UNIVERSITY OF ILLINOIS

Annual Financial Report

June 30, 2019

(With Independent Auditors’ Report Thereon)

UNIVERSITY OF ILLINOIS

Annual Financial Report

June 30, 2019

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UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller
349 Henry Administration Building, 506 South Wright Street • Urbana, Illinois 61801

December 19, 2019

I am pleased to present the Annual Financial Report for the University of Illinois. The report provides information regarding the University of Illinois' financial position as of June 30, 2019, and results of operations and cash flows for the fiscal year then ended on that date.

This Annual Financial Report documents the university system's continued progress in making life-changing education available to more students, providing healthcare to more of the state's citizens, and spurring innovation and discovery that benefit the world. In fiscal year 2019, the System achieved major milestones in providing a record number of students access to affordable, high quality education. A focus on efficiency and disciplined decision making helped to control costs.

The System's firm fiscal foundation underpins a broad array of highly successful, top-quality academic programs and clinical services that helps to serve the needs of our state. Through the commitment of its faculty, administrators and staff, the institution continues to advance its mission.

Respectfully submitted,

SIGNED ORIGINAL ON FILE

Avijit Ghosh,
Vice President, Chief Financial Officer, and Comptroller

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INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General, State of Illinois
and Board of Trustees
University of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of University of Illinois (the University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University's aggregate discretely presented component units (the University Related Organizations), as described in Note 1 of the financial statements. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of The University of Illinois Foundation; The University of Illinois Alumni Alliance; Wolcott, Wood, and Taylor, Inc.; Prairieland Energy, Inc.; Illinois Ventures, LLC; The University of Illinois Research Park, LLC, and UI Singapore Research, LLC (discretely presented component units) were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of University of Illinois and its aggregate discretely presented component units as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously reported on the University of Illinois' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, the Schedule of Share of the Net Pension Liability and Schedule of Contributions on page 67 and Schedule of the University's Proportionate Share of the Net OPEB Liability on page 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Frank J. Mautino
Auditor General, State of Illinois
and Board of Trustees
University of Illinois

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Illinois's basic financial statements. The Letter of Transmittal on page 1 and the Tables of Operating Expenses on pages 70 and 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Table of Operating Expenses for the year ended June 30, 2019 on page 70 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Table of Operating Expenses for the year ended June 30, 2019 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Letter of Transmittal on page 1 and the Table of Operating Expenses for the year ended June 30, 2018 on page 71 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued under separate cover our report dated December 19, 2019, on our consideration of University of Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering University of Illinois's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Peoria, Illinois
December 19, 2019

Introduction and Background

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Illinois (University) for the year ended June 30, 2019. The MD&A should be read in conjunction with the audited financial statements and notes appearing in this report.

The University serves the people of Illinois through a commitment to excellence in teaching, research, public service, economic development and healthcare. With main campus locations in Urbana-Champaign, Chicago and Springfield, the University System currently enrolls nearly 86,000 talented students to hundreds of programs-many of them ranked among the best in the nation. Faculty members are world leaders in research and discovery and contribute new knowledge and life changing breakthroughs to a variety of fields. In addition to the three main campuses, the University System has teaching and service facilities, including regional campuses and extension offices, located throughout the State of Illinois.

Using the Financial Statements

The University's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the University as a whole.

The financial statements encompass the University and its discretely presented component units: University of Illinois Foundation; University of Illinois Alumni Alliance; Wolcott, Wood and Taylor, Inc.; Illinois Ventures, LLC; University of Illinois Research Park, LLC; Prairieland Energy, Inc.; and UI Singapore Research, LLC. This MD&A excludes the discretely presented component units. Condensed financial information regarding those component units is disclosed separately in Note 16 to the financial statements.

Financial Highlights and Key Trends

The University's financial results in fiscal year 2019 were positive, marked by steady revenue streams and prudent use of resources. Consistent revenues and disciplined spending policies resulted in a $378 million increase in net position for the year. As in the past, the University relied on diverse sources of funding to support its mission.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University using the accrual basis of accounting. Net position is one indicator of the current financial condition of the institution. The changes in net position that occur over time indicate improvement or deterioration in financial condition. Generally, assets and liabilities are reported at cost with the exception of investments, which are reported at fair value. Capital assets are reported at historical cost less accumulated depreciation. A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and 2018 is as follows:

		2019	2018
		(In thousands)	
Current assets:			
Cash and investments	$	1,097,618	1,103,131
Accounts and notes receivable		521,057	546,026
Appropriations receivable from State of Illinois		33,710	45,181
Other current assets		90,822	81,839
Noncurrent assets:			
Cash and investments		2,513,717	2,163,436
Notes receivable		41,862	44,569
Capital assets, net of accumulated depreciation		3,873,254	3,761,293
Other noncurrent assets		42,303	31,554
Deferred outflows of resources		89,588	99,704
Total assets and deferred outflows of resources	$	8,303,931	7,876,733
Current liabilities:			
Accounts payable, accrued liabilities and unearned revenue	$	869,673	792,654
Bonds payable		62,271	56,028
Leaseholds payable and other obligations		50,300	44,067
Other postemployment benefits		26,574	30,221
Other current liabilities		104,751	113,961
Noncurrent liabilities:			
Bonds payable		1,253,707	1,171,945
Leaseholds payable and other obligations		195,349	239,727
Other postemployment benefits		1,133,965	1,284,539
Other noncurrent liabilities		400,676	383,787
Deferred inflows of resources		415,876	346,539
Total liabilities and deferred inflows of resources		4,513,142	4,463,468
Net position		3,790,789	3,413,265
Total liabilities, deferred inflows of resources and net position	$	8,303,931	7,876,733

Total assets and deferred outflows of resources increased by $427 million or 5.4% during fiscal year 2019. The largest component of this change resulted from the significant increase in cash and investments due to an increase in fair value of investments along with reinvestment of interest and capital gains.

Total liabilities and deferred inflows of resources increased $50 million, or 1.1% for fiscal year 2019. This change primarily resulted from the issuance of Auxiliary Facilities System Revenue Bonds during fiscal year 2019.

Capital Assets and Long-Term Debt

The University's policy requires the capitalization of equipment at $5,000, software and other intangibles at $100,000, buildings and improvements at $100,000, infrastructure at $1,000,000 and all land and collection purchases regardless of cost. The University depreciates capital assets on a straight-line basis, using estimated useful lives ranging from 3 to 50 years. The following table illustrates the composition of the University's capital assets, net of accumulated depreciation, by category:

Capital Assets, Net of Accumulated Depreciation
(In thousands)

	2019		2018	
Buildings	$ 2,742,302	70.8%	$ 2,719,038	72.2%
Improvements and infrastructure	245,700	6.3	247,047	6.6
Construction in progress	335,549	8.7	267,032	7.1
Land	138,374	3.6	138,374	3.7
Equipment and software	273,092	7.0	251,157	6.7
Collections	138,237	3.6	138,645	3.7
	$ 3,873,254	100.0%	$ 3,761,293	100.0%

Capital assets, net of accumulated depreciation, increased by $112 million in fiscal year 2019. This increase included current year additions to construction in progress, buildings and equipment. Facilities improvements under construction were funded by revenue bonds, federal grants, private gifts, internal funds and State capital appropriations. Improvements to existing buildings included the Food Service Building – Illinois Student Residence Hall and Memorial Stadium. Another addition is the 3i Integrated Information Infrastructure software project.

The University has historically utilized revenue bonds to finance capital projects related to the Auxiliary Facilities System (AFS), the Health Services Facilities System (HSFS) and the University of Illinois – Chicago (UIC) South Campus project. The following table details the various bonded debt outstanding at June 30, 2019 and 2018:

Bonds Payable
(In thousands)

	2019	2018
AFS	$ 1,186,947	1,088,798
HSFS	105,613	109,253
UIC South Campus	23,418	29,922
	$ 1,315,978	1,227,973

The University has issued Certificates of Participation (Certificates), which are reported as leaseholds payable in the financial statements. The outstanding Certificates have funded projects such as utility infrastructure, College of Medicine facilities and deferred maintenance on medical, academic and research facilities. The reduction in the outstanding balance of the Certificates was due to scheduled redemptions. The outstanding balances of the Certificates as of June 30, 2019 and 2018 were $157,667,000 and $194,132,000 respectively.

Net Position

The University's resources are classified into net position categories on the Statement of Net Position. These categories are defined as (a) Net investment in capital assets, (b) Restricted nonexpendable – net position restricted by externally imposed stipulations, (c) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time and (d) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees. The University's net position increased by $378 million during fiscal year 2019. Net position balances are below:

Net Position
(In thousands)

	2019	2018
Net position:		
Net investment in capital assets	$ 2,504,507	2,386,445
Restricted	761,080	763,199
Unrestricted	525,202	263,621
	$ 3,790,789	3,413,265

The overall increase in net position of $378 million included growth in net investment in capital assets and resources unrestricted for capital projects, institutional support and quasi endowments.

Statement of Revenues, Expenses and Changes in Net Position

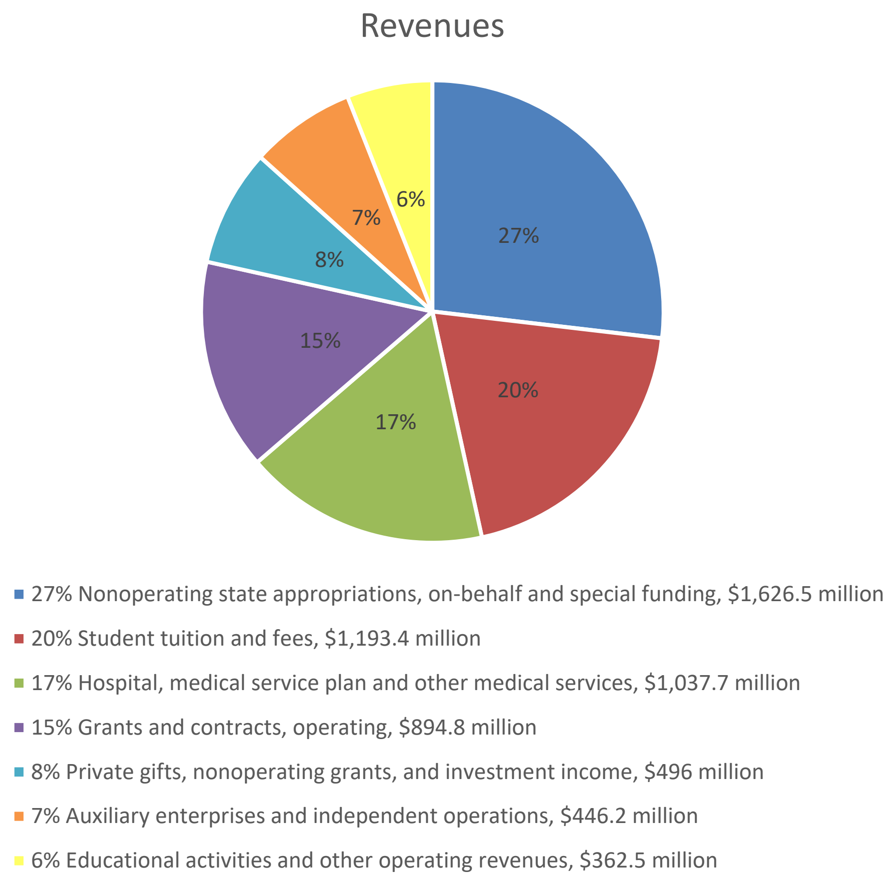
The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. In accordance with GASB reporting standards, revenues and expenses are classified as either operating or nonoperating. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2019 and 2018 is as follows:

		2019	2018
		(In thousands)	
Operating revenues:			
Student tuition and fees	$	1,193,419	1,193,322
Hospital, medical service plans and other medical activities		1,037,721	1,041,026
Grants and contracts		894,843	860,254
Auxiliary enterprises and independent operations		446,202	427,852
Educational activities		337,160	338,287
Other		25,294	23,213
Total operating revenues		3,934,639	3,883,954
Operating expenses		5,730,781	6,311,865
Operating loss		(1,796,142)	(2,427,911)
Nonoperating revenues (expenses):			
State appropriations, on behalf payments, and special funding		1,646,467	2,598,849
Transfer of state appropriation to the Illinois Hospital Services Fund		(20,000)	(20,000)
Private gifts		189,534	193,680
Grants, nonoperating		186,571	244,332
Investment income		119,892	58,082
Change in fair value of investments		22,240	7,704
Interest expense		(63,380)	(65,038)
Other nonoperating revenues, net		76,671	26,341
Net nonoperating revenues		2,157,995	3,043,950
Capital state appropriations and capital gifts and grants		15,474	18,097
Endowment gifts		197	4,197
Increase in net position		377,524	638,333
Net position, beginning of year		3,413,265	4,374,586
Change in accounting principle			(1,599,654)
Net position, end of year	$	3,790,789	3,413,265

Revenues

The University's revenues are generated from multiple sources, which supplement what is received from state appropriations and student tuition and fees. GASB reporting standards require revenues to be categorized as operating or nonoperating. Operating revenues are derived from activities associated with providing goods and services by the University and generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. The University also relies on revenue, such as state appropriations, gifts, certain grants and investment income to support operations, which GASB reporting standards define as nonoperating.

The following graph illustrates the revenues by source (both operating and certain nonoperating), which were used to fund the University's operating activities for the year ended June 30, 2019:



Operating revenues experienced a net increase of $51 million in fiscal year 2019 due to growth in grants and contracts and auxiliary enterprises and independent operations revenue.

Nonoperating revenues decreased by $953 million in fiscal year 2019. State appropriation revenue decreased during fiscal year 2019 in the amount of $287 million due to the timing of additional appropriations received in fiscal year 2018 that were intended for fiscal year 2017 expenses.

The most significant reason for the decrease in nonoperating revenues resulted from a $665 million decrease in on-behalf and special funding revenues from the State of Illinois (State). This fiscal year 2019 decrease was due to the allocation of negative non-operating revenue and negative operating expense of $406 million related to other postemployment benefit (OPEB) costs incurred by the State Employee Group Insurance Plan (SEGIP) administered by the Department of Central Management Services (CMS). For comparison, the University's allocation of special funding OPEB nonoperating revenue for fiscal year 2018 was a positive $454 million, resulting in a variance of $860 million. This is primarily the result of changes in estimating the total employees when determining the University's proportionate share and estimating the average cost per employee as calculated by CMS. When GASB Statement #75 regarding OPEB was initially implemented in fiscal year 2018, CMS estimated the University's allocated share of special funding OPEB nonoperating revenue by using full-time equivalent employees. In fiscal year 2019, CMS used the number of University employees actually enrolled in SEGIP to estimate the University's proportionate share.

