THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
The University of Chicago Medical Center:

Opinion

We have audited the consolidated financial statements of The University of Chicago Medical Center (the System), which comprise the consolidated balance sheets as of June 30, 2024 and June 30, 2023, and the related consolidated statements of operations and changes in net assets without donor restrictions, statements of changes in net assets, and statement of 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 System as of June 30, 2024 and June 30, 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the System 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 System's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System'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 System's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2024 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
November 7, 2024

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2024 and 2023

(In thousands)

Assets		2024	2023
Current assets:			
Cash and cash equivalents	$	183,072	176,546
Patient accounts receivable		691,974	525,670
Current portion of investments limited to use		19	58,638
Current portion of malpractice self-insurance receivable		25,193	22,754
Current portion of pledges receivable		19,131	3,543
Due from affiliate		15,924	66,397
Prepaids, inventory, and other current assets		261,681	268,673
Total current assets		1,196,994	1,122,221
Investments limited to use, less current portion		1,527,487	1,572,137
Property, plant, and equipment, net		2,094,663	2,009,957
Pledges receivable, less current portion		79,043	4,802
Malpractice self-insurance receivable, less current portion		81,899	93,434
Other assets, net		301,092	171,740
Total assets	$	5,281,178	4,974,291
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	388,452	356,024
Current portion of long-term debt		28,143	23,293
Current portion of other long-term liabilities		6,413	8,929
Estimated third-party payor settlements and Medicare Advance		311,651	282,121
Current portion of malpractice self-insurance liability		25,193	22,754
Due to University of Chicago		33,033	29,280
Total current liabilities		792,885	722,401
Other liabilities:			
Workers’ compensation self-insurance liabilities, less current portion		11,921	11,267
Malpractice self-insurance liability, less current portion		164,516	190,815
Long-term debt, less current portion		1,227,091	1,266,194
Interest rate swap liability		42,660	57,511
Other long-term liabilities, less current portion		188,872	137,355
Total liabilities		2,427,945	2,385,543
Net assets:			
Without donor restrictions		2,285,840	2,135,831
Non-controlling interest in consolidated joint venture		310,750	305,185
Total net assets without donor restrictions		2,596,590	2,441,016
With donor restrictions		256,643	147,732
Total net assets		2,853,233	2,588,748
Total liabilities and net assets	$	5,281,178	4,974,291

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, 2024 and 2023

(In thousands)

		2024	2023
Operating revenues:			
Patient service revenue	$	3,996,033	3,260,498
Other operating revenues and net assets released from restrictions used for operating purposes		629,140	508,677
Total operating revenues		4,625,173	3,769,175
Operating expenses:			
Salaries, wages, and benefits		1,966,480	1,614,475
Supplies and other		1,703,990	1,427,559
Physician services		403,201	355,593
Insurance		70,511	42,065
Interest		47,816	41,945
Medicaid provider tax		137,502	86,093
Depreciation and amortization		184,722	151,344
Total operating expenses		4,514,222	3,719,074
Operating revenue in excess of expenses		110,951	50,101
Nonoperating gains and losses:			
Investment return, net		101,050	41,190
Change in fair value of nonhedged derivative instruments		(3,110)	1,888
Derivative ineffectiveness on hedged derivative instruments		—	3,296
Other, net		1,799	(3,142)
Revenue and gains in excess of expenses and losses		210,690	93,333
Less revenue and gains in excess (deficit) of expenses and losses attributable to non-controlling Interest		(5,565)	2,806
Revenue and gains in excess of expenses and losses		205,125	96,139
Other changes in net assets without donor restrictions:			
Net asset transfers to University of Chicago		(71,750)	(71,750)
Effective portion of change in valuation of derivatives		17,961	20,745
Contribution of AdventHealth joint venture net assets		—	231,483
Additional working capital from AdventHealth		—	70,896
Distributions and other, net		(1,327)	7,313
		150,009	354,826
Net income (loss) attributed to non-controlling interest in consolidated joint venture		5,565	(2,806)
Increase in net assets without donor restrictions	$	155,574	352,020

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Net assets without donor restrictions:			
Revenue and gains in excess of expenses and losses	$	205,125	96,139
Net asset transfers to University of Chicago		(71,750)	(71,750)
Effective portion of change in valuation of derivatives		17,961	20,745
Contribution of AdventHealth joint venture net assets		—	231,483
Additional working capital from AdventHealth		—	70,896
Distributions and other, net		(1,327)	7,313
Increase in net assets without donor restrictions before non-controlling interest		150,009	354,826
Net income (loss) attributed to non-controlling interest in consolidated joint venture		5,565	(2,806)
Increase in net assets without donor restrictions		155,574	352,020
Net assets with donor restrictions:			
Contributions		113,392	13,950
Contribution of AdventHealth net assets with donor restrictions		—	8,713
Net assets released from restrictions used for operating purposes		(13,918)	(7,641)
Investment return, net		11,237	(2,954)
Net assets released from restrictions for capital purposes		(1,800)	—
Increase in net assets with donor restrictions, net		108,911	12,068
Change in net assets		264,485	364,088
Net assets at beginning of year		2,588,748	2,224,660
Net assets at end of year	$	2,853,233	2,588,748

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Cash flows from operating activities:			
Change in net assets	$	264,485	364,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net change in unrealized gains and losses on investments		(56,860)	(3,440)
Net asset transfers to University of Chicago		71,750	71,750
Restricted contributions and investment return		(124,629)	(10,996)
Realized gains on investments		(44,190)	(24,077)
Net change in valuation of derivatives		(14,851)	(25,929)
Contribution of AdventHealth Joint Venture net assets		—	(241,629)
Additional working capital from AdventHealth		—	(70,896)
Net assets released from restrictions for operations		13,918	7,641
Payment of lease obligations		(22,099)	(6,728)
Depreciation and amortization		184,722	151,344
Amortization of bond premium/discount/cost of issuance		(1,103)	(1,148)
Changes in assets and liabilities:			
Patient accounts receivable		(166,304)	(54,349)
Other assets, net		(86,235)	(130,923)
Accounts payable and accrued expenses		26,431	51,920
Due to University of Chicago		3,753	(4,365)
Estimated settlements with third-party payors and Medicare Advance		29,530	6,316
Self-insurance liabilities, net		(23,208)	16,795
Other liabilities		(1,562)	(14,934)
Net cash provided by operating activities		53,548	80,440
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(259,188)	(172,421)
Investment in joint venture		—	(250,000)
Net assets released from restriction for capital purposes		1,800	—
Purchases of investments		(507,706)	(291,943)
Sales of investments		712,025	357,544
Net cash used in investing activities		(53,069)	(356,820)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, including bond premium		—	393,825
Repayment of long-term debt		(33,150)	(28,685)
Payments of finance/long-term lease obligation		(3,964)	(6,355)
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Additional working capital from AdventHealth and acquired cash		—	98,585
Net assets released from restriction for operations		(13,918)	(7,641)
Net assets released from restriction for capital purposes		(1,800)	—
Proceeds from line of credit		6,000	—
Proceeds from restricted contributions		124,629	13,950
Net cash provided by financing activities		6,047	391,929
Net increase in cash and cash equivalents		6,526	115,549
Cash and cash equivalents:			
Beginning of year		176,546	60,997
End of year	$	183,072	176,546

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, collaborating 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. Included within UCMC are the following entities; 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.

