THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Table of Contents

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Independent Auditors' Report

The Board of Trustees
The University of Chicago Medical Center:

Opinion

We have audited the accompanying consolidated financial statements of The University of Chicago Medical Center, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, 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 Medical Center as of June 30, 2021 and 2020, and the results of its consolidated and changes in net assets without donor restrictions, changes in net assets, and 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 Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of The University of Chicago Medical Center 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 of Chicago Medical Center's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 audits.
- 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 of Chicago Medical Center'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 of Chicago Medical Center'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 supplementary 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 audits 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 auditing standards generally accepted in the United States of America. 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
October 29, 2021

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2021 and 2020

(In thousands)

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	184,639	538,725
Patient accounts receivable		437,141	333,676
Current portion of investments limited to use		247,395	58,500
Current portion of malpractice self-insurance receivable		16,809	14,508
Current portion of pledges receivable		2,289	1,177
Prepaids, inventory, and other current assets		195,394	176,998
Total current assets		1,083,667	1,123,584
Investments limited to use, less current portion		1,722,327	1,227,624
Property, plant, and equipment, net		1,509,150	1,558,348
Pledges receivable, less current portion		5,708	1,521
Malpractice self-insurance receivable, less current portion		90,598	81,091
Other assets, net		122,867	108,664
Total assets	$	4,534,317	4,100,832
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	282,219	256,369
Current portion of long-term debt		22,875	20,430
Current portion of other long-term liabilities		4,775	11,766
Estimated third-party payor settlements and Medicare Advance		454,530	536,847
Current portion of malpractice self-insurance liability		16,809	24,441
Due to University of Chicago		29,809	37,649
Total current liabilities		811,017	887,502
Other liabilities:			
Workers' compensation self-insurance liabilities, less current portion		8,604	9,441
Malpractice self-insurance liability, less current portion		168,640	135,029
Long-term debt, less current portion		937,757	966,406
Interest rate swap liability		147,362	193,907
Other long-term liabilities, less current portion		145,633	112,769
Total liabilities		2,219,013	2,305,054
Net assets:			
Without donor restrictions		2,169,780	1,684,093
With donor restrictions		145,524	111,685
Total net assets		2,315,304	1,795,778
Total liabilities and net assets	$	4,534,317	4,100,832

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Operating revenues:			
Patient service revenue	$	2,331,509	2,049,957
Other operating revenues and net assets released from restrictions used for operating purposes		457,645	497,747
Total operating revenues		2,789,154	2,547,704
Operating expenses:			
Salaries, wages, and benefits		1,134,205	1,064,665
Supplies and other		944,587	860,110
Physician services		303,435	301,453
Insurance		39,603	30,055
Interest		39,743	42,257
Medicaid provider tax		75,683	66,640
Depreciation and amortization		132,707	131,609
Total operating expenses		2,669,963	2,496,789
Operating revenue in excess of expenses		119,191	50,915
Nonoperating gains and losses:			
Investment return, net		387,316	31,033
Change in fair value of nonhedged derivative instruments		2,637	(2,318)
Derivative ineffectiveness on hedged derivative instruments		695	(395)
Other, net		(251)	(3,677)
Revenue and gains in excess of expenses and losses		509,588	75,558
Other changes in net assets without donor restrictions:			
Net asset transfers to University of Chicago		(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit costs		2,781	(2,823)
Effective portion of change in valuation of derivatives		44,967	(53,268)
Net assets released from restriction for capital purposes		125	5
Distributions and other, net		(24)	(11)
Increase (decrease) in net assets without donor restrictions	$	485,687	(52,289)

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Net assets without donor restrictions:			
Revenue and gains in excess of expenses and losses	$	509,588	75,558
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit cost		2,781	(2,823)
Effective portion of change in valuation of derivatives		44,967	(53,268)
Net assets released from restrictions for capital purposes		125	5
Distributions and other, net		(24)	(11)
Increase (decrease) in net assets without donor restrictions		485,687	(52,289)
Net assets with donor restrictions:			
Contributions		12,513	5,671
Net assets released from restrictions used for operating purposes		(8,358)	(8,549)
Investment return, net		29,809	1,477
Net assets released from restrictions for capital purposes		(125)	(5)
Increase (decrease) in temporarily restricted net assets		33,839	(1,406)
Change in net assets		519,526	(53,695)
Net assets at beginning of year		1,795,778	1,849,473
Net assets at end of year	$	2,315,304	1,795,778

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	519,526	(53,695)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net change in unrealized gains and losses on investments		(312,323)	19,902
Net asset transfers to University of Chicago		71,750	71,750
Restricted contributions and investment return		(42,322)	(7,148)
Realized gains on investments		(63,889)	(38,505)
Net change in valuation of derivatives		(46,545)	57,721
Change in accrued pension benefits other than net period benefit cost and other		(2,781)	2,823
Loss on refinancing of long-term debt		(832)	2,347
Loss on disposal of assets		235	4,135
Net assets released from restrictions for operations		8,358	8,549
Payment of lease obligations		(10,814)	(8,383)
Depreciation and amortization		132,707	131,609
Changes in assets and liabilities:			
Patient accounts receivable		(103,465)	65,454
Other assets, net		(38,892)	(8,719)
Accounts payable and accrued expenses		21,828	12,013
Due to University of Chicago		(7,840)	6,880
Estimated settlements with third-party payors and Medicare Advance		(82,317)	273,588
Self-insurance liabilities		25,142	18,787
Other liabilities		36,767	27,642
Net cash provided by operating activities		104,293	586,750
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(83,744)	(117,654)
Change in construction payables		4,022	(3,108)
Purchases of investments		(944,485)	(614,131)
Sales of investments		637,099	609,830
Net cash used in investing activities		(387,108)	(125,063)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, including bond premium		47,270	128,360
Additional repayment of long-term debt		(72,642)	(120,640)
Payments of finance/long-term lease obligation		(8,113)	(31,653)
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Net assets released from restriction for operations		(8,358)	(8,549)
Restricted contributions and investment return		42,322	7,148
Net cash used in financing activities		(71,271)	(97,084)
Net (decrease) increase in cash and cash equivalents		(354,086)	364,603
Cash and cash equivalents:			
Beginning of year		538,725	174,122
End of year	$	184,639	538,725
Noncash transactions:			
Other assets included for right-of-use assets – operating leases as a result of adopting ASU No. 842, *Leases*	$	60,148	53,042

See accompanying notes to consolidated financial statements.

(1) Organization and Basis of Presentation

The accompanying consolidated financial statements represent the accounts of The University of Chicago Medical Center and its affiliates (the System). The University of Chicago Medical Center (UCMC) is the parent of an integrated nonprofit healthcare organization, partnering with the University of Chicago Biological Sciences Division, the University of Chicago Pritzker School of Medicine, and the University of Chicago Physicians Group to provide world-class medical care in an academic setting. UCMC operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children’s Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, the UCM Community Health and Hospital Division, Inc. (CHHD), and various other outpatient clinics and treatment areas.

UCMC’s Obligated Group includes the following entities: UCMC (excluding the University of Chicago Medicine Care Network, UCMC Title Holding Corporation, and UCMC Title Holding Corporation II NFP), Ingalls Health System, Ingalls Memorial Hospital, Ingalls Development Foundation, and Ingalls Home Care as presented in the supplemental consolidating schedules. Entities of UCMC that are included in the Non-Obligated Group are the University of Chicago Medicine Care Network, University of Chicago Medicine Medical Group, UCMC Title Holding Corporation, and UCMC Title Holding Corporation II NFP. Entities of CHHD that are included in the Non-Obligated Group are Ingalls Provider Group, Ingalls Care Network, Medcentrix, Ingalls Health Ventures, Ingalls Casualty Insurance, Trulen Insurance SPC Limited, and Ingalls Same Day Surgery. These are presented in the supplemental schedules as “Other Non-Obligated Group Entities” for purposes of consolidation.

The University of Chicago (the University), as the sole corporate member of UCMC, elects UCMC’s Board of Trustees (the Board) and approves its bylaws. The UCMC president reports to the University’s executive vice president for Medical Affairs. The relationship between UCMC and the University is defined in the Medical Center bylaws, an affiliation agreement, an operating agreement, and several leases. See note 4 for agreements and transactions with the University.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements of the System have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenues for most of our services were significantly impacted in the last two weeks of the third quarter of fiscal year 2020 and continued to be impacted in the fourth quarter of 2020. Various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic that have caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures by healthcare facilities. While some of these restrictions have been eased across the U.S. and most states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are reimposing certain restrictions due to increasing rates of COVID-19 cases.

