and the remaining half until December 2023. As a result, the University and the Medical Center have chosen to defer the employer portion of payroll taxes. At June 30, 2022 and 2021, the University had a liability of $19,879 and $39,789 and the Medical Center had a liability of $18,645 and $36,800, respectively, associated with this payroll tax deferral. MBL did not defer the employer portion of payroll taxes. Additionally, the CARES Act provides for a payroll tax credit designed to encourage retention of employees during the pandemic. The University and Medical Center are evaluating their eligibility and related data for consideration of the employee retention credit.

(p) Recent Accounting Pronouncements

(i) In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update *(ASU) No. 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20) Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.* This update modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The University adopted the guidance on July 1, 2021 on a retrospective basis. The guidance did not have a material impact on the consolidated financial statements.

(ii) In August 2018, the FASB issued *ASU No. 2018-15, Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This update provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract and requires for certain types of implementation costs to be capitalized and amortized over the term of the hosting arrangement. The University adopted the guidance on July 1, 2021 on a prospective basis. As of June 30, 2022, the University recognized a total of $9,610 in implementation costs of cloud computing arrangements as prepaid expenses and other assets in the consolidated balance sheets.

(iii) In March 2020, with amendments in 2021, the FASB issued *ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* This guidance provides optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate (LIBOR) or by another reference rate expected to be discontinued, subject to meeting certain criteria. The guidance is effective as of March 12, 2020 through

December 31, 2022. During fiscal year 2022, the University made a policy election to adopt the practical expedient across all contracts to consider a modification of a reference rate with another interest rate index to be an event that does not require contract remeasurement of reassessment of a previous accounting determination. The guidance did not have a material impact on the consolidated financial statements.

(iv) In September 2020, the FASB issued *ASU No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This update requires presentation of contributed nonfinancial assets in the consolidated statements of activities. The University adopted the guidance effective July 1, 2021 on a retrospective basis. The guidance did not have a material impact on the consolidated financial statements. Note *(1)(g) Nonfinancial Gifts* provides additional information regarding the recognition of nonfinancial gifts.

(q) Subsequent Events

The University has performed an evaluation of subsequent events through November 2, 2022 which is the date the consolidated financial statements were issued.

In September 2022, the University issued $155,950 in taxable variable rate bonds. Proceeds were used to refund fixed rate bonds.

On September 13, 2022, UCMC and AdventHealth entered into a definitive agreement to enter into an affiliation under which UCMC will acquire a controlling interest in AdventHealth's Greta Lakes Region – which includes its four Illinois hospitals in Bolingbrook, Glendale Heights, Hinsdale and LaGrange, Illinois along with ambulatory and related assets and an associated medical group (Advent Midwest Health) – with AdventHealth retaining the remaining interest and continuing to manage daily operations of the facilities with shared governance and certain reserve powers for UCMC. UCMC and AdventHealth will each retain their current system-level governance and administrative structures, and UCMC anticipates consolidating the financials of Advent Midwest Health into UCMC financial reporting. The affiliation is expected to close in early 2023, subject to regulatory approvals.

(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.

(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 $492,283 and $483,636 for the years ended June 30, 2022 and 2021, 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 $67,513 in fiscal year 2022 and $68,521 in fiscal year 2021 have been recorded as operating revenue and (2) transfers to the University of $71,750 in fiscal years 2021 and 2022 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, 2022 and 2021, 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:

	2022				2021
	University	Medical Center	MBL	Consolidated	Consolidated
Financial assets:					
Cash and cash equivalents	$ 50,049	60,997	2,603	113,649	381,551
Notes and accounts receivable, net	161,220	471,321	6,774	639,315	576,283
Pledge payments available for operations	124,985	3,543	2,282	130,810	141,915
Short-term investments	256,365	67,796	18,372	342,533	521,463
Board designations:					
Funds functioning as endowment available for operations	201,743	—	—	201,743	230,181
Subsequent year's endowment payout	449,167	68,249	4,933	522,349	487,026
Total financial assets available within one year	1,243,529	671,906	34,964	1,950,399	2,338,419
Liquidity resources:					
Taxable commercial paper	118,000	—	—	118,000	150,000
Bank lines of credit	400,000	100,000	—	500,000	500,000
Total financial assets and liquidity resources available within one year	$ 1,761,529	771,906	34,964	2,568,399	2,988,419

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, 2022, there were no outstanding amounts under these lines of credit facilities.

In addition, as of June 30, 2022 the University, Medical Center, and MBL had an additional $2,167,846, $1,242,517, and $9,566 in funds functioning as endowment, respectively, which is available for general expenditure with Board approval.