The differences in OPEB accounting estimates involving the change in the University's proportionate share percentage and the average cost per employee between FY19 and FY18 represents an outcome of estimation uncertainty as described in Note 12(d). The allocation of negative operating expenses caused by this change in estimate also had a significant impact on the University's operating expenses as described below.

Expenses

The majority of the University's expenses are exchange transactions, which GASB standards define as operating expenses. Nonoperating expenses include capital financing and other costs related to capital assets.

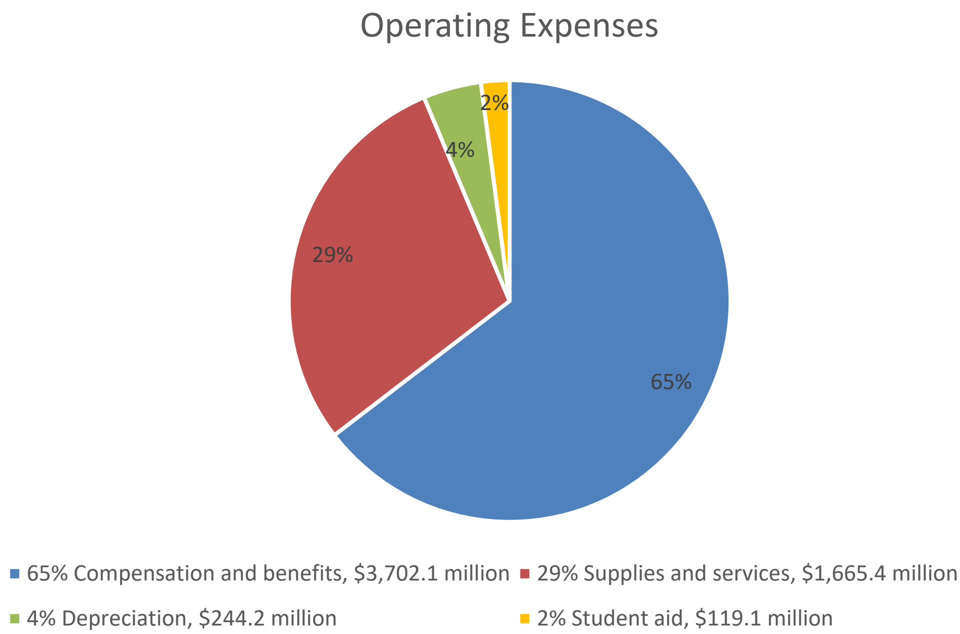
	2019		2018	
	(In thousands)			
Operating expenses:				
Instruction	$ 1,449,939	25.3%	$ 1,682,740	26.7%
Research	815,345	14.2	858,576	13.6
Public service	427,006	7.5	482,127	7.6
Support services	1,060,115	18.5	1,167,985	18.5
Hospital and medical activities	951,286	16.6	1,044,824	16.6
Auxiliary enterprises and independent operations	391,016	6.8	418,470	6.6
Scholarships and fellowships	57,257	1.0	70,122	1.1
Operation and maintenance of plant	334,632	5.8	332,016	5.3
Depreciation	244,185	4.3	255,005	4.0
Total operating expenses	$ 5,730,781	100.0%	$ 6,311,865	100.0%

As explained earlier, the decrease in the University's allocated share of special funding OPEB expense contributed to the overall decrease in operating expenses of $581 million, or 9.2%. The University's proportionate share of special funding and on-behalf fringe benefits, including OPEB, is spread among various functional operating expenses. Users of these financial statements may find additional detail in this area helpful to better understand the components of total compensation and benefits and the impact on functional operating expenses. The University has two tables in this report to show the impact of these allocations on the functional operating expenses. The table for fiscal year 2019 that shows this additional detail can be found on page 70 and the table for fiscal year 2018 is presented on page 71.

Excluding the decrease in special funding and on-behalf expenses, operating expenses increased by $84 million, or 1.8%. This modest increase illustrates management's focus on disciplined spending and prudent use of resources.

The University reported its expenses by functional classifications in the Statement of Revenues, Expenses and Changes in Net Position. For the reader's information, the expenses are displayed in their natural classifications in Note 14.

The following graph illustrates the $5,730.8 million of operating expenses by natural classification:



The University's Economic Outlook

The University continues to maintain its level of excellence in service to students, patients, the research community, and the citizens of the State. A critical element to the University's future continues to be a strong partnership with the State, since State appropriations from the Governor and General Assembly provide essential operating support for University programs. Appropriations of $629 million were enacted on June 5, 2019 to fund fiscal year 2020 expenditures, an increase of 4.7% from the $601 million appropriated for fiscal year 2019.

Tuition rates are largely being held level between fiscal years 2019 and 2020. However, based on multiple factors (such as enrollment levels and student mix), the University projects an increase in the tuition revenue budget of approximately $60 million. Undergraduate students have a four-year tuition guarantee. The incremental tuition revenue for fiscal year 2020 includes planned increases in total enrollment, changes in enrollment patterns, and varying increases in graduate and professional programs. Approximately $25 million of this increase in tuition revenue budget is associated with the acquisition of the UIC John Marshall Law School (see Note 17).

The University consistently ranks among the top universities in research and development expenditures in the country. Research leading to the development of new products and services is also an engine driving economic development, an important component of the University's mission. The University continues to advance the economic development mission by supporting research and innovation activities that elevate ideas into sustainable businesses and global solutions.

Patient care is yet another way the University serves the citizens of the State. Patient visits to the University of Illinois Hospital (Hospital) and clinics continues to grow. The Hospital provides state-of-the-art, comprehensive medical care to patients from across the region, including some of the State's most vulnerable citizens.

To maintain its financial position, the University continues to develop multiple sources of revenue to support its mission of teaching, research, public service, healthcare and economic development. The University's Board of Trustees, the administration, faculty and staff are committed to upholding the University's outstanding academic reputation and strong financial condition.

UNIVERSITY OF ILLINOIS

Statement of Net Position

June 30, 2019
(with summarized comparative information for June 30, 2018)

(In thousands)

Assets and Deferred Outflows of Resources	University 2019	University 2018	University Related Organizations 2019	University Related Organizations 2018
Current assets:				
Cash and cash equivalents	$ 727,023	$ 776,265	$ 17,312	$ 10,053
Cash and cash equivalents, restricted	49,611	63,114	1,614	1,392
Investments	279,382	200,575	1,080	743
Investments, restricted	41,602	63,177		
Accrued investment income	12,507	8,383	401	398
Accounts receivable, net of allowance for uncollectible	511,881	535,375	13,409	14,816
Appropriations receivable from State of Illinois	33,710	45,181		
Pledges receivable, net of allowance			115,099	31,147
Notes receivable, net of allowance for uncollectible	9,176	10,651		
Accrued interest on notes receivable	3,692	3,784		
Inventories	29,728	28,537	6	6
Prepaid expenses and deposits	43,918	37,027	1,464	1,254
Due from related organizations	977	4,108		
Total current assets	1,743,207	1,776,177	150,385	59,809
Noncurrent assets:				
Cash and cash equivalents, restricted			618	766
Investments	1,737,375	1,485,849	18,825	18,258
Investments, restricted	776,342	677,587	2,179,043	2,114,892
Pledges receivable, net of allowance			194,902	184,854
Notes receivable, net of allowance for uncollectible	41,862	44,569		
Prepaid expenses and deposits	19,003	8,535		
Capital assets, net of accumulated depreciation	3,873,254	3,761,293	22,568	15,698
Irrevocable trusts held by other trustees	19,542	18,874	21,863	17,181
Other assets	3,758	4,145	135	131
Total noncurrent assets	6,471,136	6,000,852	2,437,954	2,351,780
Deferred outflows of resources	89,588	99,704	828	461
Total assets and deferred outflows of resources	$ 8,303,931	$ 7,876,733	$ 2,589,167	$ 2,412,050
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable and accrued liabilities	$ 510,157	$ 458,780	$ 11,310	$ 11,886
Accrued payroll	162,745	159,464	408	335
Accrued compensated absences, current portion	18,549	19,631	1,660	1,547
Accrued self-insurance, current portion	39,250	41,484		
Unearned revenue and student deposits	196,771	174,410	6	5
Accrued interest payable	15,728	14,795		
Notes payable			6,877	3,118
Bonds payable, current portion	62,271	56,028		
Due to related organizations			977	4,108
Leaseholds payable and other obligations, current portion	50,300	44,067	5,425	6,129
Other postemployment benefits, current portion	26,574	30,221		
Assets held for others	31,224	38,051	2,500	2,000
Total current liabilities	1,113,569	1,036,931	29,163	29,128
Noncurrent liabilities:				
Bonds payable	1,253,707	1,171,945		
Leaseholds payable and other obligations	195,349	239,727	41,314	45,956
Accrued compensated absences	194,728	187,047		
Accrued self-insurance	202,798	193,564		
Other postemployment benefits	1,133,965	1,284,539		
Derivative instruments– liability	3,150	3,176	686	378
Total noncurrent liabilities	2,983,697	3,079,998	42,000	46,334
Deferred inflows of resources	415,876	346,539	142	83
Total liabilities and deferred inflows of resources	4,513,142	4,463,468	71,305	75,545
Net investment in capital assets	2,504,507	2,386,445	15,691	13,980
Restricted:				
Nonexpendable	117,279	116,654	1,344,249	1,185,848
Expendable	643,801	646,545	1,078,415	1,071,972
Unrestricted	525,202	263,621	79,507	64,705
Total net position	3,790,789	3,413,265	2,517,862	2,336,505
Total liabilities, deferred inflows of resources and net position	$ 8,303,931	$ 7,876,733	$ 2,589,167	$ 2,412,050

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2019
(with summarized comparative information for the year ended June 30, 2018)

(In thousands)

	University		University Related Organizations	
	2019	2018	2019	2018
Operating revenues:				
Student tuition and fees, net of scholarship allowance of $403,809	$ 1,193,419	$ 1,193,322	$	$
Federal appropriations	23,755	21,309		
Federal grants and contracts	683,579	652,271		
State of Illinois grants and contracts	72,473	64,942		
Private and other government agency grants and contracts	138,791	143,041	162,261	175,753
Educational activities	337,160	338,287		
Auxiliary enterprises, net	434,532	416,319		
Hospital and other medical activities, net	800,547	784,909		
Medical service plan	237,174	256,117		
Independent operations	11,670	11,533		
Interest and service charges on student loans	1,539	1,904		
Allocation from the University			15,784	15,638
Other sources			83,032	78,840
Total operating revenues	3,934,639	3,883,954	261,077	270,231
Operating expenses:				
Instruction	1,449,939	1,682,740		
Research	815,345	858,576		
Public service	427,006	482,127		
Academic support	546,057	619,524		
Student services	217,124	237,794		
Institutional support	296,934	310,667	105,655	108,332
Operation and maintenance of plant	334,632	332,016		
Scholarships and fellowships	57,257	70,122		
Auxiliary enterprises	382,124	406,300		
Hospital and medical activities	951,286	1,044,824		
Independent operations	8,892	12,170		
Depreciation and amortization	244,185	255,005	1,994	1,816
Distributions on behalf of the University			208,317	208,413
Total operating expenses	5,730,781	6,311,865	315,966	318,561
Operating loss	(1,796,142)	(2,427,911)	(54,889)	(48,330)
Nonoperating revenues (expenses):				
State appropriations	600,983	888,361		
Transfer of state appropriations to the Illinois Hospital Services Fund	(20,000)	(20,000)		
Private gifts	189,534	193,680		
Grants, nonoperating	186,571	244,332		
On-behalf for fringe benefits	257,496	215,967		
Special funding situation for fringe benefits	787,988	1,494,521		
Net investment income (net of investment expense of $6,189)	119,892	58,082	(1,394)	6,439
Net increase in the fair value of investments	22,240	7,704	69,469	143,769
Interest expense	(63,380)	(65,038)	(78)	(153)
Loss on disposal of capital assets	(4,339)	(2,755)		
Other nonoperating revenues, net	81,010	29,096	9,850	26
Net nonoperating revenues	2,157,995	3,043,950	77,847	150,081
Income before other revenues	361,853	616,039	22,958	101,751
Capital state appropriations	11,707	12,858		
Capital gifts and grants	3,767	5,239		
Private gifts for endowment purposes	197	4,197	158,399	138,413
Increase in net position	377,524	638,333	181,357	240,164
Net position, beginning of year	3,413,265	4,374,586	2,336,505	2,096,341
Cumulative effect of change in accounting principle		(1,599,654)		
Net position, beginning of year, as adjusted	3,413,265	2,774,932	2,336,505	2,096,341
Net position, end of year	$ 3,790,789	$ 3,413,265	$ 2,517,862	$ 2,336,505

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

Statement of Cash Flows

Year ended June 30, 2019
(with summarized comparative information for the year ended June 30, 2018)

(In thousands)

	University	
	2019	**2018**
Cash flows from operating activities:		
Student tuition and fees	$ 1,194,386	$ 1,197,196
Federal appropriations	25,812	20,877
Federal, state, and local grants and contracts	749,010	743,569
Other governmental agencies and private grants and contracts	149,695	154,524
Sales and services of educational activities	332,043	334,108
Auxiliary activities and independent operations	446,624	426,079
Hospital and other medical activities	819,938	776,675
Medical service plan	242,339	262,187
Payments to employees and for benefits	(2,734,601)	(2,642,604)
Payments to suppliers	(1,602,074)	(1,534,437)
Payments for scholarships and fellowships	(118,405)	(117,565)
Student loans issued	(5,030)	(6,755)
Student loans collected	8,525	9,681
Student loan interest and fees collected	1,631	2,246
Net cash used in operating activities	(490,107)	(374,219)
Cash flows from noncapital financing activities:		
State appropriations	592,454	823,894
Gifts transferred from University of Illinois Foundation	189,534	193,680
Direct lending receipts	462,223	471,914
Direct lending payments	(461,308)	(470,249)
Grants, nonoperating	186,571	244,332
Private gifts for endowment purposes	197	4,197
Repayments from related organizations, net	3,131	15
Other receipts	79,983	66,424
Other disbursements	(1,493)	(1,236)
Net cash provided by noncapital financing activities	1,051,292	1,332,971
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	166,872	
State capital appropriations	769	
Capital gifts and grants	16	206
Purchase of capital assets	(325,947)	(237,337)
Principal payments on bonds, capital leases, and other obligations	(118,597)	(96,764)
Interest payments on bonds, capital leases, and other obligations	(62,910)	(62,443)
Upfront deposits related to public-private partnership projects	(9,738)	(8,535)
Payment of capital debt issuance costs	(2,031)	(77)
Net cash used in capital and related financing activities	(351,566)	(404,950)
Cash flows from investing activities:		
Interest and dividends on investments, net	66,137	36,689
Proceeds from sales and maturities of investments	2,657,432	2,258,614
Purchase of investments	(2,995,933)	(2,490,068)
Net cash used in investing activities	(272,364)	(194,765)
Net (decrease) increase in cash and cash equivalents	(62,745)	359,037
Cash and cash equivalents, beginning of year	839,379	480,342
Cash and cash equivalents, end of year	$ 776,634	$ 839,379