On January 1, 2023, UCMC acquired a controlling interest in AdventHealth Great Lakes Region through a member substitution becoming the sole Class A member and Advent Health becoming the sole Class B member of this 501c3 corporation and affiliation agreement. As a result of this transaction, AdventHealth Great Lakes Region is included in the consolidated financial statements of UCMC with distinguishing of net assets deemed controlling interest versus non-controlling interest.

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 5 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) Accounting Standards Adopted

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (topic 326) Measurement of Credit Losses on Financial Instruments commonly referred to as the Current Expected Credit Losses (CECL) model. Under the

CECL model, UCMC is required to estimate expected credit losses over the contractual term of financial assets, including receivables. The estimation of the expected credit losses involves considering relevant information about past events, current conditions and forecasts that effect the collectability of the financial assets. UCMC adopted ASU 2016-13 in fiscal year 2024 with no material impact on the consolidated financial statements.

(c) 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.

(d) 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, 2024 and 2023, are reported in note 7.

(e) 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.

(f) 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. The system has deposits at financial institutions that exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Cash equivalents held by investment managers are treated as investing activity in the consolidated statements of cash flows.

(g) Inventory and Supplies

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

(h) Investments Limited as to Use

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, 2024 and 2023, 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, 2024 and 2023 is included in note 8.

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.

(i) 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.

As of June 30, 2024, the System has discontinued hedge accounting. Prospectively, the change in fair value of derivatives will be reported as a single number in non-operating income. The amount that remains in net assets without donor restrictions will be amortized to interest expense consistent with the underlying related bonds being paid off.

(j) 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 half-year convention, straight-line method over their estimated useful lives, which generally range from three to forty 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.

(k) Recoverability of Assets

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 2024 or 2023.

(Continued)

(l) Leases

Right-of-use (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, less current portion.

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

For operating leases, the ROU asset and 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 ROU asset and 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. The System uses the internal weighted average cost of capital when no explicit interest rate is available for a period comparable to the lease term. Lease expense 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. Leases having an initial term of 1 year or less are expensed as incurred.

(m) 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.

(In thousands)

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, 2024 and 2023 is as follows:

	Perpetual	Time restricted by law	2024 Total
Restricted for pediatric healthcare	$ 3,726	18,585	22,311
Restricted for adult healthcare	5,993	60,003	65,996
Restricted for educational and scientific programs	14,002	3,510	17,512
	$ 23,721	82,098	105,819

	Perpetual	Time restricted by law	2023 Total
Restricted for pediatric healthcare	$ 3,964	19,822	23,786
Restricted for adult healthcare	918	55,865	56,783
Restricted for educational and scientific programs	15,681	4,325	20,006
	$ 20,563	80,012	100,575

The endowment component of net assets without donor restrictions is comprised of amounts designated by the Board to function as endowment, which amounted to $1,175,567 and $1,216,476 included within investments limited to use as of June 30, 2024 and 2023, respectively.

In addition to endowments, the System has $150,824 and $47,157, respectively, of other restricted net assets at June 30, 2024 and 2023.

(n) 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 (deficient) 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, changes in the valuation of derivatives, change in accrued pension benefits other than net periodic benefit costs, capital contributions from consolidated joint venture partners and other, net.

(o) 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 and Medicaid 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 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.

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 $69,148 and $25,780, for the years ended June 30, 2024 and 2023, respectively. For the year ended June 30, 2024, includes a $57,500 Medicare Settlement made to 340b hospitals underpaid during 2018 thru 2022.

(p) 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, 2023. 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 2024, reimbursement under the HAP resulted in a net increase of $188,387 in operating income, which includes $325,889 in Medicaid payments included in patient service revenue offset by $137,502 in Medicaid provider tax expense. In 2023, reimbursement under the HAP resulted in a net increase of $160,223 in operating income, which includes $267,963 in Medicaid payments included in patient service revenue offset by $107,740 in Medicaid provider tax expense.

(q) Other Revenue

Other operating revenue includes revenue from non-patient care services, of which a substantial portion includes revenue from the 340b program, 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, 2024 and 2023 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 non-grant sources is generally recognized at point of service for these transactions in accordance with ASC Topic 606, *Revenue from Contracts with Customers*.

(r) 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, de-recognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2024 and 2023, the System does not have an asset or liability recorded for unrecognized tax positions.

UCM Obligated Group is comprised of 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. UCM Non-Obligated Groups consist of several not-for-profit and taxable entities. The taxable entities include University of Chicago Medicine Care Network, LLC; Trulen Insurance SPC Limited; Medcentrix, Inc.; Ingalls Same Day Surgery; and Ingalls Provider Group, 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, 2024 and 2023, the UCM Non-Obligated Groups have deferred tax assets primarily relating to net operating losses; 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.

(s) 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 June 30, 2024, the date the consolidated financial statements were issued.

(i) Line of Credit

The System obtained a line of credit on September 5, 2024 for $75,000 with JPMorgan Chase Bank, National Association due to expire on September 4, 2025. There is currently no outstanding balance on the line of credit.

(t) Reclassifications

Certain amounts in the 2023 consolidated financial statements have been reclassified to conform to the 2024 presentation. The reclassifications had no impact to total assets, liabilities, revenues, expenses or net assets.

(3) Advent Joint Venture

On January 1, 2023, the System acquired a controlling interest in AdventHealth Great Lakes Region (AdventHealth GLR) through a member substitution becoming the sole Class A member and Advent Health becoming the sole Class B member of this 501c3 corporation and affiliation agreement. As a result of this transaction, AdventHealth Great Lakes Region is included in the consolidated financial statements of UCMC for the six-month period from January 1, 2023 through June 30, 2023 with distinguishing of net assets deemed controlling interest versus non-controlling interest. This affiliation positions the System, under the University of Chicago Medical Center brand (UChicago Medicine), to expand its integrated academic health delivery system to the Southwest and Western suburbs of Chicago, providing patients access to care at the forefront of medicine where patients live and work.