(In thousands of dollars)

(5) Investments

Investments at June 30, 2022 and 2021 are comprised of the following:

		2022 Consolidated	2021 Consolidated
Cash equivalents	$	224,333	457,821
Global public equities (primarily international)		3,110,822	4,099,956
Private debt		423,382	462,894
Private equity		2,796,536	2,944,351
Real estate		592,256	571,748
Natural resources		586,254	529,338
Absolute return		2,421,283	2,628,163
Fixed income		1,070,138	961,323
Funds in trust		83,963	86,110
Total	$	11,308,967	12,741,704

(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, 2022 and 2021. 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.

(Continued)

(In thousands of dollars)

(c) *Fair Value Hierarchy of Investments*

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
Absolute return – Cryptocurrency	45,451	—	45,451
Fixed income	1,067,194	—	1,067,194
Funds in trust	44,860	39,103	83,963
	$ 2,086,434	60,829	2,147,263
Investments measured at net asset value			9,161,704
Total investments at fair value as of June 30, 2022			$ 11,308,967

Following is the fair value hierarchy of investments as of June 30, 2021:

	Level 1	Level 2	2021 Consolidated total
Cash equivalents	$ 457,821	—	457,821
Global public equities (primarily international)	980,683	21,539	1,002,222
Real estate	131,547	—	131,547
Absolute return – Cryptocurrency	64,474	—	64,474
Fixed income	961,323	—	961,323
Funds in trust	59,781	12,671	72,452
	$ 2,655,629	34,210	2,689,839
Investments measured at net asset value			10,051,865
Total investments at fair value as of June 30, 2021			$ 12,741,704

(In thousands of dollars)

A summary of investment return by entity, net of expenses, is presented below for the years ended June 30, 2022 and 2021:

	2022				2021
	University	Medical Center	MBL	Consolidated	Consolidated
Investment return:					
Interest and dividends	$ 96,325	17,317	1,017	114,659	79,603
Net realized and unrealized gains (losses)	(923,924)	(188,611)	(11,017)	(1,123,552)	2,966,536
Investment return (loss)	$ (827,599)	(171,294)	(10,000)	(1,008,893)	3,046,139

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, 2022, the University had unfunded commitments of $2,018,355, which are likely to be called through 2034. Details of these commitments are as follows:

	Unfunded commitments
Private equity	$ 1,134,525
Real estate	316,830
Natural resources	200,793
Absolute return	46,488
Private debt	319,719
Total	$ 2,018,355

(In thousands of dollars)

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:

	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions or side pockets at June 30, 2022
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 3 remaining years, some investments have a portion of capital held in side pockets with no redemptions permitted	$184.0 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	$247.1 million
Separate accounts	N/A	Daily with notice periods of 1 to 90 days	Some investments have a portion of capital held in side pockets with no redemptions permitted	$0.6 million
Private debt: Drawdown partnerships	1 to 12 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 of 5 days	None	None
Partnerships	N/A	Semi-annual to annual with notice period of 90 days	Lock-up provisions for up to 3 remaining years, some investments have a portion of capital held in side pockets with no redemptions permitted	$180.5 million
Direct investments	N/A	Redemptions permitted	N/A	$52.5 million
Real estate: Drawdown partnerships	1 to 15 years	Redemptions not permitted	N/A	N/A
Separate account	N/A	Daily with notice period of 5 days	None	None

(In thousands of dollars)

	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions or side pockets at June 30, 2022
Natural resources: Drawdown partnerships	1 to 14 years	Redemptions not permitted	N/A	N/A
Absolute return: Commingled funds	N/A	Daily to triennial with notice periods of 4 to 90 days	Lock-up provisions for up to 1 remaining year, some investments have a portion of capital held in side pockets with no redemptions permitted	$62.4 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	Lock-up provisions for up to 1 remaining year, some investments have a portion of capital held in side pockets with no redemptions permitted	$165.4 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 five 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.

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, 2022, 98%, 80%, and 100% of the University, Medical Center, and MBL endowments respectively, are invested in TRIP.