(Continued)

UNIVERSITY OF ILLINOIS

Statement of Cash Flows

Year ended June 30, 2019
(with summarized comparative information for the year ended June 30, 2018)

(In thousands)

	University			
		2019		**2018**
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	$	(1,796,142)	$	(2,427,911)
Adjustments to reconcile operating loss to net cash used in operating activities:				
On-behalf and special funding situation for fringe benefits expense		1,045,484		1,710,488
Depreciation expense		244,185		255,005
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable, net		4,387		23,944
Notes receivable, net		4,182		3,702
Accrued interest on notes receivable		92		343
Inventories		(1,191)		3,480
Prepaid expenses and deposits		(6,864)		(1,895)
Deferred outflow of resources		4,552		447
Accounts payable and accrued liabilities		64,346		35,423
Accrued payroll		3,281		3,248
Unearned revenue and student deposits		22,361		9,221
Accrued compensated absences		6,599		3,782
Accrued self-insurance		7,000		(4,437)
Other postemployment benefits		(154,221)		(317,640)
Deferred inflows of resources		68,669		327,665
Assets held for others		(6,827)		916
Net cash used in operating activities	$	(490,107)	$	(374,219)
Noncash investing, capital, and financing activities:				
On-behalf for fringe benefits nonoperating revenue	$	257,496	$	215,967
Special funding for fringe benefits nonoperating revenue		787,988		1,494,521
State appropriation		20,382		39,589
Transfers of state appropriations to Illinois Hospital Services Fund		(20,000)		(20,000)
Net increase in fair value of investments		22,240		7,704
Gifts in kind – capital assets		3,748		4,971
Increase of capital asset obligations in accounts payable		10,459		10,208
Capital asset acquisitions by Capital Development Board		10,938		12,858
Capital asset acquisitions via leaseholds payable		5,144		145
Net interest capitalized		3,360		2,161
Other capital asset adjustments		889		73
Loss on disposal of capital assets		(4,339)		(2,755)
Capital appreciation on bonds payable	$	4,422	$	5,364

(1) Organization and Summary of Significant Accounting Policies

Organization

The University of Illinois (University), a federal land grant institution, founded in 1867 and a component unit of the State, conducts education, research, public service and related activities principally at its three locations in Urbana-Champaign, Chicago, which includes the Hospital and other healthcare facilities, and Springfield. In addition, the University has a Medical Service Plan for the University's College of Medicine faculty in Chicago, Rockford and Peoria, which allows the faculty to charge for their professional services. The governing body of the University is The Board of Trustees of the University of Illinois (Board).

As required by U.S. generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University (the primary government) and its component units as well as certain activities and expenses funded by other State agencies on behalf of the University or its employees. The component units discussed below are included in the University's financial reporting entity (Entity) because of the significance of their financial relationship with the University.

The University Related Organizations (UROs) column in the financial statements includes the financial data of the University's discretely presented component units. The University of Illinois Foundation (Foundation), the University of Illinois Alumni Alliance (Alumni Alliance), Wolcott, Wood and Taylor, Inc. (WWT), Prairieland Energy, Inc. (Prairieland), Illinois Ventures, LLC (Illinois Ventures), the University of Illinois Research Park, LLC (Research Park) and UI Singapore Research, LLC (Singapore Research) are included in the University's reporting entity because of the significance of their operational or financial relationship with the University. These component units are discretely presented in a separate column and are legally separate from the University.

The Foundation was formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University. Complete financial statements for the Foundation may be obtained by writing to the Chief Financial Officer, 400 Harker Hall, 1305 W. Green Street, Urbana, Illinois 61801.

The Alumni Alliance was formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students and others in the University's programs. In this capacity, the Alumni Alliance offers memberships in the Alumni Alliance to former students, conducts various activities for students and alumni, and publishes periodicals for the benefit of alumni. Complete financial statements for the Alumni Alliance may be obtained by writing to the Chief Financial Officer, Alice Campbell Alumni Center, 601 S. Lincoln Avenue, Urbana, Illinois 61801.

WWT was formed to provide practice management support services and operate as a billing/collection entity for healthcare activities under the laws of the State. Complete financial information may be obtained by writing to the President and CEO, 200 W. Adams, Suite 225, Chicago, Illinois 60606.

Prairieland Energy, Inc. was approved by the Board of Trustees of the University in September 1996 to provide low-cost energy for the benefit of the University and others. Prairieland provides an efficient vehicle for flexible, nimble and real-time participation in wholesale energy markets, resulting in cost savings and other benefits to the University. Complete financial information may be obtained by writing to the Controller, 807 S. Wright Street, Suite 340, Champaign, Illinois 61820.

Illinois Ventures exists to facilitate the development of new companies commercializing technology originated or developed by faculty, staff, students and/or alumni of the University and other organizations. The University desires Illinois Ventures to foster technology commercialization and economic development in accordance with the teaching, research and public service missions of the University. Complete financial information may be obtained by writing to the CEO and Managing Director, 2242 W. Harrison, Suite 201, Chicago, Illinois 60612.

Research Park was formed to aid and assist the University and other organizations by establishing and operating a research park with offices located in Champaign, Illinois. Research Park's jurisdiction extends to oversight of the research park in Urbana-Champaign. This jurisdiction also extends to potential research parks in Illinois where the University has some operating responsibility by statute or contract. The Research Park was designed to promote the development of new companies, which commercialize University technologies and attract established companies to partner with the University in research and development activities and to prepare the workforce for the next generation. Complete financial information may be obtained by writing to the Associate Director of Administration, University of Illinois Research Park, LLC, 60 Hazelwood Drive, Champaign, Illinois 61820.

Singapore Research was formed to organize, develop, hold and operate, through a Singapore entity, a research center in Singapore to encourage and facilitate research, development and commercialization of the intellectual assets of the University and to foster economic development. Complete financial information may be obtained by writing to the Treasurer, UI Singapore Research, LLC, 349 Henry Administration Building, 506 South Wright Street, Urbana, Illinois 61801.

The Foundation, Alumni Alliance, WWT, Prairieland, Illinois Ventures, Research Park and Singapore Research are related organizations as defined under *University Guidelines* adopted by the State's Legislative Audit Commission.

The University is a component unit of the State for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's comprehensive annual financial report.

Significant Accounting Policies

(a) ***Financial Statement Presentation and Basis of Accounting***

University

The University prepared its financial statements as a Business-Type Activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business-Type Activities are those financed in whole or in part by fees charged to external parties for goods and services.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements. Advances are classified as unearned revenue. Appropriations made from the State for the benefit of the University are recognized as nonoperating revenues when eligibility requirements are satisfied.

The financial statements include certain prior year comparative information, which has been derived from the University's 2018 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2018.

Certain items in the June 30, 2018 comparative information have been reclassified to correspond to the June 30, 2019 financial statement presentation.

UROs

The financial statements of WWT, Prairieland, Illinois Ventures, Research Park and Singapore Research are prepared using the same presentation and basis of accounting as the University, as described above.

The Foundation and Alumni Alliance are nonprofit organizations that report under FASB standards, including Topic 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation or Alumni Alliance financial information in the University's financial reporting entity for these differences. Only certain reclassifications have been made for consistency with the University's GASB reporting format.

(b) ***Cash and Cash Equivalents***

The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of money market funds.

(c) ***Inventories***

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method or the first-in, first-out method, depending on the type of inventory.

(d) ***Investments***

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72. Fair value is determined for the University's investments based upon a framework described in Note 2(f). The fair values of farm properties held as investments are determined by a periodic appraisal of the property by a certified real estate appraiser. Fair value for investments in certain mutual funds, hedge funds and private equity is determined using net asset values (NAV) as provided by external investment managers. Bank deposits, money market funds, and Illinois public treasurer's investment pool are recorded at cost.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(e) ***Endowments***

For donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Illinois, permits the respective Boards of both the University and the Foundation to appropriate an amount of realized and unrealized endowment appreciation as they determine to be prudent. The University's policy is to retain the realized and unrealized appreciation (net appreciation) within the endowment pool after spending rule distributions.

University

The University's endowment pool investment policy follows the total return concept. The focus is to preserve the real value or purchasing power of endowment pool assets and the annual support the assets provide. Distributions are made from the University Endowment Fund to the University entities that benefit from the endowment funds. The endowment spending rule provides for an annual distribution of 4.0% of the two-quarter lagged, six-year moving average market value of fund units.

At June 30, 2019, net appreciation of $117,275,000 was available to be spent, of which $90,443,000 was restricted to specific purposes.

URO – Foundation

Interpretation of Relevant Law: The board of directors of the Foundation interprets UPMIFA to require consideration of the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

In accordance with the Foundation's interpretation of UPMIFA, absent explicit donor stipulations to the contrary, the Foundation shall classify as permanently restricted net assets (restricted – nonexpendable) the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income, interest, dividends, or rents, issues or profits. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the Foundation's board of directors, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering the above relevant factors. The Foundation's Board approved spending was $91,504,000 for fiscal year ended June 30, 2019.

(f) ***Capital Assets***

Capital assets are recorded at cost or, if donated, at acquisition value at the date of a gift. Depreciation and amortization of the capital assets is calculated on a straight-line basis over the estimated useful lives (noted below) of the assets. The University's policy requires the capitalization of land and collection purchases regardless of cost, equipment over $5,000, software, easements, buildings and improvements over $100,000 and infrastructure over $1,000,000. The University does not capitalize collections, such as works of art or historical treasures, which are held for public exhibition, education or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange or other disposal of any item belonging to a collection must be applied to the acquisition of additional items for the same collection. Estimated useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25	Moveable equipment	3 – 20
Intangibles:			
Software	5 – 10	Exhaustible collections	10

(g) ***Deferred Outflows of Resources***

Under hedge accounting, the University has determined that the interest rate swap agreements on bonds payable, as hedging derivative instruments, are an effective hedge. Accordingly, changes in the fair values of the interest rate swaps, since being associated with the related outstanding bonds, are reported as deferred outflows of resources on the accompanying Statement of Net Position. Additionally, interest rate swaps reassigned to new debt, after a refunding of debt that the swap was previously hedging, normally have an other than zero fair value upon the reassociation. For swaps with a fair value of other than zero upon reassociation with a hedgeable item, the fair value is amortized as an adjustment to interest expense in a systematic manner.

Losses on refunding of the University's bonds and certificates of participation are reported as deferred outflow of resources on the accompanying Statement of Net Position. The losses on refundings are amortized over the life of the debt using the straight-line method.

Employer pension and OPEB contributions made in fiscal year 2019 are also reported as deferred outflows of resources.

Deferred Outflow of Resources
(In thousands)

	Beginning balance	Additions	Deductions	Change in fair value	Ending balance
Interest rate swap agreements	$ 1,407	395		(25)	$ 1,777
Unamortized deferred loss on refunding	30,515	10	5,943		24,582
Pension contributions	37,139	36,359	37,139		36,359
OPEB (note 12)	30,643	1,851	5,624		26,870
Total deferred outflow of resources	$ 99,704	38,615	48,706	(25)	$ 89,588

(h) ***Compensated Absences***

Accrued compensated absences for University personnel are charged as an operating expense, using the vesting method, based on earned but unused vacation and sick leave days including the University's share of Medicare taxes.

(i) ***Premiums***

Premiums for bonds and certificates of participation are reported within bonds payable and leaseholds payable, respectively, and are amortized over the life of the debt issue using the straight-line method.

(j) ***Deferred Inflows of Resources***

The University has split-interest agreements where the University is a beneficiary. At the inception of these agreements the University recognizes assets, liabilities and deferred inflows of resources on the accompanying Statement of Net Position.

The difference between the expected and actual OPEB liability is also reported as deferred inflows of resources.

Deferred Inflow of Resources

(In thousands)

		Beginning balance	Additions	Deductions	Change in fair value		Ending balance
Irrevocable trusts (note 10)	$	18,874	1,519	1,069	218	$	19,542
OPEB (note 12)		327,665	128,808	60,139			396,334
Total deferred inflow of resources	$	346,539	130,327	61,208	218	$	415,876

(k) ***Net Position***

The Entity's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets; (b) Restricted nonexpendable – net position restricted by externally imposed stipulations; (c) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the Entity pursuant to those stipulations or that expire by the passage of time, and (d) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The Entity first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(l) ***Classification of Revenues***

The Statement of Revenues, Expenses and Changes in Net Position classifies the Entity's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services, including tuition and fees, net of scholarships and fellowships, certain grants and contracts, sales and services of educational activities, hospital, medical service plans, and auxiliary enterprises revenues. Certain revenue sources that the Entity relies on to provide funding for operations including State appropriations, gifts, on-behalf for fringe benefits and investment income are defined by GASB Statement No. 35 as nonoperating revenues. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

In fiscal year 2019, the University designated $20,000,000 of State appropriations for transfer to the University of Illinois Hospital Services Fund, which is a special fund established in the State Treasury pursuant to the State Finance Act, 30 ILCS 105/6z-30. This fund is owned and operated by the Illinois Department of Healthcare and Family Services. It is not part of or a related organization of the University.

(m) ***Tuition, Scholarships and Fellowships***

Scholarships and fellowships of $403,809,000 and $26,037,000 are netted against student tuition and fees and auxiliary enterprises revenues, respectively. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Graduate and other employment related remissions are included with compensation and benefits and presented in instruction, research and other functional categories of operating expenses. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year are unearned and recognized in the next fiscal year.