During fiscal year 2021 and 2020, the System received approximately $11,136 and $200,643, respectively, in general and targeted Provider Relief Fund distributions, as provided for under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Generally, these distributions from the Provider Relief Fund 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. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be 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 through June 30, 2021, the System recognized through June 30, 2021 and 2020, $61,802 and $149,028, respectively, related to these general distribution funds as part of ‘other operating revenue’ in the consolidated statements of operations and changes in net assets without donor restrictions. The unrecognized amount of general distributions and targeted distributions are recorded as estimated third-party payor settlements and Medicare Advance in the consolidated balance sheets as of June 30, 2021 and 2020 of $949 and $51,615, respectively. The System will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on our revenues and expenses. If the System is unable to attest to or comply with current or future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

On June 11, 2021, the Department of Health and Human Services provided Post-Payment Notice of Reporting Requirements for providers that received funding under the CARES Act. The provisions within this notice provide new guidance on the reporting portal and requirements around healthcare related expenses attributable to COVID-19 and “lost revenue.” The guidance provides for various reporting deadlines beginning September 30, 2021 for Period 1 with a 60-day grace period for compliance. The System anticipates meeting the requirements for reporting under the timelines provisioned.

In addition, during the fourth quarter of fiscal year 2020, the System received $214,500 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, 2021 and 2020, the System has recorded the APP payments as estimated third-party payor settlements and Medicare advance on the consolidated balance sheets of $183,259 and $214,500. 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 social security payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The System has deferred payroll taxes and recorded the deferral under the caption of accrued expenses on the consolidated balance sheets at June 30, 2021 for $36,800. Additionally, the CARES Act provides for a payroll tax credit designed to encourage retention of employees during the pandemic. The System is evaluating its eligibility and related data for consideration of the employee retention credit.

(Continued)

(c) Adoption of New Accounting Standards

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference London Interbank Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Organization adopted this ASU in March 2020 and the adoption did not have a significant impact on the Organization's consolidated financial statements.

(d) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Community Benefits

The System'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 under the provisions of the Emergency Medical Treatment and Active Labor Act. UCMC also accepts patients through the Perinatal and Pediatric Trauma Networks without regard to their ability to pay for services.

The System developed a Financial Assistance Policy (the Policy) under which patients are offered discounts of up to 100% of charges on a sliding scale. The Policy is based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the System does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing care under this Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2021 and 2020, are reported in note 6.

(f) Fair Value of Financial Instruments

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

The System 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 System. 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.

(g) Cash and Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, excluding investments whose use is limited. Cash equivalents held by investment managers are treated as investing activity in the consolidated statements of cash flows.

(h) Inventory

The System values inventories at the lower of cost or market using the first-in, first-out method.

(i) Investments

Investments are classified as trading securities. As such, investment return (including realized or changes in unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue and gains over expenses and losses unless the income is restricted by donor or law.

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by an entity 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. The System's interests in alternative investment funds, such as private debt, 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, 2021 and 2020, the System had no plans to sell investments at amounts different from NAV.

A significant portion of the System's investments are part of the University's Total Return Investment Pool (TRIP). The System accounts for its investments in TRIP on the fair value method based on its share of the underlying securities and, accordingly, records the investment activity as if the System owned the investments directly using the fair value option election. The University does not engage directly in unhedged speculative investments; however, the Board of the University has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing the System's investments as of June 30, 2021 and 2020 is included in note 7.

(j) Investments Limited as to Use

Investments limited as to use primarily include assets held by trustees under debt and other agreements and designated assets set aside by the Board for future capital improvements and other specific purposes, over which the Board retains control and may at its discretion subsequently use for other purposes. Investments limited as to use also include investments held under swap collateral posting requirements, investments under the workers' compensation self-insurance trust funds, and investments whose use is restricted by donors. Investments limited as to use are reported as net assets without donor restrictions. Investments whose use is restricted by donors are reported as net assets with donor restrictions.

(k) Derivative Instruments

The System accounts for derivatives and hedging activities in accordance with Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded as either assets or liabilities in the consolidated balance sheets at their respective fair values.

For hedging relationships, the System formally documents the hedging relationship and its risk management objective and strategy for understanding the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging investment's effectiveness in offsetting the hedged risk will be assessed, and a description of the method for measuring ineffectiveness. This process includes linking all derivatives that are presented as cash flow hedges to specific assets and liabilities in the consolidated balance sheets.

(l) Property, Plant and Equipment

Property, plant, and equipment are reported on the basis of cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over their estimated useful lives, which generally range from three to eighty years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(Continued)

The System periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment based on estimated, undiscounted future cash flows exist. Management considers factors, such as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset. There were no impairments of long-lived assets during 2021 or 2020.

(m) Leases

ROU assets for operating leases are recorded in other assets, net and the corresponding liability is recorded between current portion of other long-term liabilities and other long-term liabilities, less current portion. ROU assets for financing leases are presented as property, plant, and equipment (net) on the consolidated balance sheets and the corresponding liability is presented between current portion of other long-term liabilities and other long-term liabilities, net of current portion.

The System determines if an arrangement is or contains a lease at contract inception.

For operating leases, the lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date; it is subsequently measured at the present value of the unpaid lease payments. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

Key estimates and judgments include how the System determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

ASC Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. The System has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The ROU asset is initially measured at cost, which primarily comprises the initial amount of the lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the System or the System is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

The System monitors for events or changes in circumstances that require a reassessment of one of its leases.

(n) Net Assets

Net assets are classified 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 follows:

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 System: patient care and provision of healthcare services. In addition to these exchange 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 other types of philanthropic support. The philanthropic support includes gifts without restriction, board-designated funds functioning 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 System 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.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions to be maintained permanently by the System, including gifts and pledges wherein donors stipulate that the principal/corpus of the gift be held in perpetuity 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.

The description of amounts classified as donor restricted net assets (endowments only) as of June 30, 2021 and 2020 is as follows:

		Perpetual	Time restricted by law	2021 Total
Restricted for pediatric healthcare	$	4,440	21,770	26,210
Restricted for adult healthcare		4,438	69,466	73,904
Restricted for educational and scientific programs		10,052	4,524	14,576
	$	18,930	95,760	114,690

		Perpetual	Time restricted by law	2020 Total
Restricted for pediatric healthcare	$	4,023	17,093	21,116
Restricted for adult healthcare		4,061	56,337	60,398
Restricted for educational and scientific programs		9,196	2,589	11,785
	$	17,280	76,019	93,299

The endowment component of net assets without donor restrictions comprises of amounts designated by the Board to function as endowment, which amounted to $1,339,160 and $911,642 included within investments limited to use as of June 30, 2021 and 2020, respectively.

In addition to endowments, the System has $30,834 and $18,386, respectively, of other restricted net assets at June 30, 2021 and 2020.

(o) Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

All activities of the System deemed by management to be ongoing, major, and central to the provision of healthcare services are reported as operating revenue and expenses.

The consolidated statements of operations and changes in net assets without donor restrictions includes revenue and gains in excess of expenses and losses. Changes in net assets without donor restrictions that are excluded from revenue and gains in excess of expenses and losses include net asset transfers to the University, contributions of long-lived assets released from restrictions (including assets acquired using contributions, which by donor restriction were to be used for acquisition of System assets), net assets released from restriction for capital purchases, the effective portion of changes in the valuation of derivatives, change in accrued pension benefits other than net periodic benefit costs, and other, net.

(p) Patient Service Revenue, Accounts Receivable, Charity Care, and Third-Party Settlements

(i) Patient Service Revenues

Gross charges are retail charges and generally do not reflect what the System is ultimately paid and, therefore, are not displayed in the consolidated statements of operations and changes in net assets without donor restrictions. The System is typically paid amounts that are negotiated with insurance companies or are set by the government. Gross charges are used to calculate Medicare outlier payments and to determine certain elements of payment under managed care contracts (such as stop-loss payments). Because Medicare requires that gross charges be the same for all patients (regardless of payor category), gross charges are what is charged to all patients prior to the application of discounts and allowances.

The System recognizes revenue in the period in which it satisfies the performance obligations under contracts by transferring the services to its customers. The performance obligations for patient contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, the System does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. Revenues are recognized in the amounts to which it expects to be entitled, which are the transaction prices allocated to the distinct services.

The System has agreements with governmental and other third-party payors that provide for payments to the System at amounts different from established charges. Payment arrangements for major third-party payors may be 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 explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with the Financial Assistance Program, and implicit price concessions provided primarily to uninsured patients. The estimates of explicit price concessions and discounts are based on contractual agreements, discount policies, and historical experience. The estimates of implicit price concessions are based on historical collection experience with these classes of patients using the portfolio approach.

(ii) Charity Care

The System provides charity care to patients who meet the criteria for charity care as published in their Financial Assistance Policy. Patients who qualify are provided care without charge or at amounts less than established rates. System policy is not to pursue collection of amounts determined to qualify as charity care; therefore, they do not report these amounts in patient service revenues. Patient advocates from the System screen patients in the hospital to determine whether those patients meet eligibility requirements for financial assistance programs. They also expedite the process of applying for government programs.