(Continued)

(In thousands of dollars)

(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, 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

(Continued)

(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, 2021:

		2021		
		Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:				
Investment return:				
Endowment yield (interest and dividends)	$	18,466	49,317	67,783
Net appreciation (realized and unrealized) on investments		741,158	1,796,321	2,537,479
Total investment return		759,624	1,845,638	2,605,262
Endowment payout		(147,534)	(281,885)	(429,419)
Investment return, net of payout		612,090	1,563,753	2,175,843
Other changes in endowment investments:				
Gifts and pledge payments received in cash		—	144,611	144,611
Transfers to create funds functioning as endowment		21,032	—	21,032
Other changes		12,986	13,712	26,698
Total other changes in endowment investments		34,018	158,323	192,341
Net change in endowment investments		646,108	1,722,076	2,368,184
Endowment investments at:				
Beginning of year		2,063,188	5,053,082	7,116,270
End of year	$	2,709,296	6,775,158	9,484,454
Investments by type of fund:				
Donor-restricted “true” endowment:				
Historical gift value	$	—	2,461,541	2,461,541
Appreciation		—	4,313,617	4,313,617
Board-designated “funds functioning as endowment”		2,709,296	—	2,709,296
Total – as above	$	2,709,296	6,775,158	9,484,454

(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, 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

(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, 2021:

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 9,246	679	9,925
Net appreciation (realized and unrealized) on investments	309,193	29,110	338,303
Total investment return	318,439	29,789	348,228
Endowment payout	(53,673)	(8,416)	(62,089)
Investment return, net of payout	264,766	21,373	286,139
Other changes in endowment investments:			
Gifts and pledge payments received in cash	157,589	18	157,607
Other changes	5,163	—	5,163
Total other changes in endowment investments	162,752	18	162,770
Net change in endowment investments	427,518	21,391	448,909
Endowment investments at:			
Beginning of year	911,642	93,299	1,004,941
End of year	$ 1,339,160	114,690	1,453,850
Investments by type of fund:			
Donor-restricted “true” endowment:			
Historical gift value	$ —	18,930	18,930
Appreciation	—	95,760	95,760
Board-designated “funds functioning as endowment”	1,339,160	—	1,339,160
Total – as above	$ 1,339,160	114,690	1,453,850

(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, 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

(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, 2021:

		2021		
		Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:				
Investment return:				
Endowment yield (interest and dividends)	$	72	641	713
Net appreciation (realized and unrealized) on investments		2,950	26,512	29,462
Total investment return		3,022	27,153	30,175
Endowment payout		(484)	(4,110)	(4,594)
Investment return, net of payout		2,538	23,043	25,581
Other changes in endowment investments:				
Gifts and pledge payments received in cash		—	1,243	1,243
Other changes		—	428	428
Total other changes in endowment investments		—	1,671	1,671
Net change in endowment investments		2,538	24,714	27,252
Endowment investments at:				
Beginning of year		8,468	74,782	83,250
End of year	$	11,006	99,496	110,502
Investments by type of fund:				
Donor-restricted “true” endowment:				
Historical gift value	$	—	59,685	59,685
Appreciation		—	39,811	39,811
Board-designated “funds functioning as endowment”		11,006	—	11,006
Total – as above	$	11,006	99,496	110,502

(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, 2022 and 2021, funds with an original gift value of $149,703 and $8,096 were “underwater” by $9,402 and $374, 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, 2022 and 2021. 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:

	2022				2021
	University	Medical Center	MBL	Consolidated	Consolidated
TRIP formula payout	$ 400,105	55,377	4,679	460,161	443,210
Payout from separately invested endowment	9,666	6,436	—	16,102	19,589
Special payouts:					
Alumni relations and development	26,641	—	—	26,641	25,617
Strategic initiatives	12,113	—	—	12,113	7,686
Total	$ 448,525	61,813	4,679	515,017	496,102

(7) Notes and Accounts Receivable

Components of notes and accounts receivable at June 30, 2022 and 2021 are shown as follows:

	2022			2021
	Receivable	Allowance for doubtful accounts	Net receivable	Net receivable
University:				
Patients	$ 19,702	(1,351)	18,351	14,474
Students:				
Loans	28,090	(1,500)	26,590	26,797
Tuition and fees	9,612	(2,580)	7,032	4,005
U.S. government	88,598	—	88,598	79,605
All other	99,873	(7,264)	92,609	80,545
Total University	245,875	(12,695)	233,180	205,426
Medical Center – patients	756,071	(284,750)	471,321	437,141
MBL	8,650	(35)	8,615	4,359
Total	$ 1,010,596	(297,480)	713,116	646,926

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.