The affiliation was effected through a member substitution with consideration contributed by UCMC of $250,000 for a controlling interest of the AdventHealth GLR. AdventHealth GLR’s noncontrolling interest, as well as subsequent working capital infusions, were recorded as direct additions to net assets.

(In thousands)

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

Fair value of identifiable net assets:		
Cash and cash equivalents	$	27,689
Prepaids, inventory, and other current assets		19,199
Property, plant and equipment, net		456,982
Other assets, net		37,893
Accounts payable and accrued expenses		(14,890)
Other long-term liabilities		(35,244)
	$	491,629

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

Operating expenses for the year ended June 30, 2024 include costs related to the integration of AdventHealth GLR into the System in accordance with the affiliation agreement and terms of the joint venture including costs of the valuation, transaction related costs, marketing and other operating programs for the benefit of patients. At June 30, 2024 and June 30 2023, respectively, AdventHealth GLR had a receivable due from the non-controlling interest of $15,924 and $66,397 that is deemed collectible.

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

Total operating revenue	$	512,626
Revenue deficient of expense		5,727

The following unaudited information presents the System's results for the years ended June 30, 2023, had the acquisition date been July 1, 2021:

		2023
		(Unaudited)
Total operating revenues	$	4,238,549
Total operating expenses		4,173,819

(In thousands)

(4) 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:

		2024	2023
Financial assets:			
Cash and cash equivalents and investments limited to use	$	183,091	235,184
Patient accounts receivable		691,974	525,670
Total financial assets available within one year		875,065	760,854
Total financial assets and liquidity resources available within one year	$	875,065	760,854

Included in cash and cash equivalents as presented above, as of June 30, 2024, the System has $19 of cash held in current portion of investment, limited to use. In addition, the System maintains $1,175,567 in funds functioning as endowment and $207,471 of other long-term investments, all available for general expenditure upon Board approval, of which $641,229 is liquid within 12 months. As of June 30, 2023, the System had $58,638 of cash held in current portion of investment, limited to use. In addition, the System maintains $1,216,476 in funds functioning as endowment and $201,267 of other long-term investments, all available for general expenditure upon Board approval, of which $664,969 is liquid within 12 months.

(5) 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 2 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.

The System has a relationship with the University Investment Office by which the System investments are managed. The System owns shares within the University investment TRIP, known as Total Return Investment Portfolio. Changes in share price are recognized on the books and records of the System.

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, 2024 and 2023, the University charged UCMC $43,601 and $38,153, respectively, for utilities, security, telecommunications, insurance, and overhead.

The University's Division of Biological Sciences provides physician services to UCMC. In 2024 and 2023, UCMC recorded $355,424 and $305,316, 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 2024 and 2023 for this support.

(6) 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. Generally, 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, 2019 have been audited by the Medicare fiscal intermediary. CHHD's Medicare reimbursement reports through June 30, 2018 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.

(In thousands)

(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 2023 and prior years have been reviewed by Blue Cross. Advent Joint Venture does not participate in Blue Cross reimbursement report.

(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:

		2024	2023
Medicare	$	1,269,580	966,491
Medicaid		870,690	786,454
Managed care		1,832,058	1,489,351
Patients and other		23,705	18,202
Patient service revenue	$	3,996,033	3,260,498

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

		2024	2023
Inpatient	$	1,894,094	1,646,561
Outpatient/Ambulatory care		1,837,583	1,436,532
Physician services		264,356	177,405
	$	3,996,033	3,260,498

(In thousands)

The mix of receivables from patients and third-party payors as of June 30, 2024 and 2023 is as follows:

	2024	2023
Medicare	23.4 %	24.9 %
Medicaid	18.8	26.0
Managed care	55.3	41.9
Patients and other	2.5	7.2
	100.0 %	100.0 %

(7) 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, 2024 and 2023:

	2024	2023
Uncompensated care:		
Medicaid sponsored indigent healthcare	$ 120,024	115,169
Medicare sponsored indigent healthcare – cost report	191,045	188,114
Medicare sponsored indigent healthcare – physician services	166,065	123,437
Total uncompensated care	477,134	426,720
Charity care	46,434	40,689
	523,568	467,409
Unreimbursed education and research:		
Community benefits (unaudited)	8,157	—
Education (unaudited)	98,432	79,619
Research (unaudited)	56,757	48,229
Total unreimbursed education and research	163,346	127,848
Total community benefits	$ 686,914	595,257

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 charity care policies in 2024.

(In thousands)

(8) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30, 2024 and 2023:

		2024				
		Separately invested	TRIP	Other	Total	2023
Investments carried at fair value:						
Cash and cash equivalents	$	490	25,624	—	26,114	8,002
Global public equities		24,900	362,460	—	387,360	429,422
Private debt		—	—	—	—	58,038
Private equity		—	401,872	—	401,872	365,067
Real assets		—	137,237	—	137,237	128,457
Diversifying		—	196,920	—	196,920	162,955
Absolute return:						
Equity oriented		—	130,152	—	130,152	132,875
Fixed income		94,821	86,411	—	181,232	213,888
Other:						
Beneficial interests in trust		—	—	10,140	10,140	9,325
Funds in trust		5,670	—	50,809	56,479	122,746
Total investments	$	125,881	1,340,676	60,949	1,527,506	1,630,775

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.

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

		2024	2023
Investments limited as to use:			
By the board for capital improvements/restrictions by donors	$	130,352	199,194
Funds held by custodian/trustee under indenture agreements		19	63,402
Funds held by trustee for self-insurance		56,459	59,345
TRIP investments		1,340,676	1,308,834
Total investments limited to use	$	1,527,506	1,630,775

(Continued)

(In thousands)

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

		2024	2023
Interest and dividend income, net	$	19,089	13,673
Realized gains on sales of securities, net		31,896	24,077
Change in unrealized gains and losses on securities, net		56,860	3,440
Investment Management Fees		(6,795)	—
	$	101,050	41,190

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2024, UCMC has commitments of $9 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, 25% equities, and 74% fixed income investments at June 30, 2024. Funds in trust comprise 1% cash and cash equivalents and 99% fixed income investments at June 30, 2023.