(iii) Third-Party Settlements

Revenues under the traditional fee-for-service Medicare and Medicaid programs are based primarily on prospective payment systems. Retrospectively determined cost-based revenues under these programs, which were more prevalent in earlier periods, and certain other payments, such as Indirect Medical Education, Direct Graduate Medical Education, disproportionate share hospital, and bad debt expense reimbursement, which are based on the hospitals' cost reports, are estimated using historical trends and current factors. Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions, and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates recorded could change by material amounts.

The System has an estimation process for recording Medicare patient service revenue and estimated cost report settlements. As a result, the System records accruals to reflect the expected final settlements on our cost reports. For filed cost reports, the System records the accrual based on those cost reports and subsequent activity and records a valuation allowance against those cost reports based on historical settlement trends. The accrual for periods for which a cost report is yet

(Continued)

to be filed is recorded based on estimates of what are expected to report on the filed cost reports, and a corresponding valuation allowance is recorded as previously described. Cost reports generally must be filed within five months after the end of the annual cost reporting period. After the cost report is filed, the accrual and corresponding valuation allowance may need to be adjusted.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments from the finalization of prior years’ cost reports and other third-party settlement estimates resulted in an increase in patient service revenues of $4,035 and $9,152, for the years ended June 30, 2021 and 2020, respectively.

(q) Hospital Assessment Program/Medicaid Provider Tax

The Illinois Hospital Assessment Program and the Enhanced Illinois Hospital (collectively referred to herein as HAP) have been approved by CMS through December 31, 2022. Under HAP, the state receives additional federal Medicaid funds for the state’s healthcare system administered by the Illinois Department of Healthcare and Family Services. In 2021, reimbursement under the HAP resulted in a net increase of $83,757 in operating income, which includes $159,439 in Medicaid payments included in patient service revenue offset by $75,682 in Medicaid provider tax expense. In 2020, reimbursement under HAP resulted in a net increase of $72,489 in operating income, which includes $139,129 in Medicaid payments included in patient service revenue offset by $66,640 in Medicaid provider tax expense.

(r) Other Revenue

Other operating revenue includes revenue from nonpatient care services, clinical space rental revenue, contributions both unrestricted in nature and those released from restriction to support operating activities, related grant income, premium and capitation revenues, and other miscellaneous income.

Premium and capitation revenues are received and recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the System’s performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The System has no material contract assets or liabilities at June 30, 2021 relating to premium and capitation revenue.

Revenue from grants is recognized in accordance with ASC Subtopic 958-605, *Not-for-profit entities – Revenue recognition*, as other operating revenue, when the conditions of the contributions are substantially met.

Revenue from nongrant sources is generally recognized at point of service for these transactions in accordance with ASC Topic 606, *Revenue from Contracts with Customers*.

(s) Income Taxes

The System applies ASC Topic 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC Topic 740 prescribes a more likely than not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC Topic 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2021 and 2020, the System does not have an asset or liability recorded for unrecognized tax positions.

UCMC and CHHD Obligated Groups comprise subsidiaries that are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and therefore exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. UCMC and CHHD Non-Obligated Groups consist of several not-for-profit and taxable entities, including University of Chicago Medicine Care Network, LLC; Ingalls Captive Insurance, Ltd; Trulen Insurance SPC Limited; Medcentrix, Inc.; Ingalls Same Day Surgery; and Ingalls Provider Group (IPG), which are taxable entities under applicable sections of the Code.

Deferred income taxes on the taxable entities of the Non-Obligated Groups are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. As of June 30, 2021 and 2020, the UCMC and CHHD Non-Obligated groups have deferred tax assets primarily relating to net operating losses (NOL) of $17,763 and $16,431, respectively; however, it has a full valuation allowance as management believes that it was not more likely than not that the results of future operations would generate sufficient taxable income to realize the NOL.

(t) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the System evaluated events and transactions through October 29, 2021, the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements other than the items noted within the notes to the consolidated financial statements.

(3) Financial Assets and Liquidity Resources

As of June 30, 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:

		2021	2020
Financial assets:			
Cash and cash equivalents	$	425,799	538,725
Patient accounts receivable		437,141	333,676
Total financial assets available within one year		862,940	872,401
Liquidity resources:			
Bank lines of credit		100,000	200,000
Total financial assets and liquidity resources available within one year	$	962,940	1,072,401

The System's cash flows have seasonal variations during the year attributable to patient service reimbursement from the State of Illinois, payments from patients and insurance. As discussed in note 10(d), to manage liquidity, the System maintains lines of credit with financial institutions to potentially draw funds as needed during the year to manage cash flows. As of June 30, 2021, amounts outstanding under lines of credit amounted to $0. Included in cash and cash equivalents as presented above, as of June 30, 2021, the System has $241,160 of cash held in current portion of investment, limited to use, $1,339,160 in funds functioning as endowment and $248,687 of CHHD investments, all available for general expenditure upon Board approval, of which $880,953 is liquid within 12 months. As of June 30, 2020, the System has $911,642 in funds functioning as endowment and $209,450 of CHHD investments, all available for general expenditure upon Board approval, of which $682,595 is liquid within 12 months.

(4) Agreements and Transactions with the University

The affiliation agreement with the University provides, among other things, that all members of the medical staff will have academic appointments in the University. The affiliation agreement has an initial term of 40 years ending October 1, 2026 unless sooner terminated by mutual consent or as a result of a continuing breach of a material obligation therein or in the operating agreement. The affiliation agreement automatically renews for additional successive 10-year terms following expiration of the initial term, unless either party provides the other with at least two years' prior written notice of its election not to renew.

The operating agreement, as amended, provides, among other things, that the University provides UCMC the right to use and operate certain facilities. The operating agreement is coterminous with the affiliation agreement.

The lease agreements provide, among other things, that UCMC will lease from the University certain of the healthcare facilities and land that UCMC operates and occupies. The lease agreements are coterminous with the affiliation agreement.

UCMC purchases various services from the University, including certain employee benefits, utilities, security, telecommunications, and insurance. In addition, certain UCMC accounting records are maintained by the University. During the years ended June 30, 2021 and 2020, the University charged UCMC $34,857 and $32,392, respectively, for utilities, security, telecommunications, insurance, and overhead.

The University's Division of Biological Sciences provides physician services to UCMC. In 2021 and 2020, UCMC recorded $271,561 and $271,868, respectively, in expense related to these services.

UCMC's Board adopted a plan of support under which it would provide annual net asset transfers to the University for support of academic programs in biology and medicine. All commitments under this plan are subject to the approval of UCMC's Board and do not represent legally binding commitments until that approval. Unpaid portions of commitments approved by the UCMC Board are reflected as current liabilities. UCMC recorded net asset transfers of $71,750 in both 2021 and 2020 for this support.

(5) Patient Service Revenue and Patient Receivables

The System has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

The System is paid for various services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The System's classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

Other services rendered to Medicare beneficiaries are reimbursed based on a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, the System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. UCMC's Medicare reimbursement reports through June 30, 2014 have been audited by the Medicare fiscal intermediary. CHHD's Medicare reimbursement reports through September 30, 2014 have been audited by the Medicare fiscal intermediary.

(b) Medicaid

The System is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates per discharge. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program and any such changes could have a significant effect on the System's revenue.

(c) Blue Cross

The System also participates as a provider of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the System and a review by Blue Cross. UCMC's and CHHD's Blue Cross reimbursement reports for 2019 and prior years have been reviewed by Blue Cross.

(d) Other

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by the System and includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Patient service revenue recognized in the period from these major payor sources are as follows:

		2021	2020
Medicare	$	675,959	610,312
Medicaid		580,336	467,352
Managed care		1,066,617	962,261
Patients and other		8,597	10,032
Patient service revenue	$	2,331,509	2,049,957

Patient service revenue recognized in the period by type of service is as follows:

		2021	2020
Inpatient	$	1,248,492	1,117,235
Outpatient/Ambulatory care		984,841	912,195
Physician services		98,176	20,527
	$	2,331,509	2,049,957

The mix of receivables from patients and third-party payors as of June 30, 2021 and 2020 is as follows:

	2021	2020
Medicare	22.5 %	23.5 %
Medicaid	31.7	31.8
Managed care	44.4	42.0
Patients and other	1.4	2.7
	100.0 %	100.0 %

(Continued)

(6) Community Benefits

The following is a summary of the System's unreimbursed cost of providing care, as defined under its Financial Assistance Policy, along with the unreimbursed cost of government-sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2021 and 2020:

		2021	2020
Uncompensated care:			
Medicaid sponsored indigent healthcare	$	110,336	140,705
Medicare sponsored indigent healthcare – cost report		142,125	163,249
Medicare sponsored indigent healthcare – physician services		87,584	43,786
Medicare prior year adjustment		(2,465)	—
Total uncompensated care		337,580	347,740
Charity care		31,282	47,033
		368,862	394,773
Unreimbursed education and research:			
Education (unaudited)		66,774	62,066
Research (unaudited)		48,000	48,000
Total unreimbursed education and research		114,774	110,066
Total community benefits	$	483,636	504,839

The System determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, to determine a cost-to-charge ratio. The cost to charge ratio is applied to the charity care gross charges to calculate the charity care amount reported above. The System has not amended its financial assistance policies in 2021.