(Continued)

(In thousands of dollars)

(8) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2022 and 2021 are shown as follows:

	2022				2021
	University	Medical Center	MBL	Consolidated	Consolidated
Land	$ 134,856	60,748	52,931	248,535	228,989
Buildings	4,738,075	1,964,500	109,656	6,812,231	6,759,249
Equipment	619,036	810,242	36,692	1,465,970	1,404,247
Books	461,753	—	—	461,753	444,417
Construction in progress	76,818	97,878	1,044	175,740	78,360
Subtotal	6,030,538	2,933,368	200,323	9,164,229	8,915,262
Less accumulated depreciation	(2,954,410)	(1,428,943)	(99,305)	(4,482,658)	(4,166,201)
Subtotal	3,076,128	1,504,425	101,018	4,681,571	4,749,061
Building held for sale	—	—	—	—	5,310
Total	$ 3,076,128	1,504,425	101,018	4,681,571	4,754,371

(9) Leases

The right-of-use asset and corresponding liability associated with future lease payments at June 30, 2022 and 2021 are shown below:

	2022			2021
	University	Medical Center	Consolidated	Consolidated
Operating lease:				
Right-of-use assets	$ 139,130	60,050	199,180	205,444
Finance lease:				
Included in land, buildings, equipment, and books, net	30,726	37,163	67,889	61,731
Total	$ 169,856	97,213	267,069	267,175
Operating lease liability	$ 146,878	60,050	206,928	218,520
Finance lease liability	29,627	38,412	68,039	62,415
Total	$ 176,505	98,462	274,967	280,935

(In thousands of dollars)

Other information related to leases as of June 30, 2022 and 2021 was as follows:

	2022		2021	
	University	Medical Center	University	Medical Center
Weighted average remaining lease term (years):				
Operating leases	10.2	13.3	11.1	12.7
Finance leases	61.1	10.1	61.5	13.4
Weighted average discount rate:				
Operating leases	4.0 %	2.2 %	4.0 %	2.2 %
Finance leases	4.0	5.6	4.0	3.5

(a) Lease Cost

Lease cost reported in supplies, services and other in the consolidated statements of activities amounted to $51,863 in fiscal 2022 as follows:

	2022			2021
	University	Medical Center	Consolidated	Consolidated
Finance:				
Amortization of right-of-use assets	$ 830	6,138	6,968	6,617
Interest on lease liability	1,210	1,115	2,325	2,406
Operating	21,540	14,477	36,017	32,818
Variable	5,478	2,257	7,735	5,984
Less sublease income	(430)	(752)	(1,182)	(982)
Total	$ 28,628	23,235	51,863	46,843

(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		
Fiscal year	**Operating**	**Finance**	**Total**	**Operating**	**Finance**	**Total**	**Consolidated**
2023	$ 21,407	2,612	24,019	7,080	6,813	13,893	37,912
2024	21,076	2,586	23,662	5,706	6,801	12,507	36,169
2025	19,376	2,502	21,878	5,356	5,411	10,767	32,645
2026	17,004	2,235	19,239	5,287	5,241	10,528	29,767
2027–2035	106,488	31,421	137,909	45,559	23,614	69,173	207,082
	185,351	41,356	226,707	68,988	47,880	116,868	343,575
Less present value discount	(38,473)	(11,729)	(50,202)	(8,938)	(9,468)	(18,406)	(68,608)
Lease liability	$ 146,878	29,627	176,505	60,050	38,412	98,462	274,967

MBL does not have any lease activity as of and for the years ended June 30, 2022 and 2021.

(In thousands of dollars)

(10) Notes and Bonds Payable

Notes and bonds payable at June 30, 2022 and 2021 are shown as follows:

	Fiscal year maturity	Interest rate		2022	2021
University:					
Fixed rate:					
Illinois Finance Authority (IFA)	2039–2054	3.2–5.0%	$	1,438,107	1,523,556
Taxable bonds and loans	2031–2054	2.5–5.2		2,516,749	2,524,227
Unamortized premium net of issuance costs				147,696	132,940
Total fixed rate				4,102,552	4,180,723
Variable rate:					
Illinois Educational Facilities Authority (IEFA)	2026–2037	0.5–1.9		27,904	29,673
IFA	2035	0.7		60,087	63,553
Taxable commercial paper ($200,000 available)	-	0.4		82,000	50,000
Bank lines of credit ($400,000 available)	-	—		—	—
Total variable rate				169,991	143,226
Total University				4,272,543	4,323,949
Medical Center:					
Fixed rate:					
IFA	2026–2045	2.5–5.0	$	675,320	691,770
Taxable bonds and loans	2042–2047	2.7–4.4		87,565	90,645
New market tax credit bonds (NMTC)	2024–2047	1.0–1.8		32,476	41,902
Unamortized premium and issuance costs				9,313	10,324
Total fixed rate				804,674	834,641
Variable rate:					
IFA	2050	3		65,480	66,963
IEFA	2038	1		55,341	59,028
Bank lines of credit ($100,000 available)	2023	—		—	—
Total variable rate				120,821	125,991
Total Medical Center				925,495	960,632
MBL:					
Fixed rate:					
Massachusetts Development Finance Authority	2036	1		22,985	23,930
Unamortized issuance cost				(114)	(122)
Total MBL				22,871	23,808
Total notes and bonds payable			$	5,220,909	5,308,389

(In thousands of dollars)

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. As of June 30, 2021, 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 $163,976, $325,000, and $23,808, respectively.