(In thousands)

The System believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2024 and 2023. 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, 2024 and 2023 were as follows:

	(Level 1)	(Level 2)	(Level 3)	2024 Total fair value
Assets:				
Cash and cash equivalents	$ 183,072	—	—	183,072
Investments:				
Cash equivalents	26,114	—	—	26,114
Global public equities	58,157	—	—	58,157
Private Equity – U.S. Venture Capital	21	—	6,130	6,151
Real assets:	—	—	11	11
Real estate	3	—	1,001	1,004
Fixed income:				
U.S. Treasuries, including TIPS	86,411	—	—	86,411
Other fixed income	94,821	—	—	94,821
Restricted investments	10,140	—	—	10,140
Funds in trust	5,838	50,641	—	56,479
Investments measured at net asset value[1]				1,188,218
Total investments at fair value	464,577	50,641	7,142	1,710,578
Other assets	12,236	—	—	12,236
Total assets at fair value	$ 476,813	50,641	7,142	1,722,814
Liabilities:				
Interest rate swap payable	$ —	42,660	—	42,660
Total liabilities at fair value	$ —	42,660	—	42,660

(In thousands)

	(Level 1)	(Level 2)	(Level 3)	2023 Total fair value
Assets:				
Cash and cash equivalents	$ 176,546	—	—	176,546
Investments:				
Cash equivalents	8,000	—	—	8,000
Global public equities	82,218	—	—	82,218
Real assets:				
Real estate	20	—	—	20
Fixed income:				
U.S. Treasuries, including TIPS	89,043	—	—	89,043
Other fixed income	147,713	—	—	147,713
Restricted investments	—	—	9,325	9,325
Funds in trust	5,143	117,603	—	122,746
Investments measured at net asset value[1]				1,171,710
Total investments at fair value	508,683	117,603	9,325	1,807,321
Other assets	12,572	—	—	12,572
Total assets at fair value	$ 521,255	117,603	9,325	1,819,893
Liabilities:				
Interest rate swap payable	$ —	57,511	—	57,511
Total liabilities at fair value	$ —	57,511	—	57,511

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 2024, there were no transfers between investments between Levels. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is, therefore, classified within Level 2.

(In thousands)

The following table presents activity for the year ended June 30, 2024 & 2023 respectively for assets measured at fair value using unobservable inputs classified in Level 3:

		2024	2023
Beginning fair value	$	9,325	9,074
Change in unrealized gains and losses, net		(2,183)	251
Ending fair value	$	7,142	9,325

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
Global public equities:			
Commingled funds	N/A	Daily to triennial with notice periods of 6 to 122 days	Lock up provisions for up to 1 remaining year; some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to triennial with notice periods of 7 to 184 days	Lock up provisions for up to 1 remaining year; some investments have a portion of capital held in side pockets with no redemptions permitted
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
Private equity:			
Drawdown partnerships	1 to 31 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Partnerships	N/A	Semiannual with notice period of 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
Direct investments	N/A	Redemptions not permitted	N/A
Real estate:			
Drawdown partnerships	1 to 13 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources:			
Drawdown partnerships	1 to 13 years	Redemptions not permitted	N/A
Absolute return:			
Commingled funds	N/A	Monthly to triennial with notice periods of 30 to 90 days	Some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships	1 to 9 years	Redemptions not permitted	N/A
Partnerships	N/A	Daily to annual with notice periods of 1 to 90 days	Some investments have a portion of capital held in side pockets with no redemptions permitted

(9) 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.

(In thousands)

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, 2024 and 2023, respectively.

The System has the following donor-restricted endowment activities during the years ended June 30, 2024 and 2023 delineated by net asset class:

	2024		
	Without donor restrictions	**With donor restrictions**	**Total**
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 12,173	688	12,861
Net appreciation (realized and unrealized) on investments	77,045	7,444	84,489
Investment management fees	(5,708)	(503)	(6,211)
Net investment return	83,510	7,629	91,139
Endowment payout	(50,685)	(4,530)	(55,215)
Investment return, net of payout	32,825	3,099	35,924
Other changes in endowment investments:			
Gifts and pledge payments received in cash	474	2,343	2,817
Other changes	(74,208)	(198)	(74,406)
Total other changes in endowment investments	(73,734)	2,145	(71,589)
Net change in endowment investments	(40,909)	5,244	(35,665)
Endowment investments at:			
Beginning of year	1,216,476	100,575	1,317,051
End of year	$ 1,175,567	105,819	1,281,386
Investments by type of fund:			
Donor-restricted “true” endowment:			
Historical gift value	$ —	23,721	23,721
Appreciation	—	82,098	82,098
Board-designated “funds functioning as endowment"	1,175,567	—	1,175,567
Total – as above	$ 1,175,567	105,819	1,281,386

(In thousands)

		2023		
		Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:				
Investment return:				
Endowment yield (interest and dividends)	$	12,109	608	12,717
Net appreciation (realized and unrealized) on investments		25,243	1,341	26,584
Investment management fees		(5,427)	(475)	(5,902)
Net investment return		31,925	1,474	33,399
Endowment payout		(51,767)	(4,276)	(56,043)
Investment return, net of payout		(19,842)	(2,802)	(22,644)
Other changes in endowment investments:				
Gifts and pledge payments received in cash		—	13	13
Other changes		(6,199)	937	(5,262)
Total other changes in endowment investments		(6,199)	950	(5,249)
Net change in endowment investments		(26,041)	(1,852)	(27,893)
Endowment investments at:				
Beginning of year		1,242,517	102,427	1,344,944
End of year	$	1,216,476	100,575	1,317,051
Investments by type of fund:				
Donor-restricted “true” endowment:				
Historical gift value	$	—	20,563	20,563
Appreciation		—	80,012	80,012
Board-designated “funds functioning as endowment"		1,216,476	—	1,216,476
Total – as above	$	1,216,476	100,575	1,317,051

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.

(Continued)

(In thousands)

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 5.36% and 5.5% for the fiscal years ended June 30, 2024 and 2023. 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.

(10) Property, Plant, and Equipment

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

		2024	2023
Land and land rights	$	81,326	81,325
Buildings and improvements		2,383,283	2,342,288
Equipment		1,050,200	922,964
Construction in progress		338,627	238,054
		3,853,436	3,584,631
Less accumulated depreciation		(1,758,773)	(1,574,674)
Total property, plant, and equipment, net	$	2,094,663	2,009,957

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 $10,000 and $33,157 for 2024 and 2023, respectively, which represents the unamortized portion of initial lease payments made to the University.

Capitalized interest costs in 2024 and 2023 were approximately $6,085 and $3,100, respectively. Construction in progress consists of various routine capital improvements and renovation projects. As of June 30, 2024, the System had total contractual commitments associated with ongoing capital projects of approximately $402,440.