(7) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30, 2021 and 2020:

	2021				
	Separately invested	TRIP	Other	Total	2020
Investments carried at fair value:					
Cash equivalents	$ 284	26,347	242,296	268,927	197,179
Global public equities	46,316	491,928	—	538,244	366,091
Private debt	—	61,525	—	61,525	50,082
Private equity:					
U.S. venture capital	161	151,524	—	151,685	73,706
U.S. corporate finance	—	70,791	—	70,791	40,391
International	—	168,427	—	168,427	87,384
Real assets:					
Real estate	—	72,146	—	72,146	56,175
Natural resources	—	70,406	—	70,406	51,808
Absolute return:					
Equity oriented	—	155,678	—	155,678	71,163
Global macro/relative value	—	—	—	—	31,161
Multistrategy	—	86,199	—	86,199	60,177
Credit oriented	—	71,734	—	71,734	39,622
Protection oriented	—	36,193	—	36,193	19,072
Fixed income:					
U.S. Treasuries, including TIPS	—	76,315	—	76,315	57,011
Other fixed income	105,846	—	—	105,846	4
Other:					
Beneficial interests in trust	—	—	10,715	10,715	9,085
Funds in trust	—	—	24,891	24,891	76,013
Total investments	$ 152,607	1,539,213	277,902	1,969,722	1,286,124

Investments classified as other consist of construction and debt proceeds to pay interest, donor restricted investments in beneficial interests in trusts, workers' compensation, self-insurance, and trustee-held funds. Investments limited as to use are classified as current assets to the extent that they are available to meet current liabilities. Investments are presented in the consolidated financial statements as follows:

	2021	2020
Current portion of investments limited to use	$ 247,395	58,500
Investments limited to use, less current portion	1,722,327	1,227,624
Total investments limited to use	$ 1,969,722	1,286,124

A summary of investments limited as to use for the years ended June 30 is as follows:

	2021			
	UCMC	CHHD	Total	2020
Investments limited as to use:				
By the Board for capital improvements/restrictions by donors	$ 135,558	28,900	164,458	195,163
Funds held by custodian/trustee under indenture agreements	115	—	115	145
Funds held by trustee for self-insurance	5,985	12,671	18,656	20,769
Collateral for interest rate swap	6,120	—	6,120	55,100
Working capital account – not limited as to use	241,160	—	241,160	—
TRIP investments	1,308,711	230,502	1,539,213	1,014,947
Total investments limited to use	$ 1,697,649	272,073	1,969,722	1,286,124

The composition of unrestricted investment return, net is as follows for the years ended June 30:

	2021			
	UCMC	CHHD	Total	2020
Interest and dividend income, net	$ 9,246	1,858	11,104	12,430
Realized gains on sales of securities, net	53,425	10,464	63,889	38,505
Change in unrealized gains and losses on securities, net	255,768	56,555	312,323	(19,902)
	$ 318,439	68,877	387,316	31,033

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2021, UCMC has commitments of $1,681 remaining to fund private equity limited partnerships.

Fair Value of Financial Instruments

The overall investment objective of the System 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 System diversifies its investments among various asset classes incorporating multiple strategies and external investment managers, including the University Investment Office. Major investment decisions for investments held in TRIP and managed by the University are authorized by the University Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs. Cash equivalent investments include cash equivalents and fixed-income investments, with original maturities of three months or less, 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, commingled funds, and limited partnerships. 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.

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, 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 is 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's Investment Office monitors the valuation methodologies and practices of managers on behalf of the System.

The absolute return portfolio comprises 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.

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

Beneficial interests in trusts represent restricted investments that are assets held by third-party trustees for beneficial interests in perpetual trusts, comprising equities, fixed-income securities, and money market funds.

Funds in trust investments consist primarily of project construction funds and workers' compensation trust funds. Funds in trust comprise 1% cash and cash equivalents and 99% fixed income investments at June 30, 2021 and comprise 1% cash and cash equivalents, 95% fixed income investments, and 4% equity investments at June 30, 2020.

The System believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2021 and 2020. 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. Assets and liabilities recorded at fair value as of June 30, 2021 and 2020 were as follows:

Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2021 Total fair value
Cash and cash equivalents	$	184,639	—	—	184,639
Investments:					
Cash equivalents		268,927	—	—	268,927
Global public equities		138,138	—	—	138,138
Real assets:					
Real estate		14,440	—	—	14,440
Fixed income:					
U.S. Treasuries, including TIPS		76,315	—	—	76,315
Other fixed income		105,846	—	—	105,846
Restricted investments		—	—	10,715	10,715
Funds in trust		12,219	12,671	—	24,890
Investments measured at net asset value[1]		—	—	—	1,330,451
Total investments at fair value		800,524	12,671	10,715	2,154,361
Other assets		10,177	—	—	10,177
Total assets at fair value	$	810,701	12,671	10,715	2,164,538
Liabilities					
Interest rate swap payable	$	—	147,362	—	147,362
Total liabilities at fair value	$	—	147,362	—	147,362

Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2020 Total
Cash and cash equivalents	$	538,725	—	—	538,725
Investments:					
Cash equivalents		197,179	—	—	197,179
Global public equities		97,864	—	—	97,864
Real assets:					
Real estate		10,270	—	—	10,270
Fixed income:					
U.S. Treasuries, including TIPS		57,011	—	—	57,011
Other fixed income		4	—	—	4
Restricted investments		—	—	9,085	9,085
Funds in trust		61,411	14,603	—	76,014
Investments measured at NAV		—	—	—	838,697
Total investments at fair value		962,464	14,603	9,085	1,824,849
Other assets		8,343	—	—	8,343
Total assets at fair value	$	970,807	14,603	9,085	1,833,192
Liabilities					
Interest rate swap payable	$	—	193,907	—	193,907
Total liabilities at fair value	$	—	193,907	—	193,907

[1] Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

During 2021, there were no transfers between investment between Levels 2 and 3. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is, therefore classified within Level 2.

The following table presents activity for the year ended June 30, 2021 for assets measured at fair value using unobservable inputs classified in Level 3:

		Level 3 rollforward
Beginning fair value	$	9,085
Change in unrealized gains and losses, net		1,630
Ending fair value	$	10,715

In addition, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the System's investments could occur in the next term and that such changes could materially affect the amounts reported in the consolidated financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The significant unobservable inputs used in the fair value measurement of the System's long-lived partnership investments include a combination of cost, discounted cash flow analysis, industry comparables, and outside appraisals. Significant changes in any inputs used by investment managers in determining NAVs in isolation would result in a significant change in fair value measurement.

The System 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, lockups, and gates. Details on typical redemption terms by asset class and type of investment are provided below:

	Remaining life	Redemption terms	Redemption restrictions and terms
Cash	N/A	Daily	None
Global public equities:			
Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock up provisions for up to 2 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to triennial with notice periods of 7 to 90 days	Lock up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Separate accounts	N/A	Daily with notice periods of 1 to 90 days	None

	Remaining life	Redemption terms	Redemption restrictions and terms
Private debt:			
Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemptions permitted
Mutual bond and equity funds	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Real estate funds	N/A	Quarterly with notice periods of 45 to 90 days	None
Funds of funds	N/A	Monthly to quarterly with notice periods of 15 to 185 days	None
Private equity:			
Drawdown partnerships	1 to 21 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 1 day	None
Partnerships	N/A	Semiannual with notice period of 90 days	A portion of capital is held in side pockets with no redemptions permitted
Real estate:			
Drawdown partnerships	1 to 16 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources:			
Drawdown partnerships	1 to 17 years	Redemptions not permitted	N/A
Commingled funds	N/A	Daily with notice period of 1 day	None
Absolute return:			
Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock p provisions for up to three years some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships	1 to 4 years	Redemptions not permitted	N/A
Partnerships	N/A	Quarterly to triennial with notice periods of 45 to 180 days	Lock up provisions for up to five years some investments have a portion of capital held in side pockets with no redemptions permitted
Fixed income:			
Commingled funds	N/A	Weekly to monthly with notice periods of 5 to 10 days	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Funds in trust	N/A	Daily	None

(8) Endowments

The System's endowment consists of individual donor-restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of UCMC has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The System has beneficial interests in trusts. The System has recorded its share of the principal of the trusts as net assets with donor restrictions. Distributions from the trusts are recorded within net assets without restrictions if unrestricted; otherwise, they are classified as net assets with donor restrictions until appropriated for expenditure. In some instances, the historical costs basis of the funds is not available as the System received the shares in 1929. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies at June 30, 2021 and 2020, respectively.