(a) Fiscal 2022 Transactions

During fiscal year 2022, the University issued $219,240 of fixed rate taxable bonds, proceeds from which were used to advance refund $273,680 of IFA fixed rate bonds.

(b) Interest Rate Swaps

On June 30, 2022 and 2021, 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 $109,799 and $203,189, respectively.

		2022	2021
University	$	24,460	51,645
Medical Center		83,440	147,362
MBL		1,899	4,182
Total	$	109,799	203,189

Additionally, the University maintains two off market rate swap agreements and three swaptions that are recorded in prepaid expenses and other assets. As of June 30, 2022 and 2021, the fair market value of these instruments was $65,776 and $11,629, 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.

The Medical Center is required to provide collateral on interest rate swap agreements when the liability of the swap with JP Morgan exceeds $40,000 and when the liability of the Wells Fargo swap exceeds $60,000. If the Medical Center’s credit rating were to be downgraded one level, collateral would need to be provided under the swap with JP Morgan and Wells Fargo when the liability of that swap exceeds $20,000 and with Mizuho when the liability of those swaps each exceed $30,000. Upon further downgrade, the collateral requirements increase. As a result, no collateral was held at June 30, 2022 and $6,120 was held as collateral at June 30, 2021.

(In thousands of dollars)

(c) Debt Payments

Principal payments required in each of the five years ending June 30, 2023 through 2027 for the University notes and bonds are $65,150, $72,596, $87,004, $82,030 and $95,049, respectively.

Principal payments required in each of the five years ending June 30, 2023 through 2027 for the Medical Center notes and bonds are $22,313, $171,726, $127,532, $155,827, and $27,248, respectively.

Principal payments required in each of the five years ending June 30, 2023 through 2027 for MBL's notes and bonds are $980, $1,020, $1,060, $1,105 and $1,145, respectively.

(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 $330,213, $445,821, and $22,985, 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 $150,000, $380,341 and $23,199, respectively, which support variable rate debt in the event of a failed remarketing.

(11) Pledges

Pledges receivable at June 30, 2022 and 2021 are shown as follows:

	2022				
	University	Medical Center	MBL	Consolidated	2021 Consolidated
Unconditional promises expected to be collected in:					
Less than one year	$ 248,038	3,543	2,807	254,388	280,471
One year to five years	612,306	5,124	3,500	620,930	619,447
More than five years	1,293,544	—	—	1,293,544	1,369,393
	2,153,888	8,667	6,307	2,168,862	2,269,311
Less:					
Valuation allowance	(857,547)	(520)	(622)	(858,689)	(939,825)
Total	$ 1,296,341	8,147	5,685	1,310,173	1,329,486

The University’s five largest pledges comprise approximately 96% percent of pledges receivable at June 30, 2022. Included in this amount is a pledge receivable from a single donor, net of current year pledge payments and amortization of the discount, of $848 million and $846 million at June 30, 2022 and June 30, 2021, 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.

In addition, at June 30, 2022, the University has received $86,755 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.

(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, 2022 and was $10,000 per claim and unlimited in the aggregate for the fiscal year ended June 30, 2021. Claims in excess of $10,000 are subject to an additional self-insurance retention limited to $7,500 per claim and $15,000 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 $39,407 higher than the amount recorded in the consolidated financial statements at June 30, 2022. The interest rate assumed in determining the present value was 4.50%. The University recorded nonoperating actuarial adjustments of ($86,433) and $64,901 during the years ended June 30, 2022 and 2021, respectively, which are included in the without donor restrictions section of the accompanying consolidated statements of activities.

(In thousands of dollars)

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, 2022 and 2021 is presented as follows:

		2022			
		University	**Medical Center**	**Consolidated**	**2021 Consolidated**
Medical malpractice	$	239,308	81,094	320,402	291,829
Workers' compensation		4,725	8,124	12,849	14,719
Others		8,539	—	8,539	7,253
Total	$	252,572	89,218	341,790	313,801

(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.