(n) ***Patient Services Revenue – Hospital***

With respect to the Hospital, patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, some of which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges and per diem payments. Approximately 90% of the Hospital's net patient service revenues were derived from Medicare, Medicaid and managed care programs for the year ended June 30, 2019. Reimbursement under these programs provided for payments to the Hospital at amounts different from its established rates, based on a specific amount per case, or a contracted price, for rendering services to program beneficiaries. The Hospital records contractual allowances in the current period representing the difference between charges for services rendered and the expected payments under these programs, and adjusts them in future periods as final settlements through cost reports or other means are determined. For the year ended June 30, 2019, the contractual allowances totaled $1,942,349,000.

The policy of the Hospital is to treat patients in immediate need of medical services without regard to their ability to pay for such services. The Hospital provides care without charge or at amounts less than its established rates to patients who meet the criteria of its charity care policy. This policy defines charity care and provides guidelines for assessing a patient's ability to pay. Eligibility is based on a patient qualification, financial resources and service criteria. Because the Hospital does not pursue collection of amounts determined to be charity care, they are not reported as revenue.

The Hospital maintains records to identify and monitor the level of charity care provided. These records include the amount of estimated costs for services rendered and supplies furnished under its charity care policy. The estimated cost of charity care using the Hospital's cost-to-charge ratio was $18,283,000 for fiscal year 2019. The ratio of costs to charges is calculated based on the Hospital's total operating expenses. Unreimbursed costs of providing care to Medicare and Medicaid patients are not included as charity care.

(o) ***Classification of Expenses***

The majority of the Entity's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include transfers of state appropriations and capital financing costs.

(p) ***Employment Contracts***

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was $68,877,000 at June 30, 2019 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from revenues to be recognized in fiscal year 2020 rather than from the unrestricted net position available at June 30, 2019.

(q) ***On-behalf for fringe benefits***

In accordance with GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, the University has reported outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2019, as described below.

Substantially all active employees participate in group insurance plans provided by the State and administered by CMS, primary providing healthcare benefits. In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, State statutes require contributions based upon total employee compensation paid from any State fund, including the University's state appropriation funds. Additionally, the University shall not be required to make contributions for employees who are fully compensated from the University's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are fully compensated from the University's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2019, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $275,360,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $17,864,000 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of $257,496,000 on-behalf of the University to meet this obligation for current employees.

As the University is not legally responsible to pay for the on-behalf support provided by the State, the University recognizes non-operating revenues and operating expenses allocated to the related function performed by the employees within the University's financial statements for its current employees' participation in group insurance.

(r) ***Pensions***

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the SURS plan net position and additions to/deductions from the SURS' plan net position has been determined on the same basis as they are reported by the SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the financial reporting purposes, the State and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as non-operating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

(s) ***OPEB***

The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375) authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, to provide health, dental, vision and life insurance benefits as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and State public Universities' employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, the Act (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund, including the University's State Appropriations Funds. Additionally, the University shall not be required to make contributions for employees who are fully compensated from University's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are fully compensated from the University's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

Given the preceding environment, the University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees who are not paid from trust, federal, and other similar funds, while (2) the University is responsible for OPEB employer contributions when University employees are paid from trust, federal, and other similar funds.

Special Funding Situation Portion of OPEB

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan.

During the OPEB measurement period ended June 30, 2018, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $11,189,000 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as non-operating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

University's Portion of OPEB

The University reports a liability, expense allocated to the related function performed by the employees, and related deferred inflows and outflows of resources for OPEB based on the University's proportionate share of amounts paid to SEGIP pursuant to the Act for its employees paid from trust, federal, and other funds compared to the collective amounts paid to SEGIP pursuant to the Act. The collective amounts paid to SEGIP pursuant to the Act includes (1) payments from State agencies for State employees, (2) the amount calculated by CMS to represent the amount paid by the General Fund related to the special funding situation, (3) the total voluntary appropriation repayment from all of the universities, and (4) the total of all payments from the universities for employees paid from trust, federal, and other funds. This methodology has been determined by the State to be the best estimate of how future OPEB payments will be determined.

Deferred inflows and outflows of resources are recognized in OPEB expense at the beginning of the current period, using a systematic and rational method over a closed period, equal to the average expected remaining service lives of all employees, either active or inactive, provided with OPEB through SEGIP, determined as of the beginning of the measurement period.

(t) ***Use of Estimates***

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(u) ***New Accounting Pronouncements***

The University adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations,* which was effective for periods beginning after June 15, 2018. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred with subsequent adjustments for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital asset. Implementation of this pronouncement did not impact the University's financial statements.

The University adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which was effective for periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Implementation of this pronouncement required additional disclosures related to the University's long-term debt.

(2) Cash, Cash Equivalents and Investments

The carrying amount of the University's cash totaled $9,566,000 at June 30, 2019. The June 30, 2019 total bank account balances for the University aggregated $22,843,000 all of which was covered by federal depository insurance or by collateral held by an agent in the University's name.

The Board follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's investments. The Board fulfills its fiduciary responsibility for the management of investments, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk.

Nearly all of the University’s investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The following details the carrying value of the University’s cash, cash equivalents and investments as of June 30, 2019:

University Cash, Cash Equivalents and Investments

(In thousands)

U.S. Treasury bonds and bills	$	459,159
U.S. government agencies		178,988
International government bonds and governmental agencies		4,026
Nongovernment mortgage-backed securities		80,714
Asset backed securities		366,473
Corporate bonds		1,051,368
Commercial paper		43,858
Municipal bonds		21,641
Bond funds		3,805
Money market funds		691,845
Illinois public treasurer’s investment pool		64,811
Subtotal before cash deposits, equities and other investments		2,966,688
Equities		27,009
Equity funds		359,958
Hedge funds		47,685
Private equity		57,989
Farm properties		102,173
Real estate		40,267
Cash deposits (net of outstanding checks)		9,566
Total	$	3,611,335

(a) ***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Barclay’s Capital 90-Day and Bank of America Merrill Lynch 12 month Treasury Bill Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment managers’ performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year to three-year Government Credit Bond Index, the Barclays Capital Intermediate Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index.

The University's investment maturities at June 30, 2019 are illustrated below:

University Investment Maturities

(In thousands)

	Total	Less than 1 year	1 - 5 years	5 - 10 years	Greater than 10 years
U.S. Treasury bonds and bills	$ 459,159	92,802	287,409	58,040	20,908
U.S. government agencies	178,988	9,479	15,939	13,732	139,838
International government bonds and governmental agencies	4,026		2,074	1,530	422
Nongovernment mortgage-backed securities	80,714				80,714
Asset backed securities	366,473	2,057	314,213	27,374	22,829
Corporate bonds	1,051,368	260,379	689,004	84,208	17,777
Commercial paper	43,858	43,858			
Municipal bonds	21,641	4,904	8,571	4,301	3,865
Bond funds	3,805	1,099	737	1,969	
Money market funds	691,845	691,845			
Illinois public treasurer's investment pool	64,811	64,811			
Total	$ 2,966,688	1,171,234	1,317,947	191,154	286,353

At June 30, 2019, the University's operating funds pool portfolio had an effective duration of 1.4 years.

(b) ***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's short-term operating funds be invested in fixed income securities and other short-term fixed income instruments (e.g., money markets). Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations at purchase. Unrated securities are not allowed unless specifically permitted by an individual manager's guidelines. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion.

The University reports the credit ratings of fixed income securities and short term instruments using Standard and Poor's and Moody's ratings. Securities with split ratings or with a different rating assignment are disclosed using the rating indicative of the greatest degree of risk.

The University's investment quality ratings at June 30, 2019 are illustrated below:

University Investments Quality Ratings

(In thousands)

	Total	AAA/Aaa	AA/Aa/ TSY/AGY[1]	A/A [2]	BBB/Baa	BB/Ba	Less than BB or not rated
U.S. Treasury bonds and bills	$ 459,159		459,159				
U.S. government agencies	178,988		178,988				
International government bonds and governmental agencies	4,026	1,712	982	204	1,128		
Nongovernment mortgage-backed securities	80,714	70,838	2,996		334		6,546
Asset backed securities	366,473	351,825	10,020	8	511		4,109
Corporate bonds	1,051,368	8,603	127,035	539,347	364,649	11,062	672
Commercial paper	43,858			43,858			
Municipal bonds	21,641	558	15,371	4,053	1,659		
Bond funds	3,805	655	1,626	694	717	9	104
Money market funds	691,845	691,845					
Illinois public treasurer's investment pool	64,811	64,811					
Total	$ 2,966,688	1,190,847	796,177	588,164	368,998	11,071	11,431

[1] TSY (U.S. Treasury Securities) & AGY (U.S. Agency Securities) is a reporting convention used by the University's custodian to identify investments that have not received individual security ratings. These securities have an explicit or implicit guarantee by the U.S. government which has been rated AA+ by Standard and Poor's and Aaa by Moody's. Short term Standard and Poor's ratings of A-1+ are placed in this category.

[2] Short term Standard and Poor's ratings of A-1 and A-2 and Moody's short-term ratings of P1 and P2 are placed in this category.

(c) ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2019, the University's investments were not subject to custodial credit risk.

(d) ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized investments (e.g., mortgage-backed securities), concentration is limited to an individual issuance trust (e.g., pooled receivables). These concentration limits do not apply to investments in pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2019, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

(e) ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's operating fund investments generally are not exposed to foreign currency risk. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, fixed income, private equity and absolute return strategies. As these funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) ***Investments and Fair Value Measurements***

GASB standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the University has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the University has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments may be classified as Level 1 when the values are based upon unadjusted quoted prices in active markets for identical assets and generally include active listed equities. Publicly-traded investments that have no or insignificant restrictions are classified in Level 1 of the fair value hierarchy. Level 1 securities would include bond funds, equity funds and exchange traded equities.

Investments may be classified as Level 2 when the values include inputs that are directly observable for an asset (including quoted prices for similar assets), as well as inputs that are not directly observable for the asset. These inputs are derived principally from or corroborated by observable market data through correlation or by other means (market corroborated inputs). The concept of market-corroborated inputs is intended to incorporate observable market data (such as interest rates and yield curves that are observable at commonly quoted intervals) based upon an assessment of factors relevant to the asset or liability. Level 2 securities include US Treasury bonds and bills, US government agencies, international government bonds and agencies, nongovernment mortgage-backed securities, asset backed securities, corporate bonds, commercial paper, and municipal bonds.

Investments may be classified as Level 3 when the values include inputs that are unobservable and Level 1 and Level 2 inputs are not available. The values are based upon the best information available under the circumstances and may include management's own data. Level 3 securities include equities and farm properties.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2019.

The following table summarizes assets measured at fair value as of June 30, 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

University Fair Value Measurements as of June 30, 2019

(In thousands)

	Total	Quoted prices in active markets **(Level 1)**	Significant other observable inputs **(Level 2)**	Quoted prices unobservable inputs **(Level 3)**
U.S. Treasury bonds and bills	$ 459,159		459,159	
U.S. government agencies	178,988		178,988	
International government bonds and governmental agencies	4,026		4,026	
Nongovernment mortgage-backed securities	80,714		80,714	
Asset backed securities	366,473		366,473	
Corporate bonds	1,051,368		1,051,368	
Commercial paper	43,858		43,858	
Municipal bonds	21,641		21,641	
Bond funds	3,805	3,805		
Equities	27,009	26,910		99
Equity funds	8,971	8,971		
Farm properties	102,173			102,173
Total subject to fair value hierarchy	2,348,185	39,686	2,206,227	102,272
Investments measured at the NAV				
Equity funds	350,987			
Hedge funds	47,685			
Private equity	57,989			
Real estate	40,267			
Total investments measured at NAV	496,928			
Investments measured at cost				
Money market funds	691,845			
Cash deposits	9,566			
Illinois public treasurer's investment pool	64,811			
Total investments measured at cost	766,222			
Total cash, cash equivalents and investments	$ 3,611,335			

The following table sets forth additional disclosure of the University's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2019:

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
	(In thousands)			
Investments:				
Equity funds (A)	350,987		(A)	(A)
Hedge funds (B)	47,685		(B)	(B)
Private equity (C)	57,989	36,912	(C)	(C)
Real estate (D)	40,267	9,933	(D)	(D)
	$ 496,928	$ 46,845		

(A) The funds in this category invest in marketable equities that are exchange traded in the United States of America (USA) and in countries outside of the USA. These funds can be redeemed with same business day to two business days redemption notification requirement determined by the managers. Settlement may take up to seven business days. The fund values of these investments have been estimated using the NAV per share provided by the fund manager.

(B) The funds in this category are generally not restricted in the types of securities in which they can invest. They may invest in limited partnership vehicles or directly in equity, fixed income and derivative instruments to achieve a stated investment objective. These funds can be redeemed monthly (subject to a redemption charge) or quarterly depending on the partnership agreement within redemption notice periods of 30 to 60 days. The fund values of these investments have been estimated using the NAV per share provided by the fund manager.

(C) The funds in this category invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships, special situation partnerships, and directly in portfolio companies. These investments cannot be redeemed during the life of the partnership; however they may be able to be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the dates of the last available NAV and June 30, 2019.

(D) The funds in this category invest in real estate. Subject to general partner approval and available cash, these funds can be redeemed quarterly with up to a 3 month notice period. Distributions of operating cash flow are paid out on a quarterly basis as determined by the general partner. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the dates of the last available NAV and June 30, 2019.

(g) ***URO – Foundation Investments***

As the investments of the University's URO-Foundation are considered material to the Entity's financial statements taken as a whole, the following disclosures are made:

The Foundation financial statements follow FASB standards; therefore, the required disclosures, within the Entity's statements, for the Foundation investments differ from GASB requirements.

FASB standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the Foundation has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, exchange-traded equities and mutual funds.

If quoted market prices are not available, then the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics and other valuation methodologies. Level 2 securities would include mortgage-backed agency securities, certain corporate securities and other certain securities. These securities are valued primarily through a multi-dimensional relational model including standard inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.

In certain cases where there is limited activity or less transparency around inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy and may include equity and/or debt securities issued by private entities. Level 3 investments include direct private investments and co-investments using performance multiples applicable to the investment's industry, determined through the use of a market-based approach, which utilizes comparable companies' data and equity mutual funds that have underlying marketable securities but have significant redemption restrictions.