The System has the following donor-restricted endowment activities during the years ended June 30, 2021 and 2020 delineated by net asset class:

		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
Investment return, net of payout	318,439	29,789	348,228
Endowment payout	(53,673)	(8,416)	(62,089)
Net investment return	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

		2020	
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 10,250	676	10,926
Net appreciation (realized and unrealized) on investments	13,533	802	14,335
Investment return, net of payout	23,783	1,478	25,261
Endowment payout	(48,014)	(3,883)	(51,897)
Net investment return	(24,231)	(2,405)	(26,636)
Other changes in endowment investments:			
Gifts and pledge payments received in cash	8,302	10	8,312
Other changes	4,000	—	4,000
Total other changes in endowment investments	12,302	10	12,312
Net change in endowment investments	(11,929)	(2,395)	(14,324)
Endowment investments at:			
Beginning of year	923,571	95,694	1,019,265
End of year	$ 911,642	93,299	1,004,941
Investments by type of fund:			
Donor-restricted “true” endowment:			
Historical gift value	$ —	17,280	17,280
Appreciation	—	76,019	76,019
Board-designated “funds functioning as endowment"	911,642	—	911,642
Total – as above	$ 911,642	93,299	1,004,941

Investment and Spending Policies

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The System expects its endowment funds to provide an average rate of return of approximately 7-8% annually. To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

For endowments invested in TRIP, the Board of the System has adopted the University’s method to be used to appropriate endowment funds for expenditure, including following the University’s payout formula. The University utilizes the total return concept in allocating endowment income. In accordance with the

University's total 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 exact payout percentage, which is set each year by the Board with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2021 and 2020. 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.

For endowments invested apart from TRIP, the System calculates a payout of 4% annually on a rolling 24-month average market value. In establishing this policy, the Board considered the expected long-term rate of return on its endowment.

(9) Property, Plant, and Equipment

The components of property, plant, and equipment as of June 30 are as follows:

		2021	2020
Land and land rights	$	55,610	55,610
Buildings and improvements		1,941,958	1,914,984
Equipment		779,917	753,017
Construction in progress		35,712	21,759
		2,813,197	2,745,370
Less accumulated depreciation		(1,304,047)	(1,187,022)
Total property, plant, and equipment, net	$	1,509,150	1,558,348

The cost of buildings that are jointly used by the University and the System is allocated based on the lease provisions. In addition, land and land rights include $15,400 and $17,200 for 2021 and 2020, respectively, which represents the unamortized portion of initial lease payments made to the University.

Capitalized interest costs in 2021 and 2020 were approximately $751 and $500, respectively. Construction in progress consists of various routine capital improvements and renovation projects. As of June 30, 2021, the System had total contractual commitments associated with ongoing capital projects of approximately $5,300.

(10) Long-Term Debt

The long-term debt of both UCMC and CHHD is issued pursuant to the second Amended and Restated Master Trust Indenture (MTI) dated as of June 1, 2019, as subsequently amended and supplemented. The Obligated Group Members are UCMC, CHHD, Ingalls Memorial Hospital, Ingalls Home Care, and Ingalls Development Foundation. Each series of bonds is collateralized by the unrestricted receivables of the obligated Group Members and subject to certain restrictions under the MTI.

Long-term debt at June 30, 2021 and 2020 consists of the following:

	Fiscal year maturity	Interest rate	2021	2020
University of Chicago Medical Center:				
Fixed rate:				
Illinois Finance Authority:				
Series 2009A (2009B bonds paid off 08-15-20)	2022	5.0 %	$ 12,795	71,970
Series 2009D1 and 2009D2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2009E1 and 2009E2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2010A and 2010B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011A and 2011B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2015A	2029	5.0	21,895	21,895
Series 2016A	2027	5.0	22,830	22,830
Series 2016B	2042	5.0	164,490	164,490
Series 2020A	2026	2.5	47,270	—
Teachers Insurance and Annuity Association of America (TIAA):				
Series 2017A	2047	4.4	30,000	30,000
New York Life:				
Series 2019E fixed rate taxable	2042	2.7	60,645	63,645
Unamortized premium			15,276	18,073
Total fixed rate			700,201	717,903
Variable rate:				
Series 2013A	2050	2.5	66,963	68,403
Illinois Educational Facilities Authority (IEFA)	2038	1.1	59,028	62,590
Total variable rate			125,991	130,993
Unamortized debt issuance costs			(4,607)	(4,891)
Less current portion of long-term debt			(17,358)	(16,625)
Total UCMC long-term portion of debt, less current portion			804,227	827,380
UCMC Title Holding Corporation:				
Fixed rate:				
Brownfield Revitalization 40 – Promissory note A	2024	1.5 %	4,850	4,850
Urban Development Fund XLVI – Promissory note A	2024	1.5	4,576	4,850
Urban Development Fund LI – Promissory note A	2024	1.8	6,500	6,500
Citi NMTC – QLICI	2032	1.2	3,476	3,476
Citi NMTC – QLICI	2032	1.2	1,620	1,620

	Fiscal year maturity	Interest rate		2021	2020
URP QLICI – Loan A	2047	1.0 %	$	7,334	7,334
URP QLICI – Loan B	2047	1.0		2,666	2,666
SCORE QLICI – Loan A	2047	1.0		4,176	4,176
SCORE QLICI – Loan B	2047	1.0		1,704	1,704
CNI QLICI – Loan A	2047	1.0		3,455	3,455
CNI QLICI – Loan B	2047	1.0		1,545	1,545
Total UCMC Title Holding Corporation debt				41,902	42,176
Less current portion				(1,862)	(275)
Title holding company LT portion				40,040	41,901
Total UCMC debt, excluding current portion			$	844,267	869,281
Community Health and Hospital Division:					
Fixed Rate: Series 2017	2034	4.6	$	34,325	36,305
Fixed rate: Series 2019	2042	2.7		63,165	64,715
Unamortized debt issuance costs				(345)	(365)
Total debt and unamortized premiums (discount)				97,145	100,655
Less current portion of long-term debt				(3,655)	(3,530)
Total CHHD debt, excluding current portion			$	93,490	97,125
Total notes and bonds payable			$	960,632	986,836
Less current portion				(22,875)	(20,430)
Long-term debt, excluding current portion			$	937,757	966,406

Scheduled annual repayments, excluding costs, premiums, or discounts, for the next five years and thereafter are as follows at June 30:

Year ending June 30:		
2022	$	22,875
2023		23,598
2024		23,303
2025		25,579
2026		26,490
Thereafter		828,462
	$	950,307

(a) Letters of Credit

Under its various credit agreements, UCMC is subject to certain financial covenants, including maintaining a minimum debt service coverage ratio; maintaining minimum levels of days' cash on hand; maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise, disposing of UCMC property; and certain other nonfinancial covenants.

Payment on each of the variable rate demand revenue bonds is also collateralized by a letter of credit. The letters of credit that support the Series 2009D and 2009E bonds expire in June 2022 and June 2026, respectively. The letters of credit that support the Series 2010A and 2010B bonds expire in May 2025 and July 2024, respectively. The letters of credit that support the Series 2011A and Series 2011B bonds expire in May 2025 and May of 2026, respectively. Payment of each of the IEFA bonds is collateralized by a letter of credit maturing May 2022. The letters of credit are subject to certain restrictions, which include financial ratio requirements. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1:35:1.

Included in UCMC's debt is $59,028 of commercial paper revenue notes and $325,000 of variable rate demand bonds. In the event that UCMC's remarketing agents are unable to remarket the bonds, the trustee of the bonds will tender them under the letters of credit. Scheduled repayments under the letters of credit are between one and three years, beginning after a grace period of at least one year from the event, and bear interest rates different from those associated with the original bond issue. Any bonds tendered are still eligible to be remarketed. Bonds subsequently remarketed would be subject to the original bond repayment schedules.

Scheduled principal repayments on long-term debt based on the variable rate demand debt being put back to the System and a corresponding draw being made on the underlying credit facility, if available, excluding costs, premiums, or discounts, are as follows:

Year ending June 30:		
2022	$	81,703
2023		153,584
2024		107,039
2025		136,856
2026		26,490
Thereafter		444,635
	$	950,307

(b) Recent Financing Activity

In August 2020, UCMC issued fixed rate bonds in the amount of $47,270. The Series 2020A bonds were sold to JPMorgan Chase Bank. The purpose of the Series 2020A bonds was to provide for the redemption of UCMC's Series 2009B bonds in full on August 15, 2020.

(c) Lines of Credit

At June 30, 2020, UCMC had two lines of credit totaling $200,000 from commercial banks. UCMC allowed one of the $100,000 lines to expire per its terms on April 28, 2021. As of June 30, 2021, UCMC has a $100,000 line of credit from a commercial bank. The line of credit expires March 2, 2022.

As of June 30, 2021 and 2020, no amount was outstanding under the lines.

(d) Interest Payments

The System paid interest, net of capitalized interest, of approximately $31,300 and $32,800 in 2021 and 2020, respectively.