(In thousands)

(11) Pledges

Pledges receivable at June 30, 2024 and 2023 are shown as follows:

	2024	2023
Unconditional promises expected to be collected in:		
Less than one year	$ 75	3,543
One year to five years	105,827	4,802
More than five years	11,100	—
	117,002	8,345
Less:		
Valuation allowance	(18,827)	—
Total	$ 98,175	8,345

The System's 5 largest pledges comprise approximately 90% and 96% percent of pledges receivable at June 30, 2024 and 2023, respectively. Included in this amount is a pledge receivable from a single donor, net of current year pledge payments and amortization of the discount, of $70,800 at June 30, 2024. The discount used for pledges was 5.6%.

(12) 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, The 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.

(In thousands)

Long-term debt at June 30, 2024 and 2023 consists of the following:

	Fiscal year maturity	Interest rate	2024	2023
University of Chicago Medical Center:				
Fixed rate:				
Illinois Finance Authority:				
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	2030	5.0	21,895	21,895
Series 2016A	2027	5.0	14,360	18,705
Series 2016B	2042	4.4	163,045	163,785
Series 2020A	2027	2.5	29,015	38,250
Series 2022A	2053	5.0	207,600	207,600
Series 2022B1	2053	5.0	83,700	83,700
Series 2022B2	2053	5.0	83,700	83,700
Teachers Insurance and Annuity Association of America				
Series 2017A	2047	4.4	30,000	30,000
New York Life:				
Series 2019E taxable	2037	2.7	51,150	54,400
Unamortized premium			31,011	31,676
Total fixed rate			1,040,476	1,058,711
Variable rate:				
Series 2013A	2050	1.9	62,379	63,952
Illinois Educational Facilities Authority (IEFA)	2038	3.7	47,578	51,526
Total variable rate			109,957	115,478
Unamortized debt issuance costs			(7,066)	(6,948)
Less current portion of long-term debt			(23,893)	(19,143)
Total UCMC long-term portion of debt, less current portion			$ 1,119,474	1,148,098

(In thousands)

	Fiscal year maturity	Interest rate		2024	2023
UCMC Title Holding Corporation:					
Fixed rate:					
Urban Development Fund LI – Promissory note A	2031	1.8 %	$	—	4,701
Urban Development Fund LI – Promissory note B	2031	1.8		—	1,799
Citi NMTC – QLICI	2032	1.2		3,476	3,476
Citi NMTC – QLICI	2032	1.2		1,620	1,620
URP QLICI – Loan A	2048	1.0		7,334	7,334
URP QLICI – Loan B	2048	1.0		2,666	2,666
SCORE QLICI – Loan A	2048	1.0		4,176	4,176
SCORE QLICI – Loan B	2048	1.0		1,704	1,704
CNI QLICI – Loan A	2048	1.0		3,455	3,455
CNI QLICI – Loan B	2048	1.0		1,545	1,545
Total UCMC Title Holding Corporation debt				25,976	32,476
Less current portion				(250)	(250)
Title Holding Corporation LT portion				25,726	32,226
Total UCMC debt, excluding current portion			$	1,145,200	1,180,324
Community Health and Hospital Division:					
Fixed rate:					
Illinois Finance Authority:					
Series 2017 Bonds	2034	2.5	$	28,665	30,570
New York Life:					
Series 2019E taxable	2042	2.7		57,500	59,495
Unamortized debt issuance costs				(274)	(295)
Total debt and unamortized premiums (discount)				85,891	89,770
Less current portion of long-term debt				(4,000)	(3,900)
Total CHHD debt, excluding current portion			$	81,891	85,870
Total notes and bonds payable:					
Less current portion			$	1,255,234	1,289,487
Long-term debt, excluding current portion				(28,143)	(23,293)
			$	1,227,091	1,266,194

(In thousands)

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:		
2025	$	28,602
2026		31,053
2027		31,097
2028		32,385
2029		33,340
Thereafter		1,075,086
	$	1,231,563

(a) Letters of Credit

Included in UCMC's debt is $47,578 of commercial paper revenue notes and $325,000 of variable rate demand bonds. 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 secured by a letter of credit. The letters of credit that support the Series 2009D and 2009E bonds expire in June 2028 and June 2026, respectively. The letters of credit that support the Series 2010A and 2010B bonds expire in May 2029. 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 commercial paper revenue notes is secured by a letter of credit maturing April 2026. 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 1:25:1.

In the event that UCMC's remarketing agents are unable to remarket the commercial paper revenue notes or variable rate demand 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 four 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.

(In thousands)

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:		
2025	$	24,514
2026		202,948
2027		155,266
2028		81,178
2029		24,535
Thereafter		743,122
	$	1,231,563

(b) Lines of Credit

UCMC has a $100,000 line of credit from a commercial bank, which expires March 4, 2025. As of June 30, 2024 and 2023, there was $6,000 and $0 outstanding, respectively, included in Accounts Payable and Accrued Expenses in the accompanying consolidated balance sheets.

(c) Interest Payments

The System paid interest, net of capitalized interest, of approximately $46,875 and $38,000 in 2024 and 2023, respectively.

(13) Derivative Instruments

The System uses interest rate swaps as a part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swaps are not used for speculative purposes and are measured at fair value in the accompanying consolidated balance sheets

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 non-operating gains and losses for the ineffective portion of the change. The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Effective July 1, 2023, the London Interbank Offered Rate (LIBOR) reference rate associated with the swaps has been replaced with the Secured Overnight Funding Rate (SOFR). The System effected the transition to SOFR by adhering to the ISDA 2020 Interbank Offered Rates Fallback Protocol, thereafter with no significant impact based on this adoption.

(In thousands)

During the years ended June 30, 2024 and 2023, UCMC was party to several swap agreements as described further below.

UCMC Swap Agreements

In February and May 2024, respectively, UCMC simultaneously entered into (a) a total return swap whereby UCMC receives a fixed rate and pays a variable rate (percentage of SOFR plus a spread) and (b) an interest rate swap whereby UCMC pays a fixed rate and receives a variable rate (percentage of SOFR plus a spread), with the intent of creating a fixed cost of funding and lowering its basic rent payments in connection with two lease agreements with a third-party leasing company for two properties in Chicago, Illinois. The respective swap agreements entered into in February and May 2024 terminate on May 15, 2034. Settlements are made semi-annually.

In 2006, UCMC entered into a floating-to-fixed rate swap agreement to manage the interest rate risk associated with outstanding variable rate debt. The original agreement was subsequently amended in 2011 to, among other things, divide the notional amount between two counterparties resulting in two floating-to-fixed swap agreements—each with notional amount of $162,500. Under the floating-to-fixed agreements, UCMC receives a percentage of SOFR and pays a fixed rate. The floating-to-fixed rate swap agreements terminate on February 1, 2044. On July 1, 2020, UCMC entered into a novation of the two floating-to-fixed swap agreements for a five-year term. The novation to the new parties is under like-kind terms and arrangements that do not require designation of the hedging relationship and related accounting. Settlements are made monthly.