Farms: The fair market value of the Foundation's farms is determined by a contracted professional agricultural services company. The company employs the use of several inputs in determining a farm's fair market value. Quarterly and annual publications by the federal government, professional farm managers, and rural appraisers that discuss current farm values, lease trends, and credit conditions are used as one input. The company also uses comparative sales data for farmland in the area surrounding each specific farm, assembled from in-house real estate transactions, county assessor data, and other local data sources. These inputs serve as benchmarks and each farm is then evaluated based on soil productivity, drainage quality, topography, and other physical characteristics to determine the fair market value.

Beneficial interest in trusts and trusts held by others: The values of the beneficial interest in trusts are derived from the underlying investments of the trusts. The value of those investments is determined in the same manner as investments described above. The value of trusts held by others is based on the Foundation owning an interest in trust and not the underlying investments. The estimated future value of that interest in the trust is based on management's estimate of the trusts' expected performance which is then present valued back to the date of the financial statements based on life expectancy factors published by the Internal Revenue Service.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

URO – Foundation Fair Value Measurements as of June 30, 2019

		(In thousands)			
		Fair value	**Level 1**	**Level 2**	**Level 3**
Cash surrender value of life insurance	$	6,020			6,020
Common stock:					
Domestic		52,135	52,135		
International		13,395	13,395		
Farms		61,425		61,425	
International government bonds		2,362		2,362	
International index linked government bonds		37,921		37,921	
Money market mutual funds		52,618	52,618		
Mutual Funds:					
Blended, Domestic		10,554	10,554		
Blended, International		50	50		
Bond		22,726	22,726		
Equity, Domestic		36,199	36,199		
Equity, International		59,603	59,603		
Partnerships - Non US developed markets equity		92,903			92,903
Private equity funds		133,905			133,905
Private real estate funds		29,568			29,568
U.S. treasury bonds and bills		2,682		2,682	
U.S. index linked government bonds		22,083		22,083	
Variable annuity contract		3,444		3,444	
Beneficial interest in trusts		52,758			52,758
Trusts held by others		21,863			21,863
	$	714,214	247,280	129,917	337,017

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2019.

The investments above exclude $2,397,000 of real estate that is carried at cost, $12,817,000 of private equities and other assets carried at cost, and $1,472,224,000 of investments where values are based on NAV using the practical expedient.

The Foundation’s level 3 investments have been valued based on unadjusted NAV (or equivalent) of investments in private investment companies or unadjusted account statement balances as reported by insurance companies or trustees. As a result, there were no unobservable inputs that have been internally developed by the Foundation in determining the fair values of its investments at June 30, 2019. During the year ended June 30, 2019 the Foundation did not have any transfers of assets between any levels of the fair value hierarchy.

The following table presents additional information about investments measured at fair value on a recurring basis for which the URO – Foundation has utilized Level 3 inputs to determine fair value:

URO - Foundation Significant Unobservable Inputs (Level 3)

as of June 30, 2019

(In thousands)

	Purchases or additions	Sales or deductions
Other investments	$	$ (4)
Private equity funds	27,490	(25,702)
Private real estate	15,999	(1,637)
Trusts held by others	5,954	(668)
Cash surrender value of life insurance	12	(472)
Total	$ 49,455	$ (28,483)

The Foundation invests in alternative investment funds including limited partnerships, private capital and private real estate funds. The fair values of these investments are valued utilizing the NAV, as a practical expedient, provided by the underlying private investment companies when the NAVs of the investments are determined using a measurement basis consistent with U.S. GAAP for investment companies. The Foundation may only utilize the practical expedient if the investment does not have a readily determinable fair value and the investee is an investment company within the scope of ASC Topic 946, *Financial Services – Investment Companies*.

The following table sets forth the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2019:

URO – Foundation Investments, Fair Value Estimated Using NAV (or its equivalent)

(In thousands)

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
Investments:				
Credit (A)	$ 228,198		daily, monthly, quarterly, or annually **/***	5 to 90 days
Developed markets - non U.S. equity (B)	111,836		daily, monthly, quarterly, or annually	5 to 90 days
Emerging markets (C)	134,826		daily, monthly, quarterly, or annually ***	5 to 90 days
Global bonds (D)	133,411		daily, monthly, quarterly, or annually	5 to 90 days
Global equity (E)	274,432		daily, monthly, quarterly, or annually ***	5 to 90 days
Natural resources (F)	27,008		daily, monthly, quarterly, or annually	5 to 90 days
Private credit (G)	64,757	31,937	not eligible*	N/A
Private equity - healthcare (H)	37,602	11,750	not eligible*	N/A
Private equity - global growth (I)	64,779	21,456	not eligible*	N/A
Private equity - venture capital (J)	21,975	23,298	not eligible*	N/A
Private natural resources (K)	80,234	39,214	not eligible*	N/A
Real estate (L)	72,930	40,907	not eligible*	N/A
U.S. equity (M)	220,236		daily, monthly, quarterly, or annually	5 to 90 days
	$ 1,472,224	$ 168,562		

* In the case of private funds, capital is returned as monetization events occur which may be infrequent in nature and the timing is not known. Generally, capital is committed to a partnership for a period of up to 10 years with the ability of the general partner to extend the life of the fund one to three additional years. Generally in the early years of a fund's life, the general partner, in order to facilitate its funding of investments, will call capital from the limited partners up to the amount of its commitment. As of June 30, 2019, there were $193,562,000 of unfunded commitments relating to private fund investments. The unfunded commitments at June 30, 2019 included $25,000,000 in commitments to funds that have not called any capital as of June 30, 2019 and therefore do not appear in the balances on the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, or elsewhere in the notes.

** There are certain investments with fair value of $26,606,000 in the above category that cannot be redeemed until June 30, 2020 – after which can be redeemed monthly with 90 day notice.

*** There are certain investments in the above categories for which redemption has been requested and will occur during fiscal year 2020. The fair value of the redemption requests at June 30, 2019 total $121,803,000.

(A) This category includes investments with both long and short positions in both debt and equity related to leveraged or distressed companies, residential mortgage backed securities, risk arbitrage and financial instruments that are subject to legal or contractual restrictions. These investments include both U.S. and Non-U.S. securities/companies.

(B) This category includes investments with both long and short positions in equity or equity-related securities primarily in Western Europe.

(C) This category includes investments with both long and short positions in equity or equity-related securities in global emerging markets including Latin America and Asia.

(D) This category includes investments in primarily debt or debt-like securities that are globally diversified.

(E) This category includes investments with both long and short positions in equity or equity-related securities listed or traded on an exchange or regulated market on a global basis.

(F) This category includes investments with both long and short positions in both debt and equity or related securities in energy, gas, mining and oil fields. These investments include both public and private companies.

(G) This category includes investment positions in both distressed debt and equity securities and other event driven investments such as broken merger or acquisition deals. These investments include both U.S. and Non-U.S. securities/companies.

(H) This category includes investments in private equity in the healthcare industry.

(I) This category includes investments in private equity within growth sectors around the globe including China, the Nordic Region and Sub-Saharan Africa.

(J) This category includes investments in venture capital private equity.

(K) This category includes investments in both debt and equity positions in the sectors of agriculture, oil and gas exploration and power, utility and energy infrastructure.

(L) This category includes investments in both debt and equity positions in real estate and real estate related securities and businesses.

(M) This category includes investments with both long and short positions in equity or equity-related securities in the U.S. in a range of industries including banking and healthcare.

All URO – Foundation investments are considered noncurrent assets.

(3) Accounts, Notes and Pledges Receivable

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate considering type, age, collection history of receivables and any other factors as considered appropriate. Accounts and notes receivable are reported net of allowances at June 30, 2019.

The composition of accounts receivable and notes and pledges receivable at June 30, 2019 is summarized as follows:

University Accounts Receivable, Net of Allowance
(In thousands)

		Gross receivables	Allowance for uncollectible	Net receivables
Receivables from sponsoring agencies	$	183,159	(2,521)	180,638
Hospital and other medical activities		331,371	(178,433)	152,938
Student tuition and fees		58,266	(21,884)	36,382
Auxiliaries		16,751	(6,028)	10,723
Medical service plan		86,030	(27,921)	58,109
Educational activities		62,516	(13,171)	49,345
Other		24,049	(303)	23,746
Total	$	762,142	(250,261)	511,881

Notes and Pledges Receivable
(In thousands)

Student notes receivable – University:		
Student notes outstanding - Perkins loan program*	$	24,485
Student notes outstanding - other programs		29,522
Allowance for uncollectible loans		(2,969)
Total student notes receivable, net	$	51,038

* Perkins loan program expired on September 30, 2017. The University recorded a long-term obligation to recognize the federal contribution to the program that will be paid back as loans are paid off.

Gift pledges receivable, URO – Foundation:	$	334,554
Less:		
Allowance for doubtful pledges		(18,000)
Present value discount		(6,554)
Total gift pledges outstanding, net	$	310,000

(4) Capital Assets

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest of $3,360,000 was capitalized during the year ended June 30, 2019.

Capital assets activity during the year ended June 30, 2019 is summarized as follows:

University Capital Assets
(In thousands)

	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 138,374				$ 138,374
Construction in progress	267,032	248,440		(179,923)	335,549
Inexhaustible collections	24,121	910	(78)		24,953
Total nondepreciable capital assets	429,527	249,350	(78)	(179,923)	498,876
Depreciable capital assets:					
Buildings	4,646,886		(1,070)	146,862	4,792,678
Improvements and infrastructure	737,788			22,225	760,013
Equipment	1,289,299	88,754	(89,562)	7,093	1,295,584
Software	196,398			3,743	200,141
Exhaustible collections	658,561	22,381	(2,975)		677,967
Total depreciable and amortizable capital assets	7,528,932	111,135	(93,607)	179,923	7,726,383
Less accumulated depreciation and amortization:					
Buildings	1,927,848	123,513	(985)		2,050,376
Improvements and infrastructure	490,741	23,572			514,313
Equipment	1,054,140	68,333	(85,386)		1,037,087
Software	180,400	5,146			185,546
Exhaustible collections	544,037	23,621	(2,975)		564,683
Total accumulated depreciation and amortization	4,197,166	244,185	(89,346)	—	4,352,005
Total net depreciable capital assets	3,331,766	(133,050)	(4,261)	179,923	3,374,378
Total	$ 3,761,293	116,300	(4,339)	—	$ 3,873,254

(5) Accrued Self-Insurance and Loss Contingency

The University’s accrued self-insurance liability of $242,048,000, as of June 30, 2019 covers hospital patient liability; hospital and medical professional liability; estimated general and contract liability, and workers’ compensation liability related to employees paid from local funds. The accrued self-insurance liability was discounted at rates of 2% to 4.5% at June 30, 2019. Amounts increasing the accrued self-insurance liability are charged as expenses based upon estimates made by actuaries and the University’s risk management division. An additional workers’ compensation self-insurance liability of $20,778,000 at June 30, 2019 is included in the University’s accounts payable. These claims will be paid in the year in which the claims are finalized, rather than from unrestricted net position as of June 30, 2019.

The accrued self-insurance liability includes $167,793,000 at June 30, 2019 for the currently estimated ultimate cost of uninsured medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and independent actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and hospital specific data to cover projected losses for claims incurred but not reported. Because the amounts accrued are estimates, the aggregate claims actually incurred could differ significantly from the accrued self-insurance liability at June 30, 2019. Changes in these estimates will be reflected in the Statement of Revenues, Expenses and Changes in Net Position in the period when additional information is available.

Changes in Accrued Self-Insurance
(In thousands)

		2019
Balance, beginning of year	$	235,048
Claims incurred and changes in estimates		65,048
Claim payments and other deductions		(58,048)
Balance, end of year		242,048
Less current portion		(39,250)
Balance, end of year – noncurrent portion	$	202,798

The University has contracted with several commercial carriers to provide varying levels and upper limits of excess liability coverage. These coverages have been considered in determining the required accrued self-insurance liability. There were no material settlements that exceeded insurance coverage during the last three years.

The University purchases excess liability coverage for certain areas such as commercial general liability, Board legal liability, and hospital and medical liability.

(6) Accrued Compensated Absences

Accrued compensated absences includes personnel earned and unused vacation and sick leave, including the University's share of Medicare taxes, valued at the current rate of pay.

Section 14a of the State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System or the Federal Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of University employment for one-half (1/2) of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are noncompensable.

Changes in Compensated Absences Balance
(In thousands)

Balance, beginning of year	$	206,678
Additions		24,597
Deductions		(17,998)
Balance, end of year		213,277
Less current portion		(18,549)
Balance, end of year – noncurrent portion	$	194,728

(7) Bonds Payable

On October 17, 2018, the University issued $142,110,000 of AFS Revenue Bonds, Series 2018A. Proceeds of these bonds were used to finance the renovation and expansion of the Illinois Street Residence Hall dining facility and the construction of a new football performance center. Proceeds also were used to provide for the refunding of the outstanding principal of Series 2008, and to fund all costs incidental to the issuance of the Series 2018A Bonds. The refunding resulted in a projected loss over the life of the issue at a net present value of $3,116,000. The difference between the reacquisition price and the net carrying amount of the old debt, loss on refunding, was $10,000. This loss is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

On October 17, 2018, the University issued $20,030,000 of AFS Revenue Bonds, Series 2018B. Proceeds of these bonds were used to finance the construction of Demirjian Park, a new soccer and track complex, and the reorientation and replacement of certain track and field facilities.

Bonds payable activity for the year ended June 30, 2019 consists of the following:

Bonds Payable
(In thousands)

	Maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Auxiliary Facilities System:						
Current interest bonds	2020 – 2048	$ 962,330	162,140	(50,995)	$ 1,073,475	$ 29,635
Capital appreciation bonds	2020 – 2030	82,295		(18,055)	64,240	20,905
Health Services Facilities System	2020 – 2043	108,760		(3,620)	105,140	3,755
UIC South Campus	2020 – 2023	29,905		(6,500)	23,405	7,190
		1,183,290	162,140	(79,170)	1,266,260	61,485
Unaccreted appreciation		(15,351)	4,422		(10,929)	(3,361)
		1,167,939	166,562	(79,170)	1,255,331	58,124
Unamortized debt premium		60,034	4,732	(4,119)	60,647	4,147
Total		$ 1,227,973	171,294	(83,289)	$ 1,315,978	$ 62,271

None of the University’s bonds described above constitute obligations of the State.

