To: Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (EMMA)

From: University of Illinois

Date: October 8, 2021

Re: NOTICE REGARDING FISCAL YEAR 2018 FINANCIAL STATEMENTS, FISCAL YEAR 2019 FINANCIAL STATEMENTS, AND FISCAL YEAR 2020 FINANCIAL STATEMENTS

During the ongoing Fiscal Year 2021 financial audit of the University of Illinois, the University was advised of a material error regarding the University's other postemployment benefits (OPEB) amounts, specifically an overstatement of the University's net OPEB liability and errors in other OPEB-related accounts, recorded within the University's Fiscal Year 2018 financial statements[1], Fiscal Year 2019 financial statements[2], and Fiscal Year 2020 financial statements[3].

This error occurred due to the Illinois State Toll Highway Authority (Tollway) and the State of Illinois, Department of Central Management Services not separately stating OPEB balances for the Tollway's employees who only partake in the State Employees Group Insurance Program (SEGIP) upon their retirement from the Tollway from other employees accounted for within SEGIP's cost-sharing proportionate share allocation of OPEB balances. This error impacted SEGIP's cost-sharing proportionate share allocation, which is used by the State of Illinois' agencies and public universities, including the University, to record their OPEB activity.

This error impacts the following accounts to the extent OPEB-related:
1) Net OPEB liability (current and noncurrent portions);
2) Deferred outflows of resources;
3) Deferred inflows of resources;
4) Net position, including the restricted (expendable) and unrestricted classifications;
5) Operating revenues within the University Related Organizations' allocation from the University;
6) Operating expenses, including the instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, hospital and medical activities, and independent operations functions; and,
7) Nonoperating revenues, including the special funding situation for fringe benefits.

At this time, the full impact of this error cannot be reasonably estimated. Accordingly, the University's Fiscal Year 2018, Fiscal Year 2019, and Fiscal Year 2020 financial statements should no longer be relied upon.

More information about this error will be forthcoming upon the completion and release of the University's Fiscal Year 2021 financial statements (to be contained with the University's Fiscal Year 2021 Annual Financial Report), which is expected to be released next calendar year.

[1] The University's Fiscal Year 2018 financial statements (contained with the University's Fiscal Year 2018 Annual Financial Report) as filed on the EMMA System on January 24, 2019.

[2] The University's Fiscal Year 2019 financial statements (contained with the University's Fiscal Year 2019 Annual Financial Report) as filed on the EMMA system on January 23, 2020.

[3] The University's Fiscal Year 2020 financial statements (contained with the University's Fiscal Year 2020 Annual Financial Report) as filed on the EMMA system on May 28, 2021.

OFFICE OF THE SENIOR ASSISTANT VICE PRESIDENT & CONTROLLER
University of Illinois System
111 East Green Street, MC 597 ● Champaign, IL 61820 ● (217) 244-3698 ● Fax (312) 239-6770

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)

Annual Financial Report

June 30, 2020

(With Independent Auditors' Report Thereon)

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)

Annual Financial Report

June 30, 2020

Table of Contents

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

May 11, 2021

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, 2020, and the results of operations and cash flows for the fiscal year then ended on that date.

The University of Illinois's financial position remains strong despite the financial challenges associated with the COVID-19 global pandemic. While the University confronted many challenges related to the pandemic, thanks to its diversified revenue sources, financial assistance provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and prudent financial management, the University ended the year with positive financial results. Timely strategic decisions to control expenses and manage resources efficiently helped maintain the strength of the University's financial position and maintain the health and safety of our students, faculty and staff. This fiscal stability provides a firm foundation for the University's broad array of highly successful, top-quality academic programs, clinical services and research operations.

The University of Illinois' tradition of excellence in teaching, research, public service, healthcare and economic development has made it a distinguished leader in higher education. Our efforts focus on continuing that tradition and increasing our contributions throughout the State of Illinois, across the nation and around the world.

Respectfully submitted,

SIGNED ORIGINAL ON FILE

Avijit Ghosh
Chief Financial Officer and Comptroller

Urbana • (217) 333-1560 • Fax (217) 244-8108
Chicago • 1737 West Polk Street • Chicago, Illinois 60612 • (312) 996-8800

CliftonLarsonAllen LLP
CLAconnect.com

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, 2020, 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 Association; 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.

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

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, 2020, 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' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 for Pensions on page 68 and Schedule of the University's Proportionate Share of the Net OPEB Liability on page 70 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 Table of Operating Expenses on page 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, 2020 on page 71 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, 2020 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Letter of Transmittal on page 1 has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued under separate cover our report dated May 11, 2021, 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
May 11, 2021

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, 2020. 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 89,000 talented students in 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 in 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 Association; 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

Like institutions around the globe, the University of Illinois System faced many unusual challenges in the spring of 2020 due to the Coronavirus Infectious Disease 2019 (COVID-19) pandemic. The University transitioned to on-line learning in the middle of March and many students vacated campus residences and continued their programs remotely. Research and support services were conducted mostly remotely by faculty and staff and only essential services were performed on-site. The University's hospital and clinics quickly pivoted to providing care for COVID-19 patients and to conduct COVID-19 related research. As a result, some units across the University experienced a drop in revenue and additional, unanticipated costs of combatting the pandemic.

Funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act helped the University, including its hospital, partially overcome revenue losses and additional expenses. The CARES Act also provided funding for University students in need of additional financial support.

Despite the challenges, prudent financial decisions by University units and good financial management practices resulted in a $237 million increase in net position for the year. The efforts of faculty and staff across the University System were critical to achieving this strong financial result, while continuing to provide excellent academic experiences and maintaining the health and safety of students, faculty, and staff.