(In thousands of dollars)

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	
	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 1,006,857	1,057,892	165,353	171,542
Service cost	1,774	1,834	7,855	7,314
Interest cost	30,987	29,530	5,000	4,793
Benefits paid	(54,857)	(62,694)	(4,597)	(6,022)
Plan amendment	—	—	3,005	—
Special termination benefits	—	—	2,711	
Actuarial gain, net	(217,621)	(19,705)	(42,940)	(12,274)
Benefit obligation at end of year	767,140	1,006,857	136,387	165,353

	Defined benefit pension plans		Other postretirement benefit plans	
	2022	2021	2022	2021
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	$ 871,372	786,782	111,976	93,540
Actual return on plan assets	(154,702)	141,892	(13,168)	18,436
Employer contributions	12,000	5,392	4,597	6,022
Benefits paid	(54,857)	(62,694)	(4,597)	(6,022)
Fair value of plan assets at end of year	673,813	871,372	98,808	111,976
Funded status – liability	$ 93,327	135,485	37,579	53,377

The accumulated benefit obligation for the defined benefit pension plans was $763,555 and $1,001,077 at June 30, 2022 and 2021, respectively.

(In thousands of dollars)

(c) Components of Net Periodic Benefit Cost

		Defined benefit pension plans		Other postretirement benefit plans	
		2022	2021	2022	2021
Operating – service cost	$	1,774	1,834	7,858	7,320
Nonoperating:					
Interest cost		30,987	29,530	5,027	4,819
Expected return on plan assets		(42,940)	(43,366)	(6,746)	(6,065)
Amortization of prior service benefit		—	17	(21,350)	(21,394)
Amortization of actuarial loss		20,464	31,028	1,160	2,133
Special termination benefits		—	—	2,711	—
Settlements		5,768	7,673	—	—
Total nonoperating		14,279	24,882	(19,198)	(20,507)
Net periodic benefit cost	$	16,053	26,716	(11,340)	(13,187)
Amounts included in the consolidated statements of activities:					
University	$	8,691	14,492	(10,756)	(12,903)
Medical Center		7,362	12,224	—	—
MBL			—	(584)	(284)
Total	$	16,053	26,716	(11,340)	(13,187)

(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	
	2022	2021	2022	2021
Discount rate	5.0 %	3.2 %	4.9 %	3.1 %
Expected return on plan assets	5.8	6.0	5.8	6.0
Rate of compensation increase	3.5	3.5	3.6	3.7
Healthcare cost trend rates:				
Next two fiscal years				7.8–8.4%
Next seven fiscal years				5.5–7.3%
Thereafter				4.5–5.4%

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

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

	Defined benefit pension plans		Other postretirement benefit plans	
	2022	2021	2022	2021
Domestic public equities	29 %	26 %	49 %	50 %
International public equities	20	21	—	—
Fixed income	51	53	51	50
	100 %	100 %	100 %	100 %

As of June 30, 2022, 78% 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 22% 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 50% public equities and 50% 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, 2022.

(f) Contributions

The University, combined with the Medical Center, expects to contribute approximately $12,000 to the defined benefit pension plans in fiscal year 2023.

(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
2023	$ 75,297	9,913
2024	50,528	7,851
2025	50,608	8,305
2026	49,817	9,173
2027	50,486	9,506
2028–2032	254,148	52,381

(In thousands of dollars)

(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 $126,283 in fiscal year 2022 and $14,518 in fiscal year 2021 for the University and $41,200 in fiscal year 2022 and $13,200 in fiscal year 2021 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.

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 cost other than service cost				(4,919)
Total				$ 5,664,790

(In thousands of dollars)

Expenses by functional classification for the year ended June 30, 2021 consist of the following:

	2021			
	Academic and research	Healthcare service	Administrative support	Total
Operating expenses:				
Compensation	$ 1,519,254	1,017,375	325,108	2,861,737
Utilities, alterations, and repairs	40,318	38,395	14,580	93,293
Depreciation	186,867	131,844	28,882	347,593
Interest	112,516	36,242	53,712	202,470
Supplies, services, and other	373,333	1,099,069	164,007	1,636,409
Operating expenses	$ 2,232,288	2,322,925	586,289	5,141,502
Nonoperating net periodic benefit cost other than service cost				4,375
Total				$ 5,145,877

(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, 2021 and 2020 was $291,574 and $267,541, respectively. Net assets at December 31, 2021 and 2020 were $85,006 and $75,620, 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 $1,107,616 for ANL and $600,220 for Fermilab in fiscal year 2022, and $1,025,419 for ANL and $573,211 for Fermilab in fiscal year 2021 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, 2022