(e) UCMC Title Holding Corporation

During fiscal years 2017 and 2018, UCMC entered into New Market Tax Credit (NMTC) financing agreements with various entities for the purposes of financing various projects at UCMC that would benefit the surrounding community. The NMTC program was established in 2000 by the United States Congress and is administered by the Department of Treasury to encourage private investment in qualifying low-income communities. Pursuant to Section 45(D) of the Internal Revenue Code, UCMC's NMTC structure consists of an NMTC investor (Investor) who provided qualified equity investments to a community development entity (CDE) who in turn provided debt financing to a separate not for profit tax exempt entity, which is a qualified active low income community business (QALICB).

In August 2017, UCMC was a lender in the NMTC structure for the construction of a new emergency department and adult trauma center. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation II NFP, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including UCMC Trauma Center NMTC Investment Fund, LLC (the CDE Funds), which in turn provided debt financing of $20,880 to UCMC Title Holding Corporation to fund qualified construction costs and equipment, as required under the terms of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2025 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund. If the Put Option is not exercised, UCMC has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the investment fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation II NFP would be extinguished.

(11) Derivative Instruments

The System has interest rate related derivative instruments to manage its exposure on debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk; however, the System is required to post collateral to the counterparty when certain thresholds as defined in the derivative agreements are met. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. System management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

The System is required to post collateral under the specific terms and conditions for the various interest rate swap agreements as described below. At June 30, 2021 and 2020, $6,120 and $55,100 was held as collateral, respectively, and was recorded in current portion of investments limited to use and included in Note 7 as funds in trust for disclosure. Collateral postings are primarily driven by the value of the swap as measured at the reset date. Collateral requirements increase if credit ratings were to be downgraded.

The fair value of each swap is the estimated amount UCMC would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value is included in interest rate swap liability on the consolidated balance sheets, while the change in fair value is recorded in other changes in net assets without donor restrictions for the effective portion of the change and in nonoperating gains and losses for the ineffective portion of the change.

UCMC Interest Rate Swap Agreement

In August 2006, UCMC entered into a forward starting swap transaction against contemplated variable rate borrowing for the Center for Care and Discovery. This is a cash flow hedge against interest on the variable rate debt. The fair value of these swap agreements is the estimated amount that UCMC 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. The swap values are based on the LIBOR. The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Management has determined that the interest rate swaps are effective and have qualified for hedge accounting. The fair value of the UCMC swap agreement liabilities was $138,563 and $182,470 at June 30, 2021 and 2020, respectively, and has been included in other long-term liabilities in the accompanying consolidated balance sheets. The net effective portion of the change in fair value on the UCMC swap agreements of $44,967 and $(53,268) in 2021 and 2020, respectively, has been included in the change in net assets without donor restrictions in the accompanying 2021 and 2020 consolidated statements of operations and changes in net assets without donor restriction. Management has recognized ineffectiveness of approximately $695 in 2021 and an ineffectiveness of $(395) in 2020 in nonoperating gains and losses. This movement reflects the spread between tax-exempt interest rates and LIBOR during the period. The effective portion of these swaps is included in other changes in net assets without donor restrictions. The interest rate swaps terminate on February 1, 2044. Cash settlement payments related to the swaps are recorded in interest expense.

On July 1, 2020 UCMC entered into a novation of the interest rate swap agreements for a five-year term. The novation to the new parties is under like-kind terms and arrangements that do not require dedesignation of the heading relationship and related accounting.

The following summarizes the general terms of each of UCMC's swap agreements:

Effective date	Associated debt series	Original term	Current notional amount	UCMC pays	UCMC receives
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	$ 162,500,000	3.89%	68% of LIBOR
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	162,500,000	3.97%	68% of LIBOR

CHHD Swap Agreement

CHHD entered into an interest rate swap agreement on June 28, 2004 to lock in long-term fixed rates on the Series 2004 variable-rate debt issuance, with a notional amount of $36,325 and a maturity date of May 15, 2034. This agreement was amended on March 1, 2013. Under the amended agreement, the notional amount and maturity did not change, and CHHD receives, on a monthly basis, 67% of one-month LIBOR plus 47.5 basis points and makes payments on a monthly basis, an annualized fixed rate of 4.61%. The swap is not designated as a hedging instrument, and therefore, the change in fair value of the 2004 interest rate swap agreement of $2,637 and $(2,318) in 2021 and 2020, respectively, was recognized as a component of nonoperating gains in the accompanying consolidated statements of operations and changes in net assets without donor restriction. The fair value of the Series 2004 interest rate swap agreement liability of $8,799 and $11,436 at June 30, 2021 and 2020, respectively, is included as a component of other long-term liabilities in the accompanying consolidated balance sheets. The differential to be paid or received under the Series 2004 interest rate swap agreement is recognized monthly and has been included as a component of interest expense in the accompanying consolidated statements of operations and changes in net assets without donor restriction.

A summary of outstanding positions under the interest rate swap agreements for CHHD at June 30, 2021 is as follows:

Series	Notional amount	Maturity date	Rate received	Rate paid
2004 Interest rate swap Agreement:	$ 40,125	May 15, 2034	% of LIBOR	Fixed 4.61%

(12) Leases

The components of lease cost for the years ended June 30, 2021 and 2020 reported as part of other expenses in the consolidated statements of operations and changes in net assets without donor restrictions, were as follows:

		2021	2020
Operating lease expense	$	10,814	10,076
Finance lease expense:			
Amortization of right-of-use assets		5,802	4,970
Interest on lease liabilities		1,146	1,191
Total finance lease expense		6,948	6,161
Total lease expense	$	17,762	16,237

Amounts reported in the consolidated balance sheets as of June 30, 2021 and 2020 were as follows:

		2021	2020
Operating Leases:			
Right-of-use assets – operating leases	$	64,323	53,043
Accumulated amortization		4,175	3,038
Other assets, net	$	60,148	50,005
Current portion of other long-term liabilities	$	4,626	4,596
Other long-term liabilities, less current portion		55,522	45,409
Total operating lease liabilities	$	60,148	50,005
Finance Leases:			
Right-of-use assets – finance leases	$	37,818	38,347
Accumulated amortization		7,643	4,970
Other assets, net	$	30,175	33,377
Current portion of other long-term liabilities	$	3,329	7,521
Other long-term liabilities, less current portion		28,055	29,466
Total operating lease liabilities	$	31,384	36,987

(Continued)

Other information related to leases as of June 30, 2021 and 2020 was as follows:

Supplemental cash flow information:

		2021	2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow from operating leases	$	10,814	8,383
Financing cash flow from finance leases		8,113	2,466
ROU assets obtained in exchange for lease obligations:			
Operating leases		14,318	53,043
Finance leases		2,202	27,681
Reductions to ROU assets resulting from reductions to lease obligations:			
Operating leases		4,175	3,038
Finance leases		8,058	4,970
Weighted average remaining lease term:			
Operating leases		12.7 years	9.1 years
Finance leases		13.4 years	11.2 years
Weighted-average discount rate:			
Operating leases		2.2 %	2.1 %
Finance leases		3.5	3.3

Amounts disclosed for ROU assets obtained in exchange for lease obligations include amounts added to the carrying amount of ROU assets resulting from lease modifications and reassessments.

Maturities of lease liabilities under noncancelable leases as of June 30, 2021 are as follows:

		Operating	Finance
2022	$	6,316	4,340
2023		6,233	4,061
2024		5,290	3,426
2025		3,614	2,895
2026 and thereafter		49,136	26,441
		70,589	41,163
Less amount representing interest		9,683	9,779
Present value of net minimum lease payments	$	60,906	31,384

(13) Insurance

Professional and General Liability

The System maintains separate self-insurance programs for UCMC and CHHD. UCMC is included under certain of the University’s insurance programs. Since 1977, UCMC, in conjunction with the University, has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which for the years ended June 30, 2021 and 2020 was $5,000 per claim and unlimited in the aggregate. Claims in excess of $5,000 are subject to an additional self-insurance retention limited to $12,500 per claim and $22,500 in aggregate. There are no assurances that the University will be able to renew existing policies or procure coverage on similar terms in the future.

CHHD maintains a self-insurance program for professional and general liability. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retentions at various levels by policy year. CHHD established a trust fund with an independent trustee for the administration of assets funded under the malpractice and general liability self-insurance program.

The System has engaged professional consultants for calculating an estimated liability for medical malpractice self-insurance and is actuarially determined based upon estimated claim reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the future. It considers anticipated payout patterns, as well as interest to be earned on available assets prior to payment. The discount rate used to value the self-insurance liability is a rate commensurate with the duration of anticipated payments.