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, 2020 and 2019 is as follows:

		2020	2019
		(In thousands)	
Current assets:			
Cash and investments	$	1,395,492	1,097,618
Accounts and notes receivable		506,546	521,057
Appropriations receivable from State of Illinois		170,740	33,710
Other current assets		94,639	90,822
Noncurrent assets:			
Cash and investments		2,231,985	2,513,717
Notes receivable		37,674	41,862
Capital assets, net of accumulated depreciation		4,123,333	3,873,254
Other noncurrent assets		36,433	42,303
Deferred outflows of resources		138,296	89,588
Total assets and deferred outflows of resources	$	8,735,138	8,303,931
Current liabilities:			
Accounts payable, accrued liabilities and unearned revenue	$	886,803	869,673
Bonds payable		71,975	62,271
Leaseholds payable and other obligations		125,009	50,300
Other postemployment benefits		29,555	26,574
Other current liabilities		105,623	104,751
Noncurrent liabilities:			
Bonds payable		1,226,621	1,253,707
Leaseholds payable and other obligations		185,660	195,349
Other postemployment benefits		1,241,431	1,133,965
Other noncurrent liabilities		456,516	400,676
Deferred inflows of resources		377,935	415,876
Total liabilities and deferred inflows of resources		4,707,128	4,513,142
Net position		4,028,010	3,790,789
Total liabilities, deferred inflows of resources, and net position	$	8,735,138	8,303,931

Total assets and deferred outflows of resources increased by $431 million or 5.2% during fiscal year 2020. As mentioned on the following page, the University invested in new construction and several improvements to existing buildings during fiscal year 2020. There was also an increase in the receivable from the State of Illinois (State).

Total liabilities and deferred inflows of resources increased $194 million, or 4.3% for fiscal year 2020. This change primarily resulted from an increase in the other postemployment benefits (OPEB) in fiscal year 2020.

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, if applicable, by category:

Capital Assets, Net of Accumulated Depreciation
(In thousands)

	2020		2019	
Buildings	$ 2,953,489	71.6%	$ 2,742,302	70.8%
Improvements and infrastructure	222,852	5.4	245,700	6.3
Construction in progress	375,359	9.1	335,549	8.7
Land	139,282	3.4	138,374	3.6
Equipment and software	289,293	7.0	273,092	7.0
Collections	143,058	3.5	138,237	3.6
	$ 4,123,333	100.0%	$ 3,873,254	100.0%

Capital assets, net of accumulated depreciation, increased by $250 million in fiscal year 2020. 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. Capital assets also include additions to the 3i Integrated Information Infrastructure software project. Improvements to existing buildings included the Medical Sciences building, Mile Square Health Center, Frederick Seitz Materials Research Laboratory and the Loomis Laboratory of Physics. Other additions were the Residence Hall and Academic Complex in Chicago and the Henry Dale and Betty Smith Football Center and the Engineering Innovation Building in Urbana-Champaign.

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, 2020 and 2019:

Bonds Payable
(In thousands)

	2020	2019
AFS	$ 1,180,534	1,186,947
HSFS	101,837	105,613
UIC South Campus	16,225	23,418
	$ 1,298,596	1,315,978

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, 2020 and 2019 were $120,043,000 and $157,667,000 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 $237 million during fiscal year 2020. Net position balances are below:

Net Position
(In thousands)

		2020	2019
Net position:			
Net investment in capital assets	$	2,671,467	2,504,507
Restricted		728,095	761,080
Unrestricted		628,448	525,202
	$	4,028,010	3,790,789

The overall increase in net position of $237 million included growth in net investment in capital assets, which included changes in capital assets and reductions in long-term debt as discussed previously, and increased receivable from the State.

Statement of Revenues, Expenses and Changes in Net Position

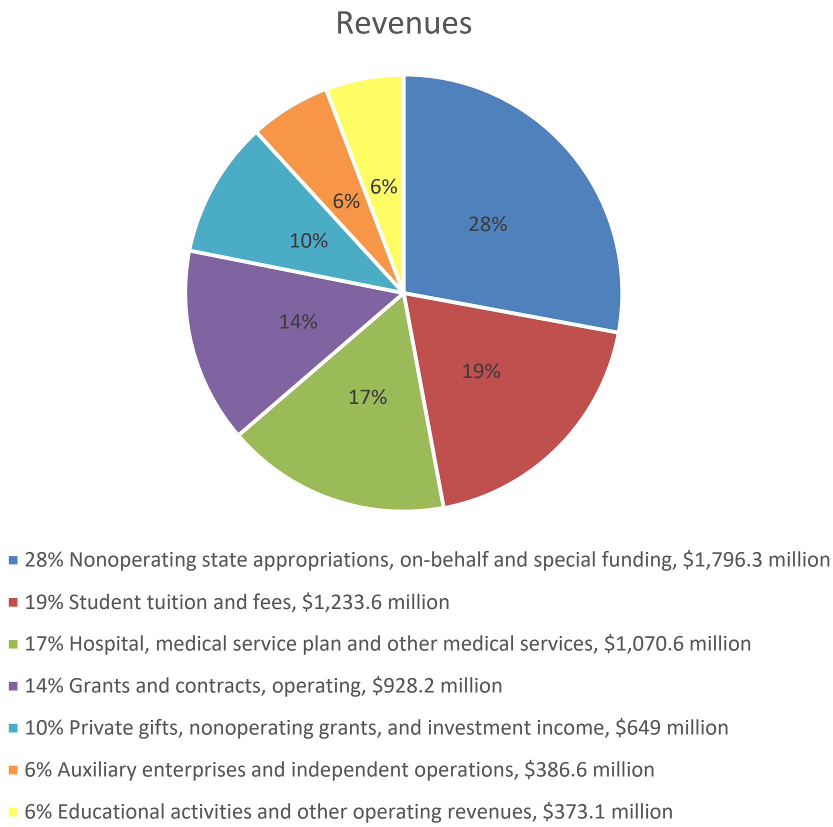
The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. In accordance with GASB reporting standards, revenues and expenses are classified as either operating or nonoperating. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020 and 2019 is as follows:

		2020	2019
		(In thousands)	
Operating revenues:			
Student tuition and fees	$	1,233,646	1,193,419
Hospital, medical service plans and other medical activities		1,070,630	1,037,721
Grants and contracts		928,173	894,843
Auxiliary enterprises and independent operations		386,582	446,202
Educational activities		348,692	337,160
Other		24,392	25,294
Total operating revenues		3,992,115	3,934,639
Operating expenses		6,182,080	5,730,781
Operating loss		(2,189,965)	(1,796,142)
Nonoperating revenues (expenses):			
State appropriations, on behalf, and special funding situation		1,816,289	1,646,467
Transfer of state appropriation to the Illinois Hospital Services Fund		(20,000)	(20,000)
Private gifts		206,509	189,534
Grants and contracts		296,063	186,571
Investment income		146,389	119,892
Change in fair value of investments		(60,468)	22,240
Interest expense		(58,181)	(63,380)
Other nonoperating revenues, net		87,360	76,671
Net nonoperating revenues		2,413,961	2,157,995
Capital state appropriations and capital gifts and grants		10,814	15,474
Endowment gifts		2,411	197
Increase in net position		237,221	377,524
Net position, beginning of year		3,790,789	3,413,265
Net position, end of year	$	4,028,010	3,790,789

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, 2020:



Operating revenues experienced a net increase of $57 million in fiscal year 2020. The University of Illinois at Chicago - John Marshall Law School (UIC John Marshall Law School) was established in August 2019 as a result of the transfer of John Marshall Law School operations to the University. The UIC John Marshall Law School, along with increases in student enrollment, contributed to increases in student tuition and fees. Grants and contracts revenues also increased in fiscal year 2020.

Nonoperating revenues increased by $323 million in fiscal year 2020. The most significant reason for the increase in nonoperating revenues resulted from a $142 million increase in on-behalf and special funding revenues from the State of Illinois (State), which fluctuates each year based on many factors related to actuarial calculations. The other significant increase was in grants and contract revenues due to federal grants received in accordance with the CARES Act.

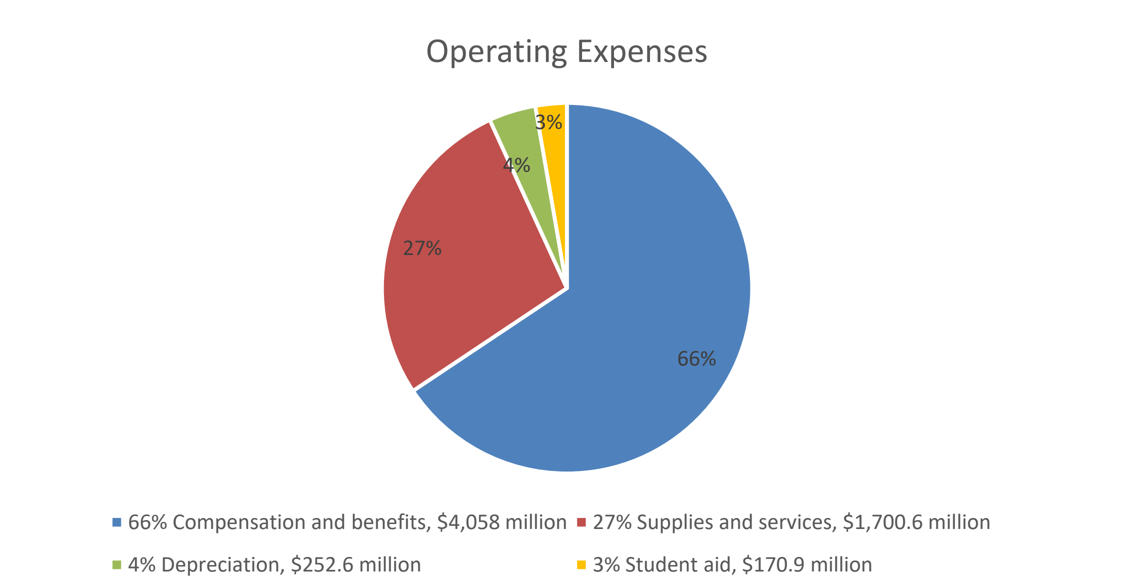
Expenses

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.

	2020		2019	
	(In thousands)			
Operating expenses:				
Instruction	$ 1,563,588	25.3%	$ 1,449,939	25.3%
Research	882,048	14.3	815,345	14.2
Public service	445,437	7.2	427,006	7.5
Support services	1,152,195	18.6	1,060,115	18.5
Hospital and medical activities	1,066,474	17.2	951,286	16.6
Auxiliary enterprises and independent operations	385,115	6.2	391,016	6.8
Scholarships and fellowships	90,761	1.5	57,257	1.0
Operation and maintenance of plant	343,874	5.6	334,632	5.8
Depreciation	252,588	4.1	244,185	4.3
Total operating expenses	$ 6,182,080	100.0%	$ 5,730,781	100.0%

The University's operating expenses increased by $451 million, or 7.9% in fiscal year 2020. There was an increase in on-behalf and special funding from the State of $142 million. 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. On page 71, the University has additional disclosures in this report to show the impact of these allocations on the functional operating expenses. Excluding the increase in special funding and on-behalf expenses, operating expenses increased by $309 million, or 6.6%, which was primarily due to increases in compensation and benefits due to additional faculty and staff hiring and modest salary increases in fall 2019. Additional operating expenses were also incurred as a result of the impact of the COVID-19 pandemic.

The University reports 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 $6,182.1 million of operating expenses by natural classification:



The University's Economic Outlook

A strong financial position is critical to continued excellence of the University's academic programs. Like universities around the country, the University of Illinois System is facing many challenges due to the COVID-19 pandemic. The University continues to focus on maintaining its multiple sources of revenues in tandem with prudent financial management to manage these challenges.

A strong financial partnership with the State is an important component to the University's financial position, since State appropriations provide essential operating support for University programs. The State has appropriated $629 million for fiscal year 2021, the same level as fiscal year 2020.

Overall enrollment continues to rise despite the COVID-19 pandemic, setting yet another enrollment record for fall 2020. For fiscal year 2021, we estimate tuition revenue to increase by $10 million. The incremental tuition revenue for fiscal year 2021 considers enrollment changes due to the pandemic, including resident, non-resident, and international student mix, changes in enrollment patterns between programs, and modest rate increases in graduate and professional programs.

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, which is an important component of the University's mission. The University continues to advance the economic development mission by supporting research and innovation activities that transforms ideas into sustainable businesses and global solutions.