The floating-to-fixed swap agreements are no longer designated as a hedging instrument, and therefore, the change in fair value will prospectively be recognized as a component of non-operating gains in the accompanying consolidated statements of operations. Management has recognized change in fair value of approximately ($3,784) and $3,296 in 2024 and 2023, respectively in non-operating gains and losses. This movement reflects the spread between tax-exempt interest rates and SOFR during the period. Management has determined that the interest rate swaps are effective, and the effective portion of these swaps is included in other changes in net assets without donor restrictions. Cash settlement payments related to the swaps are recorded in interest expense. The fair value of the UCMC swap agreement liabilities was $40,652 and $54,829 at June 30, 2024 and 2023, respectively, and has been included in other long-term liabilities in the accompanying consolidated balance sheets.

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 SOFR
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	162,500,000	3.97 %	68% of SOFR
February 29, 2024	Total Return Swap	10 Years	7,200,000	80% of SOFR + spread	5.13 %
February 29, 2024	Interest Rate Swap	10 Years	7,200,000	4.26%	80% of SOFR + spread
May 8, 2024	Total Return Swap	10 Years	34,435,000	80% of SOFR + spread	5.25 %
May 8, 2024	Interest Rate Swap	10 Years	34,435,000	4.46 %	80% of SOFR + spread

(In thousands)

CHHD Swap Agreement

In June 2004, CHHD entered into a floating-to-fixed rate swap agreement to lock in long-term fixed rates on the Series 2004 variable-rate debt (which was subsequently refunded by the Series 2017 Bonds), with 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 a percentage of SOFR plus 47.5 basis points and makes payments at an annualized fixed rate of 4.61%. Settlements are made monthly.

The swap is not designated as a hedging instrument, and therefore, the change in fair value of $674 and $1,888 in 2024 and 2023, respectively, was recognized as a component of non-operating gains in the accompanying consolidated statements of operations. The fair value of the floating-to-fixed swap agreement liability of $2,008 and $2,682 at June 30, 2024 and 2023, 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 floating-to-fixed 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, 2024 is as follows:

Effective date	Associated debt series	Original term	Current notional amount	CHHD pays	CHHD receives
June 28, 2004	N/A	30 Years	$ 30,775,000	4.61 %	67% of SOFR + spread

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 occur. 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.

To manage the credit risk of the swap agreements, the System is required to provide collateral under specific terms and conditions for each of the swap agreements when the combined fair value exceeds a predetermined threshold. Collateral posting requirements are driven by the value of the swap as measured at the reset date and are based upon the System's credit rating. Collateral requirements increase if the System's credit ratings were to be downgraded. At June 30, 2024 and 2023, no collateral was posted.

(In thousands)

(14) Leases

The components of lease cost for the years ended June 30, 2024 and 2023 reported as part of other expenses in the consolidated statements of operations and changes in net assets without donor restrictions, were as follows:

		2024	2023
Operating lease expense	$	17,096	18,882
Finance lease expense:			
Amortization of right-of-use assets		7,809	5,682
Interest on lease liabilities		1,369	1,015
Total finance lease expense		9,178	6,697
Total lease expense	$	26,274	25,579

Amounts reported in the consolidated balance sheets as of June 30, 2024 and 2023 were as follows:

		2024	2023
Operating Leases:			
Right-of-use assets – operating leases	$	150,518	60,884
Accumulated amortization		17,560	6,728
Other assets, net	$	132,958	54,156
Current portion of other long-term liabilities	$	10,925	4,560
Other long-term liabilities, less current portion		125,290	49,596
Total operating lease liabilities	$	136,215	54,156
Finance Leases:			
Right-of-use assets – finance leases	$	61,056	50,815
Accumulated amortization		20,042	18,094
Other assets, net	$	41,014	32,721
Current portion of other long-term liabilities	$	5,009	6,411
Other long-term liabilities, less current portion		40,121	25,989
Total finance lease liabilities	$	45,130	32,400

(Continued)

(In thousands)

Other information related to leases as of June 30, 2024 and 2023 was as follows:

Supplemental cash flow information:

		2024	2023
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow from operating leases	$	20,730	6,728
Operating cash flow from finance leases		1,369	—
Financing cash flow from finance leases		3,964	6,355
ROU assets obtained in exchange for lease obligations:			
Operating leases		66,385	—
Finance leases		10,241	—
Reductions to ROU assets resulting from reductions to lease obligations:			
Operating leases		—	—
Finance leases		—	5,690
Weighted average remaining lease term:			
Operating leases		10.8 years	12.7 years
Finance leases		10.3 years	10.2 years
Weighted-average discount rate:			
Operating leases		1.4 %	2.2 %
Finance leases		2.4	5.5

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 non-cancelable leases as of June 30, 2024 are as follows:

		Operating	Finance
2025	$	19,748	7,525
2026		18,982	7,410
2027		18,393	4,473
2028		15,375	4,499
2029 and thereafter		95,689	31,773
		168,187	55,680
Less amount representing interest		31,972	10,550
Present value of net minimum lease payments	$	136,215	45,130

(In thousands)

(15) 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, 2024 and 2023 were $15,000 and $10,000, respectively, per claim and unlimited in the aggregate. Claims in excess of $10,000 are subject to an additional self-insurance retention limited to $10,000 per claim and $20,000 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, 2024 and 2023 is presented below:

		2024	2023
Actuarial present value of self-insurance liability for medical malpractice	$	234,984	235,305
Total assets available for claims		286,090	286,771

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately $40,364 higher at June 30, 2024. The interest rate assumed in determining the present value was 5.5% and 5.00% for 2024 and 2023, respectively. UCMC has recorded its pro rata share of the malpractice self-insurance liability in the amount of $107,092 and $105,887 at June 30, 2024 and 2023, 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 it's 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 2024 and 2023, UCMC's expense is estimated to be approximately $15,700 and $19,000, respectively, 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. At June 30, 2024, 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.

On October 1, 2020, a new tax-exempt Cayman domiciled captive, Trulen Insurance SPC Limited ("Trulen"), was incorporated to operate as the new medical malpractice framework for CHHD. Trulen was organized as a Segregated Portfolio Company, which consists of a "core" company and 3 segregated portfolios, or "cells", which allow segregation of risk and assets between the Hospital and General Liability, employed community physicians, and non-employed contracted provider liabilities. The insurance business of Ingalls Casualty Insurance Limited ("ICIL"), the previous insurer of professional liability insurance for CHHD, was transferred and novated to the three separate portfolios by issuing three separate Deeds of Novation and Business Transfer between Trulen and ICIL. After the completion of the business transfer, ICIL ceased underwriting operations. As of June 30, 2024 and 2023, the total assets of Trulen were $101,660 and $127,454, respectively; and total liabilities were $91,862 and $113,046, respectively. Total claim expense as of June 30, 2024 and 2023 was $13,037 and $11,340, respectively.