A comparison of the estimated liability for incurred malpractice claims (filed and not filed) and assets available for claims for the combined University and UCMC self-insurance program as of June 30, 2021 and 2020 is presented below:

		2021	2020
Actuarial present value of self-insurance liability for medical malpractice	$	202,419	185,822
Total assets available for claims		344,879	259,113

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately $24,038 higher at June 30, 2021. The interest rate assumed in determining the present value was 2.75% and 2.50% for 2021 and 2020, respectively. UCMC has recorded its pro rata share of the malpractice self-insurance liability in the amount of $96,204 and $83,620 at June 30, 2021 and 2020, respectively, with an offsetting receivable from the malpractice trust to cover any related claims. The malpractice self-insurance trust assets consist primarily of funds held in TRIP.

UCMC recognizes as malpractice expense its negotiated pro rata share of the actuarially determined normal contribution, with gains and losses amortized over five years, with no retroactive adjustments, as provided in the operating agreement. For fiscal year 2021, UCMC's expense is estimated to be approximately $11,000 related to malpractice insurance.

On April 30, 2019, CHHD entered into a loss portfolio transfer for the Ingalls Memorial Hospital medical malpractice program by obtaining an occurrence-based policy for claims through June 30, 2018 through a payment of $47,311 to an unrelated insurance company. The loss portfolio transferred was structured through Ingalls Casualty Insurance (the Captive) entity for purposes of additional insurance protection and risk management. At June 30, 2021, there was no additional liability calculated by the programs actuaries that would require additional reserves by CHHD or the Captive. Accruals for CHHD professional and general liabilities are recorded on a discounted basis consistent with the University's insurance program.

(14) Pension Plans

Active Plans

A majority of UCMC's personnel participate in the University's defined-benefit and contribution pension plans, which are considered multiemployer pension plans. Under the defined-benefit portion of this plan, benefits are based on years of service and the employee's compensation for the five highest paid consecutive years within the last ten years of employment. UCMC and the University make annual contributions to this portion of the plan at a rate necessary to maintain plan funding based on the guidelines set forth by the Employee Retirement Income Security Act of 1974, on an actuarially determined basis. UCMC recognizes its share of net periodic pension cost as expense and any difference in the contribution amount as a transfer of net assets without donor restrictions. The adjustment to net assets without donor restrictions was $2,781 and $(2,823) for the years ended June 30, 2021 and 2020. UCMC expects to make contributions not to exceed $2,200 for the fiscal year ending June 30, 2021.

Effective January 1, 2017, the 401(a) defined-benefit pension plan was frozen for UCMC employees participating in the plan and was replaced with an enhanced defined-contribution plan. Under the defined contribution portion of the plan, UCMC and plan participants make contributions that accrue to the benefit of the participants at retirement. UCMC's contributions, which are based on a percentage of each covered employee's salary, totaled approximately $11,700 and $24,900 for the years ended June 30, 2021 and 2020, respectively.

UCMC's expense related the multiemployer University's defined-benefit plans included in the University's consolidated financial statements for the years ended June 30, 2021 and 2020 is as follows:

		Contribution of UCMC	
Plan name	**EIN**	**2021**	**2020**
University of Chicago Retirement Income Plan for Employees	36-2177139-002	$ —	—
University of Chicago Pension Plan for Staff Employees	36-2177139-003	—	—
		$ —	—

The benefit obligation, fair value of plan assets, and funded status for the University's defined-benefit plan included in the University's consolidated financial statements as of June 30 are shown below.

	2021	2020
Projected benefit obligation	$ 1,006,857	1,057,892
Fair value of plan assets	871,372	786,782
Deficit of plan assets over benefit obligation	$ (135,485)	(271,110)

The weighted average assumptions used in the accounting for the plan are shown below.

	2021	2020
Discount rate	3.2 %	2.9 %
Expected return on plan assets	6.0	6.3
Rate of compensation increase	3.5	3.5

The weighted average asset allocation for the plan is as follows:

	2021	2020
Domestic equities	26 %	26 %
International equity	21	24
Fixed income	53	50
	100 %	100 %

Domestic and international equities are presented as Level 1 investments and fixed income securities are presented as Level 2 investments within the fair value hierarchy.

The pension and other postretirement benefit obligation considers 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. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:		
2022	$	75,338
2023		53,519
2024		53,414
2025		52,974
2026		54,581
2027-2031		280,844

UCMC and CHHD also maintain additional defined-contribution retirement plans for employees. The System’s pension expense under these distinct defined-contribution retirement plans for UCMC was $700 and $8,000 for the years ended June 30, 2021 and 2020, respectively.

CHHD expense under these distinct defined-contribution retirement plans was $800 and $2,900 for the years ended June 30, 2021 and 2020, respectively.

(Continued)

Curtailed and Frozen Plan

In June 2002, UCMC assumed sponsorship of the Louis A. Weiss Memorial Hospital Pension Plan (Employer Identification Number 36-3488183, Plan Number 003), which covers employees of a former affiliate. Participation and benefit accruals are frozen. All benefit accruals are fully vested.

As the plan was fully terminated and annuitized in FY 2021 UCMC will not be required to make future contributions or have benefit payments.

Components of net periodic pension cost and other amounts recognized in net assets without donor restrictions include the following:

		Years ended June 30	
		2021	2020
Net periodic pension cost:			
Service cost	$	—	—
Net periodic pension cost	$	—	—
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Interest cost	$	683	1,730
Expected return on plan assets		(1,063)	(2,598)
Amortization of unrecognized net actuarial loss		727	1,279
Total recognized in net periodic pension cost and net assets without donor restrictions	$	347	411

The following table sets forth additional required pension disclosure information for this plan:

	Years ended June 30	
	2021	2020
Changes in projected benefit obligation:		
Benefit obligation at beginning of year	$ 54,411	51,246
Interest cost	683	1,730
Net actuarial loss	(2,197)	4,929
Settlements	(50,994)	—
Benefits paid	(1,903)	(3,494)
	—	54,411
Changes in plan assets:		
Fair value of plan assets at beginning of year	48,464	45,121
Actual return on plan assets	1,477	3,837
Employer contribution	2,956	3,000
Settlements	(50,994)	—
Benefits paid	(1,903)	(3,494)
	—	48,464
Funded status at end of year	$ —	(5,947)

Amounts recognized in the consolidated balance sheets are included in other noncurrent liabilities.

Accumulated plan benefits equal projected plan benefits. Assumptions used in the accounting for the net periodic pension cost were as follows:

	2021	2020
Discount rate	2.6 %	2.6 %
Expected return on plan assets	4.3	6.0
Rate of compensation increase	N/A	N/A

(Continued)

(15) Functional Expenses

Total operating expenses by function are as follows for the years ended June 30:

	2021			
	Healthcare services	Admin	Fundraising	Total
Salaries, wages, and benefits	$ 1,017,375	115,028	1,802	1,134,205
Supplies and other	846,656	97,190	741	944,587
Physician services	297,190	6,245	—	303,435
Insurance	39,458	145	—	39,603
Interest	36,242	3,501	—	39,743
Medicaid provider tax	75,683	—	—	75,683
Depreciation and amortization	131,844	863	—	132,707
Total	$ 2,444,448	222,972	2,543	2,669,963

	2021			
	Healthcare services	Admin	Fundraising	Total
Salaries, wages, and benefits	$ 970,553	92,033	2,079	1,064,665
Supplies and other	776,521	82,437	1,152	860,110
Physician services	290,999	10,454	—	301,453
Insurance	29,841	214	—	30,055
Interest	39,490	2,767	—	42,257
Medicaid provider tax	66,640	—	—	66,640
Depreciation and amortization	130,744	865	—	131,609
Total	$ 2,304,788	188,770	3,231	2,496,789

In accordance with ASU 2016-14, Topic 958, Not-for-profit entities are required to report expenses both by their natural classification and their functional classification. Functional classifications have been determined based on their relationship to major program services and supporting activities. For support functions directly related to major program services, an allocation has been applied based on the percentage of time and effort devoted to the program service. For overhead expenses such as utilities and interest expense, an allocation based on square footage has been applied. The costs related to support functions not directly related to program activities have been fully classified as supporting activities.

(16) Contingencies

(a) Litigation

The System is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of the System, the amount of ultimate liability with respect to these actions will not materially affect the consolidated operations or net assets of the System.

(b) Regulatory Investigation and Other

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The System is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for the System and other healthcare organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The System maintains a system-wide compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments by governmental payors. Compliance reviews may result in liabilities to government healthcare program, which could have an adverse impact on the System’s net patient service revenue.

(c) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the governor of Illinois signed into law, Public Act 97-0688, which created new standards for state sales tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital’s estimated property tax liability. The System certified in 2021 and 2020 and has not recorded a liability for related property taxes based upon management’s current determination of qualified services provided.