These research and development activities have resulted in a revolutionary COVID-19 coronavirus surveillance test. Referred to as SHIELD, the targeting, testing, and communication protocols allow for fast results, is scalable, and can be administered at significantly lower costs than other comparable tests. This innovative strategy has allowed the University to control the spread of the coronavirus on its campuses through early detection and isolation, including asymptomatic cases which would otherwise unknowingly spread the virus. These extraordinary efforts, which have received national attention, combined with other safety protocols, have allowed for classroom instruction, student housing, and other student experience and development activities in fiscal year 2021. Plans are also underway to build additional capacity to facilitate testing at other universities and entities within the State.

Healthcare is an important mission of the University. The University of Illinois Hospital (Hospital) has always provided state-of-the-art, comprehensive medical care to patients from across the region, including some of the State's most vulnerable citizens. However, their response to serving patients during the COVID-19 pandemic has been significant and inspirational. The Hospital was also able to complete the installation of a new electronic medical record system in the midst of the pandemic. After a slight decrease due to the postponement of elective medical procedures resulting from the COVID-19 pandemic, patient visits to the Hospital and clinics is increasing.

Federal stimulus programs in fiscal year 2020 provided additional funding to help the University with the economic challenges associated with the pandemic. In fiscal year 2021, the Hospital received $60.9 million from the CARES Act's Provider Relief Fund, and $28.3 million from the State of Illinois CARES Pandemic Related Stability Payments program. The University was also allocated $94.9 million from the Higher Education Emergency Relief Fund (HEERF) II, to provide additional student aid and defray expenses associated with the COVID-19 pandemic.

Overall, the University continues to evaluate the economic impact of the COVID-19 pandemic. Although the full extent of the impact is still uncertain, the University is committed to maintaining the health and safety of its students, faculty and staff and preserving the excellence of its programs. The University's Board of Trustees, the administration, faculty, and staff are committed to upholding the University's outstanding academic reputation and strong financial position.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Net Position
June 30, 2020
(with summarized comparative information for June 30, 2019)
(In thousands)

	University		University Related Organizations	
Assets and Deferred Outflows of Resources	**2020**	**2019**	**2020**	**2019**
Current assets:				
Cash and cash equivalents	$ 914,146	$ 727,023	$ 14,828	$ 17,312
Cash and cash equivalents, restricted	62,357	49,611	1,553	1,614
Investments	340,042	279,382	1,797	1,080
Investments, restricted	78,947	41,602		
Accrued investment income	8,728	12,507	298	401
Accounts receivable, net of allowance for uncollectible	498,310	511,881	9,803	13,409
Appropriations receivable from State of Illinois	170,740	33,710		
Pledges receivable, net of allowance			58,843	115,099
Notes receivable, net of allowance for uncollectible	8,236	9,176		
Accrued interest on notes receivable	5,374	3,692		
Inventories	34,310	29,728	5	6
Prepaid expenses and deposits	45,929	43,918	1,984	1,464
Due from related organizations	298	977		
Total current assets	2,167,417	1,743,207	89,111	150,385
Noncurrent assets:				
Cash and cash equivalents, restricted	22,403		76	618
Investments	1,569,870	1,737,375	19,651	18,825
Investments, restricted	639,712	776,342	2,242,196	2,179,043
Pledges receivable, net of allowance			189,157	194,902
Notes receivable, net of allowance for uncollectible	37,674	41,862		
Prepaid expenses and deposits	12,251	19,003		
Capital assets, net of accumulated depreciation	4,123,333	3,873,254	54,876	22,568
Irrevocable trusts held by other trustees	19,903	19,542	22,677	21,863
Other assets	4,279	3,758	201	135
Total noncurrent assets	6,429,425	6,471,136	2,528,834	2,437,954
Deferred outflows of resources	138,296	89,588	1,229	828
Total assets and deferred outflows of resources	$ 8,735,138	$ 8,303,931	$ 2,619,174	$ 2,589,167
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable and accrued liabilities	$ 482,134	$ 510,157	$ 13,218	$ 11,310
Accrued payroll	185,686	162,745	518	408
Accrued compensated absences, current portion	18,974	18,549	2,319	1,660
Accrued self-insurance, current portion	38,728	39,250		
Unearned revenue and student deposits	218,983	196,771	114	6
Accrued interest payable	15,149	15,728		
Notes payable			7,879	6,877
Bonds payable, current portion	71,975	62,271		
Due to related organizations			298	977
Leaseholds payable and other obligations, current portion	125,009	50,300	5,798	5,425
Other postemployment benefits, current portion	29,555	26,574		
Assets held for others	32,772	31,224	2,500	2,500
Total current liabilities	1,218,965	1,113,569	32,644	29,163
Noncurrent liabilities:				
Bonds payable	1,226,621	1,253,707		
Leaseholds payable and other obligations	185,660	195,349	43,339	41,314
Accrued compensated absences	212,687	194,728		
Accrued self-insurance	240,731	202,798		
Other postemployment benefits	1,241,431	1,133,965		
Derivative instruments– liability	3,098	3,150	1,164	686
Total noncurrent liabilities	3,110,228	2,983,697	44,503	42,000
Deferred inflows of resources	377,935	415,876	65	142
Total liabilities and deferred inflows of resources	4,707,128	4,513,142	77,212	71,305
Net investment in capital assets	2,671,467	2,504,507	46,997	15,691
Restricted:				
Nonexpendable	114,654	117,279	1,430,823	1,344,249
Expendable	613,441	643,801	982,411	1,078,415
Unrestricted	628,448	525,202	81,731	79,507
Total net position	4,028,010	3,790,789	2,541,962	2,517,862
Total liabilities, deferred inflows of resources and net position	$ 8,735,138	$ 8,303,931	$ 2,619,174	$ 2,589,167

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020
(with summarized comparative information for the year ended June 30, 2019)
(In thousands)