(16) 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 10 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.

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 $26,703 and $31,500 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 was $0.

(In thousands)

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.

	2024	2023
Projected benefit obligation	$ 662,287	708,494
Fair value of plan assets	658,154	683,480
Deficit of plan assets over benefit obligation	$ (4,133)	(25,014)

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

	2024	2023
Discount rate	5.6 %	5.5 %
Expected return on plan assets	5.8	5.8
Rate of compensation increase	3.5	3.5

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

	2024	2023
Domestic equities	19 %	24 %
International equity	17	18
Fixed income	64	58
	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.

(Continued)

(In thousands)

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:		
2025	$	73,914
2026		48,447
2027		48,492
2028		48,214
2029		47,667
2030–2034		230,455

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 $13,433 and $13,200 for the years ended June 30, 2024 and 2023, respectively.

CHHD expense under these distinct defined-contribution retirement plans was $5,738 and $2,845 for the years ended June 30, 2024 and 2023, respectively.

(17) Functional Expenses

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

		2024			
		Healthcare services	**Admin**	**Fundraising**	**Total**
Salaries, wages, and benefits	$	1,755,121	211,005	354	1,966,480
Supplies and other		1,540,152	163,052	786	1,703,990
Physician services		403,201	—	—	403,201
Insurance		64,509	6,002	—	70,511
Interest		47,816	—	—	47,816
Medicaid provider tax		137,502	—	—	137,502
Depreciation and amortization		184,464	258	—	184,722
Total	$	4,132,765	380,317	1,140	4,514,222

(In thousands)

		2023			
		Healthcare services	Admin	Fundraising	Total
Salaries, wages, and benefits	$	1,485,230	129,191	54	1,614,475
Supplies and other		1,288,039	138,935	585	1,427,559
Physician services		347,338	8,255	—	355,593
Insurance		37,491	4,574	—	42,065
Interest		41,175	770	—	41,945
Medicaid provider tax		86,093	—	—	86,093
Depreciation and amortization		150,583	761	—	151,344
Total	$	3,435,949	282,486	639	3,719,074

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.

(18) 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 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 2024 and 2023 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, 2024

(Dollars in thousands)

Assets	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Obligated Group Eliminations	Obligated Group Consolidation	Advent	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Non-Obligated Group Eliminations	Consolidated total
Current assets:												
Cash and cash equivalents	$ 7,103	9,077	33	1,013	1	—	17,227	140,939	1,888	23,018	—	183,072
Patient accounts receivable	526,869	—	36,229	—	1,325	—	564,423	118,313	7,128	2,110	—	691,974
Current portion of investments limited to use	20	—	—	—	—	—	19	—	—	—	—	19
Current portion of malpractice self-insurance receivable	25,193	—	—	—	—	—	25,193	—	—	—	—	25,193
Current portion of pledges receivable	19,131	—	—	—	—	—	19,131	—	—	—	—	19,131
Due from affiliates	238,858	12,588	64,666	1,046	9,087	(77,022)	249,223	15,923	193,160	2,683	(445,065)	15,924
Prepaids, inventory, and other current assets	180,521	773	12,136	—	—	—	193,430	66,460	3,684	1,651	(3,544)	261,681
Total current assets	997,695	22,438	113,064	2,058	10,413	(77,022)	1,068,646	341,635	205,860	29,462	(448,609)	1,196,994
Investments, limited as to use, less current portion	1,271,425	5,864	117,337	67,499	16,772	—	1,478,897	—	—	48,590	—	1,527,487
Property, plant, and equipment, net	1,418,529	4,956	202,545	—	—	—	1,626,030	449,610	13,413	5,610	—	2,094,663
Pledges receivable, less current portion	79,043	—	—	—	—	—	79,043	—	—	—	—	79,043
Malpractice self-insurance receivable, less current portion	81,899	—	—	—	—	—	81,899	—	—	—	—	81,899
Other assets, net	788,935	(8,498)	2,721	211	—	(325,008)	458,361	42,028	40,106	14,602	(254,005)	301,092
Total assets	$ 4,637,526	24,760	435,667	69,768	27,185	(402,030)	4,792,876	833,273	259,379	98,264	(702,614)	5,281,178
Liabilities and Net Assets												
Current liabilities:												
Accounts payable and accrued expenses	$ 270,921	3,173	27,609	137	1,543	—	303,383	69,675	7,136	11,726	(3,468)	388,452
Current portion of long-term debt	23,893	—	4,000	—	—	—	27,893	—	250	—	—	28,143
Current portion of other long-term liabilities	6,413	—	—	—	—	—	6,413	—	—	—	—	6,413
Estimated third-party payor settlements and Medicare Advance	219,271	—	21,786	—	448	—	241,505	68,502	—	1,644	—	311,651
Current portion of malpractice self-insurance liability	25,193	—	—	—	—	—	25,193	—	—	—	—	25,193
Due to affiliates	15,201	21,553	25,039	530	2,117	(77,022)	(12,582)	—	297,110	160,614	(445,142)	—
Due to the University of Chicago	33,033	—	—	—	—	—	33,033	—	—	—	—	33,033
Total current liabilities	593,925	24,726	78,434	667	4,108	(77,022)	624,838	138,177	304,496	173,984	(448,610)	792,885
Workers' compensation self-insurance liability, less current portion	9,505	2,416	—	—	—	—	11,921	—	—	—	—	11,921
Malpractice self insurance liability, less current portion	81,899	—	—	—	—	—	81,899	—	—	82,617	—	164,516
Long-term debt, excluding current installments	1,119,474	—	81,891	—	—	—	1,201,365	—	25,726	—	—	1,227,091
Interest rate swap liability	40,652	—	2,008	—	—	—	42,660	—	—	—	—	42,660
Other long-term liabilities, less current portion	160,134	—	15,998	—	—	—	176,132	28,996	14,707	1,473	(32,436)	188,872
Total liabilities	2,005,589	27,142	178,331	667	4,108	(77,022)	2,138,815	167,173	344,929	258,074	(481,046)	2,427,945
Net assets (deficit):												
Without donor restrictions	2,391,025	(2,382)	255,195	58,939	23,077	(309,739)	2,416,115	336,674	(85,550)	(159,831)	(221,568)	2,285,840
Non-controlling interest in consolidated JV	—	—	—	—	—	—	—	310,750	—	—	—	310,750
With donor restrictions	240,912	—	2,141	10,162	—	(15,269)	237,946	18,676	—	21	—	256,643
Total net assets (deficit)	2,631,937	(2,382)	257,336	69,101	23,077	(325,008)	2,654,061	666,100	(85,550)	(159,810)	(221,568)	2,853,233
Total liabilities and net assets	$ 4,637,526	24,760	435,667	69,768	27,185	(402,030)	4,792,876	833,273	259,379	98,264	(702,614)	5,281,178