(In thousands of dollars)

Assets		**University**	**Medical Center**	**MBL**	**2022 Consolidated**
Cash and cash equivalents	$	50,049	60,997	2,603	113,649
Notes and accounts receivable, net		233,180	471,321	8,615	713,116
Prepaid expenses and other assets		256,114	224,015	4,337	484,466
Right-of-use assets – operating leases		139,130	60,050	—	199,180
Pledges receivable, net		1,296,341	8,147	5,685	1,310,173
Investments		9,521,834	1,671,813	115,320	11,308,967
Land, buildings, equipment, and books, net		3,076,128	1,504,425	101,018	4,681,571
Total assets	$	14,572,776	4,000,768	237,578	18,811,122
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued liabilities	$	543,217	651,368	6,345	1,200,930
Deferred revenue		195,585	—	8,220	203,805
Assets held in custody for others		208,653	—	—	208,653
Self-insurance liability		252,572	89,218	—	341,790
Pension and other postretirement benefit obligations		130,906	—	—	130,906
Asset retirement obligation		39,434	11,565	—	50,999
Lease liability		176,505	98,462	—	274,967
Notes and bonds payable		4,272,543	925,495	22,871	5,220,909
Refundable U.S. government student loan funds		13,265	—	—	13,265
Total liabilities		5,832,680	1,776,108	37,436	7,646,224
Net assets:					
Without donor restrictions		1,182,101	2,088,996	91,457	3,362,554
With donor restrictions		7,557,995	135,664	108,685	7,802,344
Total net assets		8,740,096	2,224,660	200,142	11,164,898
Total liabilities and net assets	$	14,572,776	4,000,768	237,578	18,811,122

See accompanying notes to consolidated financial statements.

Schedule 2

THE UNIVERSITY OF CHICAGO

Consolidating Statement of Activities

Year ended June 30, 2022

(In thousands of dollars)

	University	Medical Center	MBL	Total	Eliminations	2022 Consolidated
Changes in net assets without donor restrictions:						
Operating:						
Revenue:						
Tuition and fees, net of student aid	$ 596,606	—	1,139	597,745	—	597,745
Government grants and contracts	504,490	—	16,295	520,785	—	520,785
Private gifts, grants, and contracts	264,335	95	5,869	270,299	—	270,299
Endowment payout	447,663	61,813	4,679	514,155	—	514,155
Patient service	350,969	2,548,487	—	2,899,456	(129,215)	2,770,241
Auxiliaries	181,637	—	3,096	184,733	—	184,733
Other income	283,463	361,360	439	645,262	—	645,262
Net assets released from restrictions	155,299	9,456	3,710	168,465	—	168,465
Total operating revenue	2,784,462	2,981,211	35,227	5,800,900	(129,215)	5,671,685
Expenses:						
Compensation:						
Academic salaries	743,293	—	8,557	751,850	—	751,850
Staff salaries	772,068	1,065,921	10,495	1,848,484	—	1,848,484
Benefits	403,178	228,842	6,977	638,997	—	638,997
Total compensation	1,918,539	1,294,763	26,029	3,239,331	—	3,239,331
Other operating expenses:						
Utilities, alterations, and repairs	54,811	43,942	2,442	101,195	—	101,195
Depreciation	206,211	133,271	4,331	343,813	—	343,813
Interest	150,147	36,904	787	187,838	—	187,838
Supplies, services, and other	518,383	1,394,287	14,077	1,926,747	(129,215)	1,797,532
Total other operating expenses	929,552	1,608,404	21,637	2,559,593	(129,215)	2,430,378
Total operating expenses	2,848,091	2,903,167	47,666	5,798,924	(129,215)	5,669,709
Excess (deficiency) of operating revenue over expenses	$ (63,629)	78,044	(12,439)	1,976	—	1,976

(Continued)

Schedule 2

THE UNIVERSITY OF CHICAGO

Consolidating Statement of Activities

Year ended June 30, 2022

(In thousands of dollars)