	University		University Related Organizations	
	2020	**2019**	**2020**	**2019**
Operating revenues:				
Student tuition and fees, net of scholarship allowance of $449,153	$ 1,233,646	$ 1,193,419	$	$
Federal appropriations	21,379	23,755		
Federal grants and contracts	709,656	683,579		
State of Illinois grants and contracts	74,399	72,473		
Private and other government agency grants and contracts	144,118	138,791	186,064	162,261
Educational activities	348,692	337,160		
Auxiliary enterprises, net	376,036	434,532		
Hospital and other medical activities, net	828,741	800,547		
Medical service plan	241,889	237,174		
Independent operations	10,546	11,670		
Interest and service charges on student loans	3,013	1,539		
Allocation from the University			14,456	15,784
Other sources			83,591	83,032
Total operating revenues	3,992,115	3,934,639	284,111	261,077
Operating expenses:				
Instruction	1,563,588	1,449,939		
Research	882,048	815,345		
Public service	445,437	427,006		
Academic support	573,526	546,057		
Student services	234,055	217,124		
Institutional support	344,614	296,934	113,120	105,655
Operation and maintenance of plant	343,874	334,632		
Scholarships and fellowships	90,761	57,257		
Auxiliary enterprises	376,084	382,124		
Hospital and medical activities	1,066,474	951,286		
Independent operations	9,031	8,892		
Depreciation and amortization	252,588	244,185	2,105	1,994
Distributions to the University			216,434	208,317
Total operating expenses	6,182,080	5,730,781	331,659	315,966
Operating loss	(2,189,965)	(1,796,142)	(47,548)	(54,889)
Nonoperating revenues (expenses):				
State appropriations	628,629	600,983		
Transfer of state appropriations to the Illinois Hospital Services Fund	(20,000)	(20,000)		
Private gifts	206,509	189,534		
Grants and contracts	296,063	186,571		
On-behalf for fringe benefits	215,358	257,496		
Special funding situation for fringe benefits	972,302	787,988		
Net investment income (net of investment expense of $6,737)	146,389	119,892	(5,119)	(1,394)
Net (decrease) increase in the fair value of investments	(60,468)	22,240	(9,400)	69,469
Interest expense	(58,181)	(63,380)	(202)	(78)
Loss on disposal of capital assets	(3,991)	(4,339)	(233)	
Other nonoperating revenues, net	91,351	81,010	30	9,850
Net nonoperating revenues	2,413,961	2,157,995	(14,924)	77,847
Income before other revenues	223,996	361,853	(62,472)	22,958
Capital state appropriations	3,751	11,707		
Capital gifts and grants	7,063	3,767		
Private gifts for endowment purposes	2,411	197	86,572	158,399
Increase in net position	237,221	377,524	24,100	181,357
Net position, beginning of year	3,790,789	3,413,265	2,517,862	2,336,505
Net position, end of year	$ 4,028,010	$ 3,790,789	$ 2,541,962	$ 2,517,862

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended June 30, 2020
(with summarized comparative information for the year ended June 30, 2019)
(In thousands)

	University	
	2020	**2019**
Cash flows from operating activities:		
Student tuition and fees	$ 1,241,710	$ 1,194,386
Federal appropriations	21,448	25,812
Federal, state, and local grants and contracts	775,131	749,010
Other governmental agencies and private grants and contracts	150,084	149,695
Sales and services of educational activities	331,250	332,043
Auxiliary activities and independent operations	381,768	446,624
Hospital and other medical activities	877,789	819,938
Medical service plan	253,980	242,339
Payments to employees and for benefits	(2,876,324)	(2,734,601)
Payments to suppliers	(1,725,618)	(1,602,074)
Payments for scholarships and fellowships	(174,487)	(118,405)
Student loans issued	(3,765)	(5,030)
Student loans collected	8,572	8,525
Student loan interest and fees collected	1,331	1,631
Net cash used in operating activities	(737,131)	(490,107)
Cash flows from noncapital financing activities:		
State appropriations	471,599	592,454
Gifts transferred from University of Illinois Foundation	206,509	189,534
Direct lending receipts	478,994	462,223
Direct lending payments	(479,520)	(461,308)
Center for Medicare & Medicaid Services advance	75,354	
Grants, nonoperating	296,063	186,571
Private gifts for endowment purposes	2,411	197
Repayments from related organizations, net	679	3,131
Other receipts	82,944	79,983
Other disbursements	(1,382)	(1,493)
Net cash provided by noncapital financing activities	1,133,651	1,051,292
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	44,960	166,872
State capital appropriations		769
Capital gifts and grants		16
Purchase of capital assets	(385,855)	(325,947)
Principal payments on bonds, capital leases, and other obligations	(102,044)	(118,597)
Interest payments on bonds, capital leases, and other obligations	(64,597)	(62,910)
Upfront deposits related to public-private partnership projects	(3,527)	(9,738)
Payment of capital debt issuance costs	(706)	(2,031)
Net cash used in capital and related financing activities	(511,769)	(351,566)
Cash flows from investing activities:		
Interest and dividends on investments, net	92,285	66,137
Proceeds from sales and maturities of investments	2,908,324	2,657,432
Purchase of investments	(2,663,088)	(2,995,933)
Net cash provided by (used in) investing activities	337,521	(272,364)
Net increase (decrease) in cash and cash equivalents	222,272	(62,745)
Cash and cash equivalents, beginning of year	776,634	839,379
Cash and cash equivalents, end of year	$ 998,906	$ 776,634

(Continued)

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended June 30, 2020
(with summarized comparative information for the year ended June 30, 2019)
(In thousands)

	University 2020	University 2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (2,189,965)	$ (1,796,142)
Adjustments to reconcile operating loss to net cash used in operating activities:		
On-behalf and special funding situation for fringe benefits expense	1,187,660	1,045,484
Depreciation expense	252,588	244,185
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable, net	22,085	4,387
Notes receivable, net	5,128	4,182
Accrued interest on notes receivable	(1,682)	92
Inventories	(4,582)	(1,191)
Prepaid expenses and deposits	(1,764)	(6,864)
Deferred outflow of resources	(51,706)	4,552
Accounts payable and accrued liabilities	(60,017)	64,346
Accrued payroll	22,941	3,281
Unearned revenue and student deposits	21,974	22,361
Accrued compensated absences	18,384	6,599
Accrued self-insurance	37,411	7,000
Other postemployment benefits	110,447	(154,221)
Deferred inflows of resources	(107,581)	68,669
Assets held for others	1,548	(6,827)
Net cash used in operating activities	$ (737,131)	$ (490,107)
Noncash investing, capital, and financing activities:		
On-behalf for fringe benefits nonoperating revenue	$ 215,358	$ 257,496
Special funding for fringe benefits nonoperating revenue	972,302	787,988
State appropriation	20,382	20,382
Transfers of state appropriations to Illinois Hospital Services Fund	(20,000)	(20,000)
Net (decrease) increase in fair value of investments	(60,468)	22,240
Gifts in kind – capital assets	2,462	3,748
(Decrease) increase of capital asset obligations in accounts payable	(14,224)	10,459
Capital asset acquisitions by Capital Development Board	3,751	10,938
Capital asset acquisitions by leaseholds payable	39,774	5,144
Capital asset acquisition by Service Concession Arrangement	70,828	
Net interest capitalized	4,972	3,360
Other capital asset adjustments	3,965	889
Loss on disposal of capital assets	(3,991)	(4,339)
Capital appreciation on bonds payable	$ 3,361	$ 4,422