Schedule 1

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Balance Sheet Information

June 30, 2021

(Dollars in thousands)

Assets	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Current assets:											
Cash and cash equivalents	$ 115,695	23,230	24	1,047	—	—	139,996	7,615	37,028	—	184,639
Patient accounts receivable	393,288	—	40,252	—	2,574	—	436,114	898	129	—	437,141
Current portion of investments limited to use	247,395	—	—	—	—	—	247,395	—	—	—	247,395
Current portion of malpractice self-insurance receivable	16,809	—	—	—	—	—	16,809	—	—	—	16,809
Current portion of pledges receivable	2,289	—	—	—	—	—	2,289	—	—	—	2,289
Due from affiliates	75,109	2,962	105,451	7	10,055	(51,696)	141,888	1,947	531	(144,366)	—
Prepaids, inventory, and other current assets	138,051	944	10,792	243	172	—	150,202	2,513	43,896	(1,217)	195,394
Total current assets	988,636	27,136	156,519	1,297	12,801	(51,696)	1,134,693	12,973	81,584	(145,583)	1,083,667
Investments, limited as to use, less current portion	1,450,252	9,149	151,830	81,212	21,390	(3,165)	1,710,668	—	11,659	—	1,722,327
Property, plant, and equipment, net	1,291,456	6,560	182,835	—	9	—	1,480,860	21,337	6,953	—	1,509,150
Pledges receivable, less current portion	5,708	—	—	—	—	—	5,708	—	—	—	5,708
Malpractice self-insurance receivable, less current portion	90,598	—	—	—	—	—	90,598	—	—	—	90,598
Other assets, net	419,448	(4,773)	5	—	—	(325,220)	89,460	59,960	2,105	(28,658)	122,867
Total assets	$ 4,246,098	38,072	491,189	82,509	34,200	(380,081)	4,511,987	94,270	102,301	(174,241)	4,534,317
Liabilities and Net Assets											
Current liabilities:											
Accounts payable and accrued expenses	$ 229,097	(25,209)	55,866	340	2,392	—	262,486	2,880	16,853	—	282,219
Current portion of long-term debt	17,358	—	3,655	—	—	—	21,013	1,862	—	—	22,875
Current portion of other long-term liabilities	4,442	—	—	—	—	—	4,442	1,550	—	(1,217)	4,775
Estimated third-party payor settlements and Medicare Advance	386,870	—	65,109	—	400	—	452,379	—	2,151	—	454,530
Current portion of malpractice self-insurance liability	16,809	—	—	—	—	—	16,809	—	—	—	16,809
Due to affiliates	—	57,773	8,871	235	75	(51,696)	15,258	71,278	57,830	(144,366)	—
Due to the University of Chicago	29,809	—	—	—	—	—	29,809	—	—	—	29,809
Total current liabilities	684,385	32,564	133,501	575	2,867	(51,696)	802,196	77,570	76,834	(145,583)	811,017
Workers' compensation self-insurance liability, less current portion	8,604	—	—	—	—	—	8,604	—	—	—	8,604
Malpractice self insurance liability, less current portion	90,598	—	(1)	—	—	—	90,597	—	78,043	—	168,640
Long-term debt, excluding current installments	804,227	—	93,490	—	—	—	897,717	40,040	—	—	937,757
Interest rate swap liability	138,563	—	8,799	—	—	—	147,362	—	—	—	147,362
Other long-term liabilities, less current portion	139,804	5,106	14,042	—	325	(2,358)	156,919	26,080	104	(37,470)	145,633
Total liabilities	1,866,181	37,670	249,831	575	3,192	(54,054)	2,103,395	143,690	154,981	(183,053)	2,219,013
Net assets (deficit):											
Without donor restrictions	2,235,167	402	238,198	68,060	31,003	(309,740)	2,263,090	(49,420)	(52,702)	8,812	2,169,780
With donor restrictions	144,750	—	3,160	13,874	5	(16,287)	145,502	—	22	—	145,524
Total net assets (deficit)	2,379,917	402	241,358	81,934	31,008	(326,027)	2,408,592	(49,420)	(52,680)	8,812	2,315,304
Total liabilities and net assets	$ 4,246,098	38,072	491,189	82,509	34,200	(380,081)	4,511,987	94,270	102,301	(174,241)	4,534,317

See accompanying independent auditors' report.

Schedule 2

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year ended June 30, 2021

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Revenue:											
Patient service revenue	$ 1,992,346	—	301,564	—	9,327	—	2,303,237	7,897	22,419	(2,044)	2,331,509
Other operating revenue and net assets released from restrictions	403,516	12,583	32,180	1,797	483	(12,600)	437,959	7,716	25,814	(13,844)	457,645
Total operating revenues	2,395,862	12,583	333,744	1,797	9,810	(12,600)	2,741,196	15,613	48,233	(15,888)	2,789,154
Operating expenses:											
Salaries, wages, and benefits	939,456	2,594	144,069	241	8,012	—	1,094,372	12,496	28,803	(1,466)	1,134,205
Supplies and other	798,134	2,469	125,275	1,639	1,572	(1,553)	927,536	8,239	12,358	(3,546)	944,587
Physician services	273,106	972	23,498	24	235	(4,566)	293,269	3,362	14,422	(7,618)	303,435
Insurance	15,722	6,548	8,939	—	145	(6,481)	24,873	1,275	14,983	(1,528)	39,603
Interest	36,234	—	4,294	—	—	—	40,528	943	1	(1,729)	39,743
Medicaid provider tax	56,238	—	19,445	—	—	—	75,683	—	—	—	75,683
Depreciation and amortization	113,178	535	15,889	—	8	—	129,610	2,179	918	—	132,707
Total operating expenses	2,232,068	13,118	341,409	1,904	9,972	(12,600)	2,585,871	28,494	71,485	(15,887)	2,669,963
Operating revenue in excess (deficit) of expenses	163,794	(535)	(7,665)	(107)	(162)	—	155,325	(12,881)	(23,252)	(1)	119,191
Nonoperating gains (losses), net:											
Investment income, net	318,439	2,309	40,908	19,686	5,974	—	387,316	—	—	—	387,316
Change in fair value of nonhedged derivative instruments	—	—	2,637	—	—	—	2,637	—	—	—	2,637
Derivative ineffectiveness on hedged derivative instruments	695	—	—	—	—	—	695	—	—	—	695
Other, net	833	29	(683)	(280)	(85)	—	(186)	—	(433)	368	(251)
Net nonoperating gains (losses)	319,967	2,338	42,862	19,406	5,889	—	390,462	—	(433)	368	390,397
Revenue and gains in excess (deficient) of expenses and losses	483,761	1,803	35,197	19,299	5,727	—	545,787	(12,881)	(23,685)	367	509,588
Other changes in net assets without donor restriction:											
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit costs	2,781	—	—	—	—	—	2,781	—	—	—	2,781
Effective portion of change in valuation of derivatives	44,967	—	—	—	—	—	44,967	—	—	—	44,967
Net assets released from restriction for capital purposes	125	—	—	—	—	—	125	—	—	—	125
Distributions and other, net	—	12,764	(31,255)	(1)	—	—	(18,492)	—	18,495	(27)	(24)
Increase (decrease) in net assets without donor restrictions	$ 459,884	14,567	3,942	19,298	5,727	—	503,418	(12,881)	(5,190)	340	485,687

See accompanying independent auditors' report.

Schedule 3

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2021

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Net assets without donor restrictions:											
Revenue and gains in excess (deficient) of expenses and losses	$ 483,761	1,803	35,197	19,299	5,727	—	545,787	(12,881)	(23,685)	367	509,588
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit cost	2,781	—	—	—	—	—	2,781	—	—	—	2,781
Effective portion of change in valuation of derivatives	44,967	—	—	—	—	—	44,967	—	—	—	44,967
Net assets released from restriction for capital purposes	125	—	—	—	—	—	125	—	—	—	125
Distributions and other, net	—	12,764	(31,255)	(1)	—	—	(18,492)	—	18,495	(27)	(24)
Increase (decrease) in net assets without donor restrictions	459,884	14,567	3,942	19,298	5,727	—	503,418	(12,881)	(5,190)	340	485,687
Net assets with donor restrictions:											
Contributions	12,115	—	—	398	—	—	12,513	—	—	—	12,513
Change in net interest in Foundation	—	—	(547)	—	—	547	—	—	—	—	—
Net assets released from restrictions used for operating purposes	(7,413)	—	—	(945)	—	1,848	(6,510)	—	—	(1,848)	(8,358)
Net assets released from restrictions used for capital purposes	(125)	—	—	—	—	—	(125)	—	—	—	(125)
Investment return, net	28,157	—	—	1,630	—	—	29,787	—	22	—	29,809
Increase (decrease) in net assets with donor restrictions	32,734	—	(547)	1,083	—	2,395	35,665	—	22	(1,848)	33,839
Change in net assets	492,618	14,567	3,395	20,381	5,727	2,395	539,083	(12,881)	(5,168)	(1,508)	519,526
Net assets (deficit) at beginning of year	1,887,299	(14,165)	237,963	61,553	25,281	(328,422)	1,869,509	(36,539)	(47,512)	10,320	1,795,778
Net assets (deficit) at end of year	$ 2,379,917	402	241,358	81,934	31,008	(326,027)	2,408,592	(49,420)	(52,680)	8,812	2,315,304

See accompanying independent auditors' report.