Capital appreciation bonds of $64,240,000 outstanding at June 30, 2019 do not require current interest payments and have a net unappreciated value of $53,311,000. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

Included in bonds payable is $85,880,000 of variable rate demand bonds. These bonds mature serially through April 2044. These bonds have variable interest rates that are adjusted periodically (e.g., daily, weekly, or monthly), generally with interest paid at the beginning of each month. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the University’s several remarketing agents. The University pays the remarketing agent fees on the outstanding bond balance. If the remarketing agent is unable to resell any bonds that are “put” to the agent, the University has several letter of credit arrangements with liquidity facilities. The fees on the letters of credit are based on outstanding bonds plus pro forma interest. The University, in the event a liquidity facility is utilized, has reimbursement agreements with associated financial entities. Generally, the reimbursement provisions require repayment in eight equal quarterly installments, at an interest rate initially set at slightly above prime or the federal funds rate. The due date of the initial payment per the reimbursement agreements varies depending upon the variable rate bond issue. The reimbursement agreements require an initial payment due date of at least 366 days after a liquidity advance. The letter of credit agreements contain provisions that the University may terminate and replace the letter of credit agreements so long as the University has paid all of the obligations owed to the liquidity facility.

In the event of default, the bond owners may sue to command performance of the University. The liquidity facilities may cause the bonds to be subject to a mandatory tender or appropriate the pledged revenues by invoking the "set off" provisions in the bond documents.

The required future interest payments for these variable rate bonds have been calculated using the current interest rate, based upon short-term rates, or the synthetic fixed rate, as illustrated in the table below. Other outstanding bond issues bear interest at fixed rates ranging from 2.50% to 6.25%.

Variable Rate Bonds

Bond issues	Interest rate at June 30, 2019	Remarketing agent	Remarketing fee	Liquidity facility Bank	Liquidity facility Expiration	Liquidity facility Insured by	Liquidity fee
UIC South Campus, Series 2008	1.95%	JPMorgan Securities	0.075%	JPMorgan Chase	1/20/2022	Letter of Credit	0.250%
AFS, Series 2014C	2.35	Wells Fargo	0.080	Northern Trust	2/19/2024	Letter of Credit	0.350
HSFS, Series 1997B	1.95	JPMorgan Securities	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.635
HSFS, Series 2008	1.85	Goldman Sachs	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.635

(a) *Interest Rate Swap Agreements on Bonds Payable*

The University has entered into three separate pay-fixed/receive-variable interest rate swap agreements. The objective of these swaps was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate. The notional amount of the interest rate swaps is equal to the par amount of the related bonds, except for HSFS Series 2008, of which $195,000 is not covered by the swap agreement. In addition, the swaps were entered at the same time as the original bonds were issued and terminate with maturity of the existing bonds. No cash was paid or received when the original swap agreements were entered into.

Credit Risk – As of June 30, 2019, the University was not exposed to credit risk because the swaps had a negative fair value. If interest rates change and the fair value of the swap became positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The terms, fair values and credit ratings of the outstanding swaps as of June 30, 2019 are listed below:

Interest Rate Swaps
(In thousands)

Bond issues	Outstanding notional amount	Effective date	Fixed rate paid	Variable rate received	Level 2 Fair value	Swap termination date	Counterparty	Counterparty credit rating (S&P/Moody's)
HSFS 2008	$ 23,860	Nov 2008*	3.534%	68% of LIBOR**	$ (2,180)	Oct-2026	Loop	BBB+/A3
UIC SC 2008	10,395	Feb 2006*	4.086	68% of LIBOR**	(492)	Jan-2022	Morgan Stanley	BBB+/A3
UIC SC 2008	10,130	Feb 2006*	4.092	68% of LIBOR**	(478)	Jan-2022	JPMorgan Chase	A+/Aa2

* Swap agreement was transferred from original issue to refunded bond issues.
** LIBOR – London Interbank Offered Rate

The University engaged a third-party consultant to determine the fair value of the swap agreements. The fair values provided by the consultant were derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant market conditions. Since these are negative numbers, they represent an approximation of the amount of money that the University may have to pay a swap provider to terminate the swap. The counterparty may have to post collateral in the University's favor in certain conditions, and the University would never be required to post collateral in the counterparty's favor.

Interest Rate Risk – Since inception of the swaps, declining interest rates exposed the University to interest rate risk, which adversely affected the fair values of the swap agreements.

Termination Risk – The University has the option to terminate any of the swaps early. The University or the counterparties may terminate a swap if the other party fails to perform under the terms of the contract. The University may terminate a swap if both credit ratings of the counterparties fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Service. If a swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, a swap has a negative fair value, the University would be liable to the counterparties for a payment equal to the swap's fair value.

Basis Risk – The swaps expose the University to basis risk should the relationship between LIBOR and the variable weekly rate determined by remarketing agents change, changing the synthetic rate on the bonds. If a change occurs that results in the difference in rates widening, the expected cost savings may not be realized.

Other Risks – Since the swap agreements extend to the maturity of the related bond, the University is not exposed to rollover risk. In addition, the University is not exposed to foreign currency risk or to market access risk as of June 30, 2019. However, if the University decides to issue refunding bonds and credit is more costly at that time, it could be exposed to market access risk.

(b) ***Pledged Revenues and Debt Service Requirements***

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and pay the interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Pledged Revenues

Bond issues	Purpose	Source of revenue pledged	Future revenues pledged [2]	Term of commitment	Debt service to pledged revenues (current year)
			(In thousands)		
AFS	Refunding, various improvements and additions to the System	Net AFS revenue, student tuition and fees	$ 1,725,476	2048	8.30%
HSFS	Additions to System and refunding	Net HSFS revenue, Medical Service Plan revenue net of bad debt expense, College of Medicine net tuition revenue	183,224	2043	2.65
UIC South Campus	South Campus Development Project[1] and refunding	Defined Tax Increment Financing District revenue, student tuition and fees, and sales of certain land in the UIC South Campus project	25,161	2023	2.10
		Total future revenues pledged	$ 1,933,861		

[1]An integrated academic, residential, recreational and commercial development south of UIC's main campus

[2]Total estimated future principal and interest payments on debt

Future debt service requirements for all bonds outstanding at June 30, 2019 are as follows:

Debt Service Requirements
(In thousands)

	Principal	Interest
2020	$ 61,485	$ 54,963
2021	69,045	53,073
2022	72,030	50,816
2023	56,430	47,598
2024	54,010	45,002
2025 – 2029	285,995	186,953
2030 – 2034	273,200	123,660
2035 – 2039	170,820	70,400
2040 – 2044	189,910	31,754
2045 – 2048	33,335	3,382
Total	$ 1,266,260	$ 667,601

Using the actual rates of 1.95% (UIC South Campus, Series 2008) and 1.85% (Health Services Facilities System, Series 2008), in effect as of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will also vary.

UIC South Campus Revenue Refunding Bonds, Series 2008
Variable-Rate Debt Service Requirements
(In thousands)

	Variable-rate bonds		Interest rate	
	Principal	Interest	swaps, net	Total
2020	6,520	400	338	7,258
2021	6,845	273	194	7,312
2022	7,160	140	42	7,342
Total	$ 20,525	813	574	$ 21,912

Health Services Facilities System Revenue Bonds, Series 2008
Variable-Rate Debt Service Requirements
(In thousands)

	Variable-rate bonds		Interest rate	
	Principal	Interest	swaps, net	Total
2020	$ 2,655	445	339	$ 3,439
2021	2,700	396	294	3,390
2022	2,845	346	245	3,436
2023	2,900	293	197	3,390
2024	3,060	240	145	3,445
2025 - 2027	9,895	369	101	10,365
Total	$ 24,055	2,089	1,321	$ 27,465

(Continued)

Certain bonds of the University (AFS Series 1991) have debt service reserve requirements. The Maximum Annual Net Debt Service for those bonds, as defined, is $14,927,000.

(8) Leaseholds Payable and Other Obligations

Leaseholds payable and other obligations activity for the year ended June 30, 2019 consists of the following:

Leaseholds Payable and Other Obligations
(In thousands)

	Beginning balance	Additions	Deductions	Ending balance	Current portion
University:					
Certificates of participation	$ 180,250		(33,510)	$ 146,740	$ 34,670
Unamortized debt premium	13,882		(2,955)	10,927	2,954
	194,132	—	(36,465)	157,667	37,624
Other capital leases	24,171	4,394	(2,756)	25,809	2,316
Energy services agreement installment payment contracts	34,400		(3,237)	31,163	3,334
Perkins loans	31,010			31,010	7,026
Environmental remediation liability	81		(81)	—	
Total University	283,794	4,394	(42,539)	245,649	50,300
URO – Foundation:					
Annuities payable	48,630	1,255	(6,129)	43,756	5,425
Other liabilities	3,325		(485)	2,840	
Total URO – Foundation	$ 51,955	1,255	(6,614)	$ 46,596	$ 5,425

The University leases various plant facilities and equipment under capital leases. This includes assets obtained with certificates of participation proceeds and recorded as capital leases, as well as, other capital lease agreements funded through operations.

In the event of default on certificates of participation, the Trustee may pursue legal action for the payments in default or require the University to turn over possession of the financed assets to the Trustee bank. If the University exercises the option to terminate the agreement, the future installment payments are subject to mandatory prepayment.

In the event of default on energy services agreement installment payment contracts, the University may be required to pay all amounts due, or relinquish possession of the financed assets. There are termination provisions that also require the University to pay all amounts due, return equipment, or pay rent on the equipment with a higher interest rate on amounts not paid.

(a) ***Capital Leases (includes Certificates of Participation)***

Assets held under capital leases are included in capital assets at June 30, 2019 as follows:

Assets Held Under Capital Lease
(In thousands)

Land	$	6,471
Buildings		140,486
Improvements		181,919
Equipment		5,322
Subtotal		334,198
Less accumulated depreciation		160,800
Total	$	173,398

The net present value of outstanding capital leases at June 30, 2019 is as follows:

Outstanding Capital Leases
(In thousands)

Certificates of participation:		
Series 2007A	$	15,300
Series 2007B		9,725
Series 2014A		16,125
Series 2014B		6,360
Series 2014C		21,855
Series 2016A		53,925
Series 2016B		4,495
Series 2016C		10,465
Series 2016D		8,490
Other capital leases		25,809
Net present value	$	172,549

As of June 30, 2019, future minimum lease payments under capital leases are as follows:

Future Minimum Lease Payments
Under Capital Leases
(In thousands)

2020	$	44,453
2021		44,136
2022		31,947
2023		15,074
2024		14,367
2025-2029		45,032
2030-2033		7,006
Total minimum lease payments		202,015
Amount representing interest		(29,466)
Net present value	$	172,549

(b) ***Other Obligations***

As part of energy services agreements, the University has entered into installment payment contracts to finance energy conservation measures. As of June 30, 2019, future minimum lease payments under installment payment contracts are as follows:

Future Minimum Lease Payments
Under Installment Payment Contracts
(In thousands)

2020	$	4,215
2021		4,216
2022		4,216
2023		4,215
2024		4,215
2025 – 2029		14,338
Total minimum lease payments		35,415
Amount representing interest		(4,252)
Net present value	$	31,163

At June 30, 2019, the URO – Foundation had annuities payable outstanding of $43,756,000. The Foundation recalculates the present value of these payments through the use of Internal Revenue Service (IRS) discount rates and IRS life expectancy tables.

(c) ***Operating Leases***

The University also leases various buildings and equipment under operating lease agreements. Total rental expense under these agreements was $13,006,000 for the year ended June 30, 2019. The future minimum lease payments (excluding those leases renewed on an annual basis) are as follows:

Future Minimum Operating Lease Payments
(In thousands)

2020	$	10,552
2021		7,429
2022		5,976
2023		4,721
2024		3,345
2025 – 2029		6,318
Total	$	38,341

(9) Net Position

As discussed in Note 1(k), the University's net position is classified for accounting and reporting purposes into one of four net position categories according to externally imposed restrictions. The following tables include detail of the net position balances for the University and the URO-Foundation including major categories of restrictions and internal designation of unrestricted funds.

University Net Position
(In thousands)

Net investment in capital assets	$	2,504,507
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for – scholarships, academic programs, fellowships and research		117,279
Restricted – expendable for:		
Scholarships, academic programs, fellowships and research		276,206
Auxilary Facilities System		36,043
Loans		44,285
Service plans		112,580
Retirement of indebtedness		24,193
Capital projects		150,494
Unrestricted:		
Designated		525,202
Total	$	3,790,789

URO – Foundation Net Position
(In thousands)

Net investment in capital assets	$	9,157
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for academic programs, scholarships, fellowships and research		1,344,232
Restricted – expendable for:		
Academic programs, scholarships, fellowships and research		1,078,415
Unrestricted		46,920
Total	$	2,478,724

(10) Funds Held in Trust by Others

The University and URO-Foundation are income beneficiaries of several irrevocable trusts which are held and administered by outside trustees. The University and URO-Foundation have no control over these funds as to either investment decisions or income distributions. In accordance with GASB and FASB standards, $19,542,000 and $21,863,000, respectively, have been recorded in the accompanying financial statements. The fair value of these funds at June 30, 2019 and the amount of income received from the trusts during the year then ended were as follows:

Funds Held in Trust by Others
(In thousands)

		University		URO – Foundation
Fair value of funds held in trust by others	$	54,291	$	67,939
Income received from funds held in trust by others		1,537		1,680

(11) State Universities Retirement System

(a) *General Information about the Pension Plan*

Plan Description: The University contributes to SURS, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5. Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2018 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time, or (c) employed less than full time and attending classes with an employer. Of those University employees ineligible to participate, the majority are students at the University.

Contributions: The State is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2018 and 2019 respectively, was 12.46% and 12.29% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants), Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15-155(j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

(b) ***Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

Net Pension Liability: The net pension liability was measured as of June 30, 2018. At June 30, 2018, SURS reported a net pension liability of $27,494,557,000.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State's net pension liability associated with the University is $12,228,864,000. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2018 was determined based on the June 30, 2017 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2018.

Pension Expense: At June 30, 2018 SURS reported a collective net pension expense of $2,685,323,000.