(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 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 Association (Alumni Association), 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 (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 Association 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 Association offers memberships in the Alumni Association to former students, conducts various activities for students and alumni, and publishes periodicals for the benefit of alumni. Complete financial statements for the Alumni Association 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 growth. 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 Association, 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 Entity 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 2019 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, 2019.

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 Association are nonprofit organizations that report under Financial Accounting Standards Board (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 Association 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 4.1% of the two-quarter lagged, six-year moving average market value of fund units.

At June 30, 2020, net appreciation of $92,532,000 was available to be spent, of which $71,453,000 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 $103,344,000 for fiscal year ended June 30, 2020.

(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 contributions made in fiscal year 2020 are reported as deferred outflows of resources.

Deferred outflows of resources also include OPEB contributions subsequent to the measurement date of OPEB liability as well as other OPEB sources as disclosed in note 12.

Deferred Outflow of Resources
(In thousands)

	Beginning balance	Additions	Deductions	Change in fair value	Ending balance
Interest rate swap agreements	$ 1,777	395		(53)	$ 2,119
Unamortized deferred loss on refunding	24,582		3,341		21,241
Pension contributions	36,359	38,900	36,359		38,900
OPEB (note 12)	26,870	75,797	26,631		76,036
Total deferred outflow of resources	$ 89,588	115,092	66,331	(53)	$ 138,296

(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.

Deferred inflows of resources also include OPEB sources as disclosed in note 12.

Facilities constructed and operated through a service concession arrangement (SCA) are reported as deferred inflows of resources. In a SCA, the day-to-day operations of the facility, or a portion thereof, is managed by a third party. Deferred inflows of resources are recognized when the SCA becomes effective and are amortized using the straight-line method over the life of the SCA, in accordance with GASB Statement #60.

Deferred Inflow of Resources
(In thousands)

	Beginning balance	Additions	Deductions	Change in fair value	Ending balance
Irrevocable trusts (note 10)	$ 19,542	1,715	1,376	22	$ 19,903
SCA (note 4)		70,828	1,549		69,279
OPEB (note 12)	396,334	44	107,625		288,753
Total deferred inflow of resources	$ 415,876	72,587	110,550	22	$ 377,935

(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 2020, 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 $449,153,000 and $29,314,000 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, 2020. 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, 2020, the contractual allowances totaled $1,848,325,000.

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 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 $20,929,000 for fiscal year 2020. 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 $74,373,000 at June 30, 2020 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from revenues to be recognized in fiscal year 2021 rather than from the unrestricted net position available at June 30, 2020.

(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, 2020, 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, 2020, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $229,136,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $13,778,000 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 $215,358,000 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 State Universities Retirement System (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 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.

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, 2019, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $11,115,000 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 reviewed the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which was effective immediately upon issuance in May of 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Most of the effective dates of certain provisions contained within this pronouncement were postponed by one year with the exception of GASB Statement No. 87, Leases, which was postponed by 18 months. As such, in the current fiscal year, the System did not adopt and implement any new GASB Statements.

(2) Cash, Cash Equivalents and Investments

The carrying amount of the University's cash totaled $(8,620,000) on June 30, 2020. The June 30, 2020 total bank account balances for the University aggregated $26,566,000 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, 2020:

University Cash, Cash Equivalents and Investments
(In thousands)

U.S. Treasury bonds and bills	$	338,893
U.S. government agencies		252,685
International government bonds and governmental agencies		3,081
Nongovernment mortgage-backed securities		104,662
Asset backed securities		241,206
Corporate bonds		994,938
Commercial paper		37,156
Municipal bonds		27,303
Global fixed income		18,748
Money market funds		985,605
Illinois Public Treasurer's Investment Pool		5,694
Subtotal before cash deposits, equities and other investments		3,009,971
Equities		23,625
Equity funds		370,284
Diversifying strategies		33,477
Private equity		51,014
Farm properties		106,632
Real assets		41,094
Cash deposits (net of outstanding checks)		(8,620)
Total	$	3,627,477

(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, 2020 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	$	338,893	108,260	183,948	39,560	7,125
U.S. government agencies		252,685	3,248	29,059	42,076	178,302
International government bonds and governmental agencies		3,081	64	1,361	346	1,310
Nongovernment mortgage-backed securities		104,662			197	104,465
Asset backed securities		241,206	3,635	194,192	18,664	24,715
Corporate bonds		994,938	300,945	517,336	146,082	30,575
Commercial paper		37,156	37,156			
Municipal bonds		27,303	3,928	13,317	6,578	3,480
Global fixed income		18,748		1,770	1,913	15,065
Money market funds		985,605	985,605			
Illinois Public Treasurer's Investment Pool		5,694	5,694			
Total	$	3,009,971	1,448,535	940,983	255,416	365,037

At June 30, 2020, 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, 2020 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	$ 338,893		338,893				
U.S. government agencies	252,685		252,685				
International government bonds and governmental agencies	3,081		3,081				
Nongovernment mortgage-backed securities	104,662	90,728	3,665				10,269
Asset backed securities	241,206	232,506	7,426		1,274		
Corporate bonds	994,938	2,247	109,676	446,315	423,703	10,676	2,321
Commercial paper	37,156			37,156			
Municipal bonds	27,303	3,229	16,683	6,669	221		501
Global fixed income	18,748	450	1,441	852	812	16	15,177
Money market funds	985,605	985,605					
Illinois Public Treasurer's\ Investment Pool	5,694	5,694					
Total	$ 3,009,971	1,320,459	733,550	490,992	426,010	10,692	28,268

[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, 2020, 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, 2020, 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 markets and hedge funds. 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 global fixed income, 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, 2020.