	University	Medical Center	MBL	2022 Consolidated
Changes in net assets without donor restrictions:				
Nonoperating:				
Investment loss	$ (407,478)	(221,795)	(1,797)	(631,070)
Net periodic benefit cost (credit) other than service cost	11,694	(7,362)	587	4,919
Other pension and postretirement benefit changes	46,656	7,366	(1,049)	52,973
Change in value of derivative instruments	81,332	63,922	2,282	147,536
Gain/(loss) on debt refinancing	32,533	—	—	32,533
Other, net	(118,480)	(959)	12,773	(106,666)
Net assets released from restrictions	2,734	—	841	3,575
Nonoperating changes in net assets without donor restrictions	(351,009)	(158,828)	13,637	(496,200)
Increase in net assets without donor restrictions	(414,638)	(80,784)	1,198	(494,224)
Changes in net assets with donor restrictions:				
Private gifts	331,411	10,944	11,719	354,074
Endowment payout	862	—	—	862
Investment loss	(868,646)	(11,312)	(12,882)	(892,840)
Other, net	(16,282)	(36)	—	(16,318)
Net assets released from restrictions	(158,033)	(9,456)	(4,551)	(172,040)
Increase in net assets with donor restrictions	(710,688)	(9,860)	(5,714)	(726,262)
Increase in net assets	(1,125,326)	(90,644)	(4,516)	(1,220,486)
Net assets at beginning of year	9,865,422	2,315,304	204,658	12,385,384
Net assets at end of year	$ 8,740,096	2,224,660	200,142	11,164,898

See accompanying notes to consolidated financial statements.

Schedule 3

THE UNIVERSITY OF CHICAGO

Consolidating Statement of Cash Flows

Year ended June 30, 2022

(In thousands of dollars)

	University	Medical Center	MBL	2022 Consolidated
Cash flows from operating activities:				
Decrease in net assets	$ (1,125,326)	(90,644)	(4,516)	(1,220,486)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:				
Depreciation	206,211	133,271	4,331	343,813
Change in value of derivative instruments	(81,332)	(63,922)	(2,282)	(147,536)
(Gain) loss on disposal of land, buildings, equipment, and books	(23,599)	393	68	(23,138)
Net loss on investments	923,924	188,611	11,017	1,123,552
(Gain) on debt refinancing	(32,533)	—	—	(32,533)
Reduction in the carrying amount of the right-of-use assets – operating leases	6,166	98	—	6,264
Private gifts and grants restricted for long-term investment	(331,411)	(16,644)	(1,017)	(349,072)
Other nonoperating changes	205,500	1,691	(15,414)	191,777
Pension and postretirement benefit changes	(58,350)	(4)	462	(57,892)
Changes in operating assets and liabilities:				
Notes and accounts receivable	(27,754)	(34,180)	(2,860)	(64,794)
Prepaid expenses and other assets	(30,217)	(18,364)	(1,256)	(49,837)
Accounts payable and other liabilities	(977)	(183,918)	1,246	(183,649)
Lease liability	(11,496)	10,393	—	(1,103)
Self-insurance liability	25,417	2,572	—	27,989
Total adjustments	769,549	19,997	(5,705)	783,841
Net cash used in operating activities	(355,777)	(70,647)	(10,221)	(436,645)
Cash flows from investing activities:				
Purchase of investments	(2,070,923)	(274,809)	(6,249)	(2,351,981)
Proceeds from sale of investments	2,270,685	389,808	6,554	2,667,047
Proceeds from sale of property	30,164	—	—	30,164
Acquisition of land, buildings, equipment, and books	(144,666)	(134,497)	(4,025)	(283,188)
Net cash provided by (used in) investing activities	85,260	(19,498)	(3,720)	62,042
Cash flows from financing activities:				
Proceeds from issuance of debt instruments	355,454	—	—	355,454
Principal payments on debt instruments	(374,327)	(31,522)	(937)	(406,786)
Payment of finance lease liability	(1,402)	(3,463)	—	(4,865)
Proceeds from private gifts and grants restricted for long-term investment	208,781	10,944	1,017	220,742
Other nonoperating changes	(62,671)	(9,456)	13,893	(58,234)
Net cash provided by (used in) financing activities	125,835	(33,497)	13,973	106,311
Increase (decrease) in cash and cash equivalents	(144,682)	(123,642)	32	(268,292)
Cash and cash equivalents at:				
Beginning of year	194,731	184,639	2,571	381,941
End of year	$ 50,049	60,997	2,603	113,649
Supplemental disclosures of cash flow information:				
Cash paid for interest	$ 162,412	31,157	787	194,356
Change in construction payable	409	5,558	461	6,428
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	21,252	14,477	—	35,729
Operating cash flows from finance leases	1,210	1,115	—	2,325
Financing cash flows from finance leases	1,402	3,463	—	4,865
Right of use assets obtained in exchange for new lease obligations:				
Finance leases	—	12,151	—	12,151
Operating leases	9,277	4,384	—	13,661

See accompanying notes to consolidated financial statements.