Employer Proportionate Share of Pension Expense: The employer proportionate share of collective pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2018. As a result, the University recognized revenue and pension expense of $1,194,362,000 from this special funding situation during the year ended June 30, 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

(In thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 65,522	$ 181,032
Changes in assumption	1,286,257	123,218
Net difference between projected and actual earnings on pension plan investments	26,811	
Total	$ 1,378,590	$ 304,250

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

(In thousands)

Year Ending June 30	Net Deferred Outflows of Resources
2019	$ 763,171
2020	540,443
2021	(192,612)
2022	(36,662)
2023	
Thereafter	
Total	$ 1,074,340

(c) ***Employer Deferral of Fiscal Year 2018 Pension Expense***

The University paid $36,359,000 in federal, trust or grant contributions for fiscal year ended June 30, 2019. These contributions were made subsequent to the pension liability date of June 30, 2018 and are recognized as Deferred Outflows of Resources as of June 30, 2019.

(d) ***Assumptions and Other Inputs***

Actuarial assumptions: The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2014 – 2017. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 12.25 percent, including inflation
Investment rate of return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.00%
Private Equity	6%	8.50%
Non-U.S. Equity	19%	6.45%
Global Equity	8%	6.00%
Fixed Income	19%	1.50%
Treasury-Inflation Protected Securities	4%	0.75%
Emerging Market Debt	3%	3.65%
Real Estate REITS	4%	5.45%
Direct Real Estate	6%	4.75%
Commodities	2%	2.00%
Hedged Strategies	5%	2.85%
Opportunity Fund	1%	7.00%
Total	100%	4.55%
Inflation		2.75%
Expected Arithmetic Return		**7.30%**

Discount Rate: A single discount rate of 6.65% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.62% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS' funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS' Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.65%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.65%	Current Single Discount Rate Assumption 6.65%	1% Increase 7.65%
	(In thousands)	
$33,352,189	$27,494,557	$22,650,652

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

(12) OPEB

(a) *Plan Description*

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for OPEB. The eligibility provisions for SURS are defined within Note 11.

CMS administers OPEB for annuitants with the assistance of GARS, JRS, SERS, TRS and SURS. The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

(b) *Benefits Provided*

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the state public universities' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

(c) *Funding Policy and Annual Other Postemployment Benefit Cost*

OPEB offered through SEGIP are financed through a combination of retiree premiums, SEGIP contributions pursuant to the Act, and Federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retiree members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the GARS, JRS, SERS, TRS, and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of CMS, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. State contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,269 ($6,699 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,824 ($4,984 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

(d) ***CMS changes in estimates***

For the measurement date of June 30, 2018, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions were both significantly impacted by (1) the University's participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, the University experienced a significant decrease in its OPEB liability and expense and in the nonoperating revenue and operating expenses recognized from the special funding situation.

(e) ***Special funding situation portion of OPEB***

The proportionate share of the State's OPEB expense relative to the University's retirees totaled ($406,373,000) during the year ended June 30, 2019. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2019.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

(in thousands)				
Measurement Date:		**June 30, 2018**		**June 30, 2017**
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$	7,052,321	$	10,142,951
SEGIP total OPEB liability	$	40,093,248	$	41,323,859
Proportionate share of the total OPEB liability		17.59%		24.55%

(f) ***University's Portion of OPEB and Disclosures Related to SEGIP:***

The total OPEB liability, as reported at June 30, 2019, was measured as of June 30, 2018, with an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

(in thousands)				
Measurement Date:		**June 30, 2018**		**June 30, 2017**
University's OPEB liability	$	1,160,539	$	1,314,760
SEGIP total OPEB liability	$	40,093,248	$	41,323,859
Proportionate share of the total OPEB liability		2.89%		3.18%

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology in note 1(s) during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the University's proportion declined 0.29% from its proportion measured as of the prior year measurement date of June 30, 2017.

The University recognized OPEB expense for the year ended June 30, 2019, of $(25,968,000).

At June 30, 2019, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience		297
Changes in proportion		—
University contributions subsequent to the measurement date		26,573
Total deferred outflows of resources	$	26,870
Deferred inflows of resources		
Differences between expected and actual experience		25,555
Changes of assumptions		108,986
Changes in proportion and differences between employer contributions and proportionate share of contributions		261,793
Total deferred inflows of resources	$	396,334

The amounts reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,		
2020	$	(107,539)
2021		(107,539)
2022		(107,539)
2023		(68,359)
2024		(5,061)
Total	$	(396,037)

(g) *Actuarial Methods and Assumptions*

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2017, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2017.

The valuation date of June 30, 2017, below was rolled forward to June 30, 2018.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.62%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.08% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 6 years to 4.5%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2019 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

*Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2017 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Since the last measurement date on June 30, 2018, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. Further, no changes have occurred since the measurement date and the University's fiscal year end on June 30, 2019, that are expected to have a significant impact on the University's proportionate share of the total collective OPEB liability.

(h) ***Discount Rate***

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.56% at June 30, 2017, and 3.62% at June 30, 2018, was used to measure the total OPEB liability.

(i) ***Sensitivity of total OPEB liability to changes in the single discount rate***

The following presents the plan's total OPEB liability, as reported at June 30, 2019, calculated using a Single Discount Rate of 3.62%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.62%) or lower (2.62%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
University's proportionate share of total OPEB liability	1,360,591	1,160,539	1,001,731

(j) ***Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the plans total OPEB liability as reported at June 30, 2019, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.0% in 2019 decreasing to an ultimate trend rate of 4.92% in 2026, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage. For the 1% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2019 decreasing to an ultimate trend rate of 3.92% in 2026, for non-Medicare coverage, and 8.00% in 2019 decreasing to an ultimate trend rate of 3.50% in 2028 for Medicare coverage. For the 1% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2019 decreasing to an ultimate trend rate of 5.92% in 2026, for non-Medicare coverage, and 10.00% in 2019 decreasing to an ultimate trend rate of 5.50% in 2028 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	980,202	1,160,539	1,394,824

(k) ***Total OPEB Liability Associated with the University, Regardless of Funding Source:***

The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

(in thousands)

Measurement Date:	June 30, 2018	June 30, 2017
University's OPEB liability	$ 1,160,539	$ 1,314,760
State of Illinois' OPEB liability related to the University under the Special Funding Situation	7,052,321	10,142,951
Total OPEB liability associated with the University	8,212,860	11,457,711
SEGIP total OPEB liability	$ 40,093,248	$ 41,323,859
Proportionate share of the OPEB liability associated with the University	20.48%	27.73%

(13) Commitments and Contingencies

At June 30, 2019, the University had commitments on various construction projects, contracts for repairs and renovation of facilities and software projects of $416,215,000.

The University purchases the majority of natural gas and electricity from Prairieland and guarantees payment by Prairieland to its energy suppliers. Unconditional guaranty agreements are in place with Prairieland's energy suppliers for an aggregate amount not to exceed $39,000,000. The exposure related to Prairieland at June 30, 2019 is $7,354,000 for all energy suppliers. This exposure includes the mark-to-market positions on forward contracts and the accounts payable accrued for each vendor.

The University receives moneys from federal and state government agencies under grants and contracts for research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University believes that any disallowances or adjustments would not have a material effect on the University's financial position.

The University also receives moneys under third-party payor arrangements for payment of medical services rendered at its hospital and clinics. Some of these arrangements allow for settlement adjustments based on costs and other factors. The University believes that any adjustments would not have a material effect on the University's financial position.

The University is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the University's accrued self-insurance liability. The total of amounts claimed under these legal actions, including potential settlements and amounts relating to losses incurred but not reported, could exceed the amount of the self-insurance liability. In the opinion of the University's administrative officers, the University's self-insurance liability and limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

The University has operational coal-fired boilers that produce steam heat for its facilities. The University will have legal and regulatory costs associated with environmental remediation activities as a result of their eventual disposals. In addition, the University utilizes classes of medical devices and x-ray machines that also have legally imposed costs associated with their eventual disposal. The University does not have sufficient information available to reasonably estimate the timing and/or cost related to these future retirement obligations.

Public-private partnerships

During fiscal year 2018, the University entered into several agreements with private enterprises in order to construct a mixed use facility providing student housing, academic and retail space. The University has partnered with an affiliate of the Collegiate Housing Foundation, CHF - Chicago, LLC (CHF), and its student housing developer, American Campus Communities SC Management, LLC (ACC). Through agreements among the parties, ACC has implemented the design, development, construction, equipment, and operations of the facility. The Illinois Finance Authority (IFA) provided financing through public bonds. CHF is the owner of the facility and debtor on the IFA bonds issued to finance the project. The IFA bonds have a service period of thirty-two years which includes a two year period for construction. The University provided an up-front deposit to the project of $8.5 million and leased the land on which the facility lies to the CHF over a period of forty years. Upon the termination or expiration of the land lease, the facility, any improvements, fixtures, equipment and all personal property attached to or within the facility shall be the absolute property of the University.

Construction has started and completion will be in fiscal year 2020. Once the facility is completed, the University will recognize a capital asset. The day-to-day operations of the student housing portion of the facility will be managed by ACC. In accordance with generally accepted accounting principles, the student housing portion will be reported as a service concession arrangement by the University effective fiscal year 2020. The day-to-day operations of the academic and retail portions of the facility will be managed by the University through a sublease agreement with CHF. The academic and retail portion of the facility will be reported as a capital lease effective fiscal year 2020.

During fiscal year 2019, the University entered into several agreements with private enterprises in order to construct a feed technology center and a campus instructional facility. The University has partnered with Provident Group-UIUC Properties LLC (Provident) and its developer, Vermilion Campbell Development, LLC (Vermilion). Through agreements among the parties, Provident has implemented the design, development, and construction of the facilities. The Illinois Finance Authority (IFA) provided financing through public bonds. Provident is the owner of the facilities and debtor on the IFA bonds issued to finance the project. The IFA bonds have a service period of thirty-two years which includes a two year period for construction. The University provided an up-front deposit to the projects of $9,738,000 million and leased the land on which the facilities lie to Provident over a period of forty years. Upon the termination or expiration of the land lease, the facility, any improvements, fixtures, equipment and all personal property attached to or within the facility shall be the absolute property of the University.

Construction has started and completion is anticipated in fiscal year 2021. Once each facility is completed, the University will recognize an asset. The day-to-day operations of the facilities will be managed by University. The use of the facilities will be reported in accordance with lease accounting standards effective fiscal year 2021.

(14) Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2019 for the University and the URO – Foundation are summarized as follows:

University Operating Expenses by Natural Classification
(In thousands)

	Compensation and benefits	Supplies and services	Student aid	Depreciation	Total
Instruction	$ 1,322,902	119,628	7,409		$ 1,449,939
Research	544,371	261,381	9,593		815,345
Public service	257,261	167,980	1,765		427,006
Academic support	393,578	138,348	14,131		546,057
Student services	152,228	55,193	9,703		217,124
Institutional support	237,054	59,764	116		296,934
Operation and maintenance of plant	78,397	249,291	6,944		334,632
Scholarships and fellowships	3,269	1,197	52,791		57,257
Auxiliary enterprises	164,507	200,977	16,640		382,124
Hospital and medical activities	546,873	404,413			951,286
Independent operations	1,698	7,194			8,892
Depreciation				244,185	244,185
Total	$ 3,702,138	1,665,366	119,092	244,185	$ 5,730,781

URO – Foundation Operating Expenses by Natural Classification

(In thousands)

		Distributions on behalf of the University	Institutional support	Depreciation		Total
Fund-raising	$		19,402		$	19,402
Distributions on behalf of the University		208,317				208,317
General and administrative			13,646			13,646
Depreciation				1,429		1,429
Total	$	208,317	33,048	1,429	$	242,794

(15) Segment Information

The following information represents identifiable activities within the University financial statements for which one or more revenue bonds are outstanding.

(a) *The Auxiliary Facilities System (AFS)*

AFS financial activity mainly comprises housing, parking and student activities, which span across the three campuses of the University. The operating revenues of the AFS largely consist of student service fees, various user fees, room and board charges, sales from merchandise/vending and rental of certain facilities. Facilities primarily consist of buildings and other structures that have been constructed or remodeled with funding provided from issuance of related revenue bonds. AFS facilities include Memorial Stadium, the State Farm Center, student unions, housing residence halls, parking and other structures. Operating expenses of the AFS include all necessary current maintenance charges, expenses for reasonable upkeep and repairs, allocations of a share of certain charges for insurance and other expenses incidental to the operations of all of the various activities and facilities of the AFS in accordance with the bond indentures.

(b) *The Health Services Facilities System (HSFS)*

HSFS is comprised of the University of Illinois Hospital and associated clinical facilities providing patient care at, but not limited to, the University of Illinois at Chicago Medical Center. HSFS is a tertiary care facility located primarily in Chicago, Illinois offering a full range of clinical services. HSFS does not include the operations of the University Medical Service Plan or College of Medicine. Management of the HSFS is the responsibility of the University.

Condensed Statements of Net Position

June 30, 2019
(In thousands)

	AFS	HSFS	Total
Assets and deferred outflow of resources:			
Current assets	$ 232,371	493,607	$ 725,978
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,167,475	221,979	1,389,454
Other noncurrent assets	93,462	23,056	116,518
Deferred outflow of resources	16,754	3,430	20,184
Total assets and deferred outflow of resources	$ 1,510,062	742,072	$ 2,252,134
Liabilities:			
Current liabilities	$ 110,658	187,514	$ 298,172
Noncurrent liabilities:			
Long-term debt	1,135,775	103,602	1,239,377
Other liabilities	10,549	28,260	38,809
Total liabilities	1,256,982	319,376	1,576,358
Net position:			
Net investment in capital assets	91,328	117,751	209,079
Restricted:			
Expendable	18,884	23,059	41,943
Unrestricted	142,868	281,886	424,754
Total net position	253,080	422,696	675,776
Total liabilities and net position	$ 1,510,062	742,072	$ 2,252,134

Condensed Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2019
(In thousands)

	AFS	HSFS	Total
Operating revenues	$ 366,822	828,151	$ 1,194,973
Operating expenses	302,471	997,938	1,300,409
Depreciation expense	43,562	21,760	65,322
Operating income (loss)	20,789	(191,547)	(170,758)
Nonoperating revenues, net	1,293	225,206	226,499
Increase in net position	22,082	33,659	55,741
Net position, beginning of year	230,998	389,037	620,035
Net position, end of year	$ 253,080	422,696	$ 675,776

(Continued)

Condensed Statement of Cash Flows

Year ended June 30, 2019

(In thousands)

		AFS	HSFS		Total
Net cash flows provided by operating activities	$	108,950	75,137	$	184,087
Net cash flows provided by noncapital financing activities		869	29,713		30,582
Net cash flows used in capital and related financing activities		(40,006)	(46,620)		(86,626)
Net cash flows (used in) provided by investing activities		(66,290)	15,843		(50,447)
Net increase in cash and cash equivalents		3,523	74,073		77,596
Cash and cash equivalents, beginning of year		207,155	249,683		456,838
Cash and cash equivalents, end of year	$	210,678	323,756	$	534,434

(16) University Related Organizations

The Entity's financial statements include the activities of the UROs, which are presented as discretely presented component units in the accompanying financial statements. Since these component units are discretely presented, the activities between them and the University are not eliminated on the Entity's financial statements. Conversely, the University and its component units are consolidated on the State's comprehensive annual financial report, therefore, the following disclosure is presented.