The following table summarizes assets measured at fair value as of June 30, 2020, 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, 2020

(In thousands)

		Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury bonds and bills	$	338,893		338,893	
U.S. government agencies		252,685		252,685	
International government bonds and governmental agencies		3,081		3,081	
Nongovernment mortgage-backed securities		104,662		104,662	
Asset backed securities		241,206		241,206	
Corporate bonds		994,938		994,937	1
Commercial paper		37,156		37,156	
Municipal bonds		27,303		27,303	
Global fixed income		3,684	3,684		
Equities		23,625	23,530		95
Equity funds		20,649	20,649		
Farm properties		106,632			106,632
Total subject to fair value hierarchy		2,154,514	47,863	1,999,923	106,728
Investments measured at the NAV					
Global fixed income		15,064			
Equity funds		349,635			
Diversifying strategies		33,477			
Private equity		51,014			
Real assets		41,094			
Total investments measured at NAV		490,284			
Investments measured at cost					
Money market funds		985,605			
Cash deposits		(8,620)			
Illinois Public Treasurer's Investment Pool		5,694			
Total investments measured at cost		982,679			
Total cash, cash equivalents and investments	$	3,627,477			

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, 2020:

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
	(In thousands)			
Investments:				
Global fixed income (A)	$ 15,064	$	(A)	(A)
Equity funds (B)	349,635		(B)	(B)
Diversifying strategies (C)	33,477	18,876	(C)	(C)
Private equity (D)	51,014	66,625	(D)	(D)
Real assets (E)	41,094	20,627	(E)	(E)
	$ 490,284	$ 106,128		

(A) The funds in this category invest in bonds and other debt instruments. Investments may include government, corporate, municipal and convertible bonds, along with other debt securities such as mortgage-backed and asset-backed securities. 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.

(B) 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.

(C) 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.

(D) 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, 2020.

(E) 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, 2020.

(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 Foundation 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, 2020, 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, 2020

	(In thousands) Fair value	Level 1	Level 2	Level 3
Cash surrender value of life insurance	$ 6,071			6,071
Certificate of deposit	1,560		1,560	
Common stock:				
Domestic	53,674	53,674		
International	15,611	15,611		
Farms	64,715		64,715	
International government bonds	2,097		2,097	
International index linked government bonds	42,962		42,962	
Money market mutual funds	146,546	146,546		
Mutual Funds:				
Blended, Domestic	10,548	10,548		
Bond	23,634	23,634		
Equity, Domestic	35,394	35,394		
Equity, International	15,829	15,829		
Non-U.S. developed markets equity	105,013			105,013
Private equity funds	117,078			117,078
Private real estate funds	32,753			32,753
U.S. treasury bonds and bills	1,994		1,994	
U.S. index linked government bonds	30,220		30,220	
Variable annuity contract	3,360		3,360	
Beneficial interest in trusts	53,902			53,902
Trusts held by others	22,677			22,677
	$ 785,638	301,236	146,908	337,494

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2020.

The investments above exclude $4,352,000 of real estate that is carried at cost, $12,638,000 of private equities and other assets carried at cost, and $1,462,245,000 of investments where values are based on NAV using the practical expedient.

The Foundation's level 3 investments have been valued based on unadjusted 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, 2020. During the year ended June 30, 2020 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, 2020
(In thousands)

		Purchases or additions		Sales or deductions
Private equity funds	$	20,052	$	(20,176)
Non-U.S. developed markets equity		10,000		(584)
Private real estate		1,892		(1,570)
Trusts held by others		1,521		
Cash surrender value of life insurance		23		(115)
Total	$	33,488	$	(22,445)

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 FASB Accounting Standards Codification 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, 2020:

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)	$ 232,728	$	daily, monthly, quarterly, or annually **	5 to 90 days
Developed markets - non U.S. equity (B)	104,240		daily, monthly, quarterly, or annually	5 to 90 days
Emerging markets (C)	97,180		daily, monthly, quarterly, or annually ***	5 to 90 days
Global equity (D)	268,453		daily, monthly, quarterly, or annually **	5 to 90 days
Global fixed income (E)	87,416		daily, monthly, quarterly	5 to 90 days
Natural resources (F)	16,204		daily, monthly, quarterly, or annually	5 to 90 days
Private credit (G)	101,658	18,987	not eligible*	N/A
Private equity - global growth (H)	60,898	20,612	not eligible*	N/A
Private equity - health care (I)	48,993	32,475	not eligible*	N/A
Private equity - industrials (J)	10,889		not eligible*	N/A
Private equity - middle market (K)	20,612	17,999	not eligible*	N/A
Private equity - venture capital (L)	29,099	32,132	not eligible*	N/A
Private natural resources (M)	83,084	25,738	not eligible*	N/A
Real estate (N)	76,730	32,710	not eligible*	N/A
U.S. equity (O)	224,061		daily, monthly, quarterly, or annually **/***	5 to 90 days
	$ 1,462,245	$ 180,653		

* 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, 2020, there were $180,653,000 of unfunded commitments relating to private fund investments. The unfunded commitments at June 30, 2020 included $40,000,000 in commitments to funds that have not called any capital as of June 30, 2020 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 $354,613,000 in the above category that are subject to certain lock provisions that may limit the ability to redeem all or a portion of the investment for a given period of time, typically ranging from 1 – 3 years.

*** There are certain investments in the above categories for which redemption has been requested and will occur during fiscal year 2021. The fair value of the redemption requests at June 30, 2020 total $61,340,000.

(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 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.

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

(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 broker merger or acquisition deals. These investments include both U.S. and Non-U.S. securities/companies.

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

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

(J) This category includes investments in private equity related to the industrial sector.