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, 2024

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Obligated Group Eliminations	Obligated Group Consolidation	Advent	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Non-Obligated Group Eliminations	Consolidated total
Revenue:												
Patient service revenue	$ 2,593,235	—	376,735	—	5,834	—	2,975,804	938,308	56,457	27,971	(2,507)	3,996,033
Other operating revenue and net assets released from restrictions	481,715	6,833	9,358	2,132	313	(5,310)	495,041	108,494	857	46,729	(21,981)	629,140
Total operating revenues	3,074,950	6,833	386,093	2,132	6,147	(5,310)	3,470,845	1,046,802	57,314	74,700	(24,488)	4,625,173
Operating expenses:												
Salaries, wages, and benefits	1,205,234	1,868	151,387	309	8,030	—	1,366,828	524,494	33,502	41,727	(71)	1,966,480
Supplies and other	1,102,667	3,220	133,935	1,889	895	(961)	1,241,645	408,065	33,220	53,122	(32,062)	1,703,990
Physician services	360,968	—	25,500	16	341	(2,733)	384,092	—	9,343	13,973	(4,207)	403,201
Insurance	24,275	1,745	15,916	—	369	(1,616)	40,689	18,737	1,974	24,007	(14,896)	70,511
Interest	46,448	—	2,286	—	—	—	48,734	—	281	—	(1,199)	47,816
Medicaid provider tax	68,674	—	23,741	—	—	—	92,415	45,087	—	—	—	137,502
Depreciation and amortization	117,550	535	18,020	—	—	—	136,105	44,587	3,117	913	—	184,722
Total operating expenses	2,925,816	7,368	370,785	2,214	9,635	(5,310)	3,310,508	1,040,970	81,437	133,742	(52,435)	4,514,222
Operating revenue in excess (deficit) of expenses	149,134	(535)	15,308	(82)	(3,488)	—	160,337	5,832	(24,123)	(59,042)	27,947	110,951
Nonoperating gains (losses), net:												
Investment income, net	81,861	394	8,102	4,023	1,183	—	95,563	5,487	—	—	—	101,050
Change in fair value of nonhedged derivative instruments	(3,784)	—	674	—	—	—	(3,110)	—	—	—	—	(3,110)
Other, net	—	(575)	—	—	—	—	(575)	—	1,799	90	485	1,799
Net nonoperating gains (losses)	78,077	(181)	8,776	4,023	1,183	—	91,878	5,487	1,799	90	485	99,739
Revenue and gains in excess (deficient) of expenses and losses	227,211	(716)	24,084	3,941	(2,305)	—	252,215	11,319	(22,324)	(58,952)	28,432	210,690
Less revenue and gains in excess (deficient) of expenses and losses attributable to non-controlling interest	—	—	—	—	—	—	—	(5,565)	—	—	—	(5,565)
Revenue and gains in excess (deficient) of expenses and losses from continuing operations	227,211	(716)	24,084	3,941	(2,305)	—	252,215	5,754	(22,324)	(58,952)	28,432	205,125
Other changes in net assets without donor restriction:												
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	—	(71,750)
Effective portion of change in valuation of derivatives	17,961	—	—	—	—	—	17,961	—	—	—	—	17,961
Distributions and other, net	(2,704)	(1)	5,862	(2)	1	—	3,156	—	—	(4,483)	—	(1,327)
	170,718	(717)	29,946	3,939	(2,304)	—	201,582	5,754	(22,324)	(63,435)	28,432	150,009
Net income attributed to non-controlling interest in consolidated joint venture	—	—	—	—	—	—	—	5,565	—	—	—	5,565
Increase (decrease) in net assets without donor restrictions	$ 170,718	(717)	29,946	3,939	(2,304)	—	201,582	11,319	(22,324)	(63,435)	28,432	155,574

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, 2024

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Obligated Group Eliminations	Obligated Group Consolidation	Advent	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Non-Obligated Group Eliminations	Consolidated total
Net assets without donor restrictions:												
Revenue and gains in excess (deficient) of expenses and losses	$ 227,211	(716)	24,084	3,941	(2,305)	—	252,215	5,754	(22,324)	(58,952)	28,432	205,125
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	—	(71,750)
Effective portion of change in valuation of derivatives	17,961	—	—	—	—	—	17,961	—	—	—	—	17,961
Distributions and other, net	(2,704)	(1)	5,862	(2)	1	—	3,156	—	—	(4,483)	—	(1,327)
Increase in net assets without donor restrictions before non-controlling interest	170,718	(717)	29,946	3,939	(2,304)	—	201,582	5,754	(22,324)	(63,435)	28,432	150,009
Net income attributed to non-controlling interest in consolidated joint venture	—	—	—	—	—	—	—	5,565	—	—	—	5,565
Increase (decrease) in net assets without donor restrictions	170,718	(717)	29,946	3,939	(2,304)	—	201,582	11,319	(22,324)	(63,435)	28,432	155,574
Net assets with donor restrictions:												
Contributions	108,237	—	—	732	—	—	108,969	4,423	—	—	—	113,392
Net assets released from restrictions used for operating purposes	(12,863)	—	—	(1,050)	(5)	—	(13,918)	—	—	—	—	(13,918)
Investment return, net	6,815	—	—	815	—	—	7,630	3,607	—	—	—	11,237
Net assets released from restrictions used for capital purposes	—	—	—	(1,800)	—	—	(1,800)	—	—	—	—	(1,800)
Increase (decrease) in net assets with donor restrictions	102,189	—	—	(1,303)	(5)	—	100,881	8,030	—	—	—	108,911
Change in net assets	272,907	(717)	29,946	2,636	(2,309)	—	302,463	19,349	(22,324)	(63,435)	28,432	264,485
Net assets (deficit) at beginning of year	2,359,030	(1,665)	227,390	66,465	25,386	(325,008)	2,351,598	646,751	(63,226)	(96,375)	(250,000)	2,588,748
Net assets (deficit) at end of year	$ 2,631,937	(2,382)	257,336	69,101	23,077	(325,008)	2,654,061	666,100	(85,550)	(159,810)	(221,568)	2,853,233

See accompanying independent auditors' report.