University and University Related Organizations Transactions
Presented to Facilitate State of Illinois Reporting

(In thousands)

		Distributions on behalf of University	Advances from (Repayments to) University, net	Services/Goods Provided to University	Services/Goods Provided by University		Total
Foundation	$	208,317		10,655	(10,655)	$	208,317
Alumni Alliance				2,837	(2,837)		-
WWT				20,433	(20,433)		-
Illinois Ventures				2,393	(2,393)		-
Research Park				430	(430)		-
Prairieland				40,548	(40,548)		-
Singapore Research			(2,696)	598	(598)		(2,696)
Total	$	208,317	(2,696)	77,894	(77,894)	$	205,621

The transactions disclosed in the table above are not all inclusive and represent those transactions the University deemed significant. Additional details regarding these transactions are provided on the financial statements of each related organization.

Below are condensed financial statements by organization:

Condensed Statements of Net Position
June 30, 2019
(In thousands)

	Foundation	Alumni Alliance	WWT	Illinois Ventures
Assets and deferred outflow of resources:				
Current assets	$ 126,990	8,481	1,732	3,191
Noncurrent assets:				
Capital assets, net of accumulated depreciation	16,034	4,089	476	9
Other noncurrent assets	2,396,494	14,823		4,069
Deferred outflow of resources				
Total assets and deferred outflow of resources	$ 2,539,518	27,393	2,208	7,269
Liabilities and deferred inflow of resources:				
Current liabilities	$ 19,489	215	2,219	277
Due to related organizations				
Noncurrent liabilities	41,305	9		
Deferred inflow of resources				
Total liabilities and deferred inflow of resources	60,794	224	2,219	277
Net position:				
Net investment in capital assets	9,157	4,089	476	9
Restricted:				
Nonexpendable	1,344,232			17
Expendable	1,078,415			
Unrestricted	46,920	23,080	(487)	6,966
Total net position	2,478,724	27,169	(11)	6,992
Total liabilities, deferred inflow of resources and net position	$ 2,539,518	27,393	2,208	7,269

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2019
(In thousands)

	Foundation	Alumni Alliance	WWT	Illinois Ventures
Operating revenues	$ 188,995	4,731	19,787	2,831
Operating expenses	241,365	5,578	19,732	2,706
Depreciation expense	1,429	352	58	
Operating income (loss)	(53,799)	(1,199)	(3)	125
Nonoperating revenues (expenses), net	66,365	10,801	(30)	441
Contributions to endowments	158,399			
Increase in net position	170,965	9,602	(33)	566
Net position, beginning of year	2,307,759	17,567	22	6,426
Net position, end of year	$ 2,478,724	27,169	(11)	6,992

Condensed Statements of Net Position
June 30, 2019
(In thousands)

	Research Park	Prairieland	Singapore Research	Total
Assets and Deferred Outflow of Resources:				
Current assets	$ 805	7,050	2,136	$ 150,385
Noncurrent assets:				
Capital assets, net of accumulated depreciation	1,883	4	73	22,568
Other noncurrent assets				2,415,386
Deferred outflow of resources		828		828
Total assets and deferred outflow of resources	$ 2,688	7,882	2,209	$ 2,589,167
Liabilities and Deferred Inflow of Resources:				
Current liabilities	$ 77	5,115	794	$ 28,186
Due to related organizations			977	977
Noncurrent liabilities		686		42,000
Deferred inflow of resources		142		142
Total liabilities and deferred inflow of resources	77	5,943	1,771	71,305
Net position:				
Net investment in capital assets	1,883	4	73	15,691
Restricted:				
Nonexpendable				1,344,249
Expendable				1,078,415
Unrestricted	728	1,935	365	79,507
Total net position	2,611	1,939	438	2,517,862
Total liabilities, deferred inflow of resources, and net position	$ 2,688	7,882	2,209	$ 2,589,167

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2019
(In thousands)

	Research Park	Prairieland	Singapore Research	Total
Operating revenues	$ 977	40,474	3,282	$ 261,077
Operating expenses	822	40,651	3,118	313,972
Depreciation expense	95	2	58	1,994
Operating income (loss)	60	(179)	106	(54,889)
Nonoperating revenues (expenses), net		247	23	77,847
Contributions to endowments				158,399
Increase in net position	60	68	129	181,357
Net position, beginning of year	2,551	1,871	309	2,336,505
Net position, end of year	$ 2,611	1,939	438	$ 2,517,862

(Continued)

(17) Subsequent Events

On October 25, 2019, the University issued Auxiliary Facilities System Revenue Bonds, Series 2019A in the amount of $41,935,000. The proceeds from the Series 2019A bonds will be used, together with other lawfully available moneys, to (i) finance the renovation and addition of certain residence hall facilities on the University's Urbana-Champaign campus and (ii) pay costs of issuing the Series 2019A bonds.

In July 2018, the Board of Trustees of both the University and The John Marshall Law School voted to create UIC John Marshall Law School. Upon receiving approvals from the Illinois Board of Higher Education, the Higher Learning Commission, the American Bar Association and the U.S. Department of Education, the merger was completed Aug. 16, 2019. Operations commenced as of this date and all subsequent activity will be reported in the University fiscal year 2020 audited financial statements. Initial enrollment for UIC John Marshall Law School in fall of 2019 was 1066 students.

As mentioned in note 13, the University entered into several agreements with private enterprises in order to construct a mixed use facility providing student housing, academic and retail space. The construction of this mixed use facility was completed and the facility was placed into service in August 2019. In fiscal year 2020, the University will recognize a capital asset, capital lease liability, and deferred inflow of resources related to this facility. The capital asset costs to be recognized are $118,737,000. The student housing portion is to be recognized as a deferred inflow of resources of $70,828,000, in accordance with GASB statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The academic portion is to be recognized as a capital lease of $38,817,000. The University deposit of $9,092,000 during construction is also included in costs for the facility.

(In thousands)

Schedule of Share of the Net Pension Liability	**Fiscal Year 2018**	**Fiscal Year 2017**	**Fiscal Year 2016**	**Fiscal Year 2015**	**Fiscal Year 2014**
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	$0	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Liability Employer	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Total (b) + (c)	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Employer defined benefit Covered Payroll*	$1,576,353	$1,542,724	$1,546,902	$1,546,992	$1,520,177
Proportion of Collective Net Pension Liability associated with Employer as a percentage of DB covered payroll	775.77%	712.40%	710.86%	643.67%	591.76%
SURS Plan Net Position as a Percentage of Total Pension Liability	41.27%	42.04%	39.57%	42.37%	44.39%

* GASB Statement #82 amended GASB Statements #67 & #68 to require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure. For the SURS plans, the covered payroll are those employees within the defined benefit plan.

Schedule of Contributions	**Fiscal Year 2019**	**Fiscal Year 2018**	**Fiscal Year 2017**	**Fiscal Year 2016**	**Fiscal Year 2015**	**Fiscal Year 2014**
Federal, trust, grant and other contribution	$ 36,359	$ 37,139	$ 35,483	$ 34,753	$ 33,473	$ 34,200
Contribution in relation to required contribution	36,359	37,139	35,483	34,753	33,473	34,200
Contribution deficiency (excess)	-	-	-	-	-	-
Employer covered payroll	$ 2,177,991	$ 2,094,807	$ 2,026,330	$ 2,000,474	$ 1,973,650	$ 1,902,256
Contributions as a percentage of covered payroll	1.67%	1.77%	1.75%	1.74%	1.70%	1.80%

(Continued)

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2018.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014 to June 30, 2017 was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 percent to 12.25 percent based on years of service, with underlying wage inflation of 2.25 percent.

- Investment return. Decrease the investment return assumption to 6.75 percent. This reflects maintaining an assumed real rate of return of 4.50 percent and decreasing the underlying assumed price inflation to 2.25 percent.

- Effective rate of interest. Decrease the long-term assumption for the ERI for crediting the money purchase accounts to 6.75 percent (effective July 2, 2019).

- Normal retirement rates. A slight increase in the retirement rate at age 50. No change to the rates for ages 60-61, 67-74 and 80+, but a slight decrease in rates at all other ages. A rate of 50 percent if the member has 40 or more years of service and is younger than age 80.

- Early retirement rates. Decrease in rates for all Tier 1 early retirement eligibility ages (55-59).

- Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service.

- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to the MP-2017 scale.

- Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

*Note: The University implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

UNIVERSITY OF ILLINOIS

Required Supplementary Information
Year Ended June 30, 2019
(in thousands)

Schedule of the University's Proportionate Share of the Net OPEB Liability
For the Plan Year Ended June 30
(in thousands)

Measurement Date:	June 30, 2018	June 30, 2017
Proportionate percentage of the collective total OPEB liability	2.89%	3.18%
Proportionate share of the collective total OPEB liability	$ 1,160,539	$ 1,314,760
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	7,052,321	10,142,951
Total OPEB liability associated with the University	8,212,860	11,457,711
Covered employee payroll	$ 2,106,226	$ 2,023,794
Proportionate share of the total OPEB liability as a percentage of its covered employee payroll	389.93%	566.15%

*Note: The University implemented GASB No. 75 in fiscal year 2018; however, the amount reported for fiscal year 2018 was based on an actuarial date as of 6/30/17. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

UNIVERSITY OF ILLINOIS

TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2019
(In thousands)

	Compensation and Benefits											
	University's Expenses					State of Illinois' Expenses						Total
	Salaries[1]	Benefits[2]	OPEB[3]	Pension	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Operating Expenses
Educational and general:												
Instruction	797,895	116,842	(5,149)	6,725	916,313	104,672	(165,190)	467,107	406,589	1,322,902	127,037	1,449,939
Research	358,917	150,261	(42,579)	17,314	483,913	14,665	(23,144)	68,937	60,458	544,371	270,974	815,345
Public service	200,661	31,218	(26,963)	10,335	215,251	10,065	(15,884)	47,829	42,010	257,261	169,745	427,006
Academic support	248,753	14,239	(6,029)	3,414	260,377	31,576	(49,833)	151,458	133,201	393,578	152,479	546,057
Student services	93,753	10,626	(154)	444	104,669	12,263	(19,352)	54,648	47,559	152,228	64,896	217,124
Institutional support	147,241	6,523	(453)	1,387	154,698	19,707	(31,101)	93,750	82,356	237,054	59,880	296,934
Operation and maintenance of plant	53,270	2,875	(15)	49	56,179	5,269	(8,316)	25,265	22,218	78,397	256,235	334,632
Scholarships and fellowships	1,696	1,640	(170)	36	3,202	13	(20)	74	67	3,269	53,988	57,257
Auxiliary enterprises	108,357	5,208	-	28	113,593	11,901	(18,782)	57,795	50,914	164,507	217,617	382,124
Hospital and medical activities	345,233	1,339	(3)	474	347,043	47,300	(74,648)	227,178	199,830	546,873	404,413	951,286
Independent operations	721	345	(264)	613	1,415	65	(103)	321	283	1,698	7,194	8,892
Depreciation	-	-	-		-	-	-	-	-	-	244,185	244,185
Total	2,356,497	341,116	(81,779)	40,819	2,656,653	257,496	(406,373)	1,194,362	1,045,485	3,702,138	2,028,643	5,730,781

[1] Salaries includes employer contributions for Social Security, Medicare, and unemployment.

[2] Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.

[3] OPEB refers to other post-employment benefits.

UNIVERSITY OF ILLINOIS

TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2018
(In thousands)

	Compensation and Benefits											
	University's Expenses					State of Illinois' Expenses					Other	Total Operating
	Salaries[1]	Benefits[2]	OPEB[3]	Pension	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Expenses	Expenses
Educational and general:												
Instruction	766,301	115,148	870	6,335	888,654	88,912	186,825	410,612	686,349	1,575,003	107,737	1,682,740
Research	349,169	149,613	6,329	16,947	522,058	12,179	25,592	58,565	96,336	618,394	240,182	858,576
Public service	203,001	25,711	3,756	9,683	242,151	8,658	18,194	42,785	69,637	311,788	170,339	482,127
Academic support	239,945	14,841	1,042	2,569	258,397	26,189	55,029	131,005	212,223	470,620	148,904	619,524
Student services	89,260	10,177	17	54	99,508	10,226	21,487	48,028	79,741	179,249	58,545	237,794
Institutional support	137,942	5,921	57	517	144,437	16,355	34,365	80,849	131,569	276,006	34,661	310,667
Operation and maintenance of plant	51,895	2,892	3	18	54,808	4,307	9,050	21,641	34,998	89,806	242,210	332,016
Scholarships and fellowships	1,607	14,363	16	40	16,026	23	49	125	197	16,223	53,899	70,122
Auxiliary enterprises	105,379	4,628	-	96	110,103	10,061	21,140	50,939	82,140	192,243	214,057	406,300
Hospital and medical activities	322,044	1,045	-	12	323,101	39,006	81,962	195,905	316,873	639,974	404,850	1,044,824
Independent operations	1,031	482	39	228	1,780	51	107	267	425	2,205	9,965	12,170
Depreciation	-	-	-	-	-	-	-	-	-	-	255,005	255,005
Total	2,267,574	344,821	12,129	36,499	2,661,023	215,967	453,800	1,040,721	1,710,488	4,371,511	1,940,354	6,311,865

[1] Salaries includes employer contributions for Social Security, Medicare, and unemployment.

[2] Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.

[3] OPEB refers to other post-employment benefits.