(K) This category includes investments in private equity specializing in the acquisition and recapitalization of private middle-market companies.

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

(M) 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.

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

(O) 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.

(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, 2020.

The composition of accounts receivable and notes and pledges receivable at June 30, 2020 is summarized as follows:

University Accounts Receivable, Net of Allowance
(In thousands)

		Gross receivables	Allowance for uncollectible	Net receivables
Receivables from sponsoring agencies	$	210,418	(2,684)	207,734
Hospital and other medical activities		292,422	(188,532)	103,890
Student tuition and fees		67,280	(24,063)	43,217
Auxiliaries		16,624	(5,918)	10,706
Medical service plan		48,928	(5,540)	43,388
Educational activities		69,776	(7,220)	62,556
Other		27,741	(922)	26,819
Total	$	733,189	(234,879)	498,310

Notes and Pledges Receivable
(In thousands)

Student notes receivable – University:		
Student notes outstanding - Perkins loan program*	$	19,583
Student notes outstanding - other programs		29,857
Allowance for uncollectible loans		(3,530)
Total student notes receivable, net	$	45,910

* 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:	$	266,766
Less:		
Allowance for doubtful pledges		(13,922)
Present value discount		(4,844)
Total gift pledges outstanding, net	$	248,000

(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 $4,972,000 was capitalized during the year ended June 30, 2020.

Capital assets activity during the year ended June 30, 2020 is summarized as follows:

University Capital Assets
(In thousands)

	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 138,374	908			$ 139,282
Construction in progress	335,549	283,941		(244,131)	375,359
Inexhaustible collections	24,953	266	(33)		25,186
Total nondepreciable capital assets	498,876	285,115	(33)	(244,131)	539,827
Depreciable capital assets:					
Buildings	4,792,678	111,126		229,896	5,133,700
Improvements and infrastructure	760,013			599	760,612
Equipment	1,295,584	82,031	(34,395)	5,873	1,349,093
Software	200,141			7,763	207,904
Exhaustible collections	677,967	28,386	(1,748)		704,605
Total depreciable and amortizable capital assets	7,726,383	221,543	(36,143)	244,131	8,155,914
Less accumulated depreciation and amortization:					
Buildings	2,050,376	129,835			2,180,211
Improvements and infrastructure	514,313	23,447			537,760
Equipment	1,037,087	69,786	(30,437)		1,076,436
Software	185,546	5,722			191,268
Exhaustible collections	564,683	23,798	(1,748)		586,733
Total accumulated depreciation and amortization	4,352,005	252,588	(32,185)	—	4,572,408
Total net depreciable capital assets	3,374,378	(31,045)	(3,958)	244,131	3,583,506
Total	$ 3,873,254	254,070	(3,991)	—	$ 4,123,333

Capital asset acquired through a public-private partnership

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 $8,535,000 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. The construction of this mixed use facility was completed, and the facility was placed into service in fiscal year 2020. The University recognized a capital asset of $118,737,000. The student housing portion was reported as a SCA and was recognized as a deferred inflow of resource of $70,828,000 with amortization for fiscal year 2020 totaling $1,549,000. The day-to-day operations of the student housing portion of the facility will be managed by ACC.

(5) Accrued Self-Insurance and Loss Contingency

The University's accrued self-insurance liability of $279,459,000, as of June 30, 2020 covers hospital patient liability; hospital and medical professional liability; public and veterinarian liability, board legal 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% at June 30, 2020. 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 $27,426,000 at June 30, 2020 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, 2020.

The accrued self-insurance liability includes $180,230,000 at June 30, 2020 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, 2020. 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)

		2020
Balance, beginning of year	$	242,048
Claims incurred and changes in estimates		81,453
Claim payments and other deductions		(44,042)
Balance, end of year		279,459
Less current portion		(38,728)
Balance, end of year – noncurrent portion	$	240,731

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 professional 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 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	$	213,277
Additions		38,035
Deductions		(19,651)
Balance, end of year		231,661
Less current portion		(18,974)
Balance, end of year – noncurrent portion	$	212,687

(7) Bonds Payable

On October 8, 2019, the University issued $41,935,000 of AFS Revenue Bonds, Series 2019A. Proceeds of these bonds are or were being used to (i) finance alterations, improvements and repairs to the Townsend Hall and Wardall Hall residence hall facilities on the Urbana-Champaign campus, (ii) pay a portion of the interest on the Series 2019A Bonds, and (iii) pay costs of issuing the Series 2019A Bonds.

Bonds payable activity for the year ended June 30, 2020 consists of the following:

Bonds Payable
(In thousands)

	Maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Auxiliary Facilities System:						
Current interest bonds	2021 – 2049	$ 1,073,475	41,935	(29,635)	$ 1,085,775	$ 37,120
Capital appreciation bonds	2021 – 2030	64,240		(20,905)	43,335	21,235
Health Services Facilities System	2021 – 2043	105,140		(3,755)	101,385	3,900
UIC South Campus	2021 – 2023	23,405		(7,190)	16,215	7,550
		1,266,260	41,935	(61,485)	1,246,710	69,805
Unaccreted appreciation		(10,929)	3,361		(7,568)	(2,080)
		1,255,331	45,296	(61,485)	1,239,142	67,725
Unamortized debt premium		60,647	3,025	(4,218)	59,454	4,250
Total		$ 1,315,978	48,321	(65,703)	$ 1,298,596	$ 71,975

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

Capital appreciation bonds of $43,335,000 outstanding at June 30, 2020 do not require current interest payments and have a net unappreciated value of $35,767,000. 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 $75,605,000 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 2.75% to 6.25%.

Variable Rate Bonds

Bond issues	Interest rate at June 30, 2020	Remarketing agent	Remarketing fee	Liquidity facility: Bank	Liquidity facility: Expiration	Liquidity facility: Insured by	Liquidity fee
UIC South Campus, Series 2008	0.17%	JPMorgan Securities	0.075%	JPMorgan Chase	1/20/2022	Letter of Credit	0.250%
AFS, Series 2014C	0.18	Wells Fargo	0.080	Northern Trust	2/19/2024	Letter of Credit	0.350
HSFS, Series 1997B	0.17	JPMorgan Securities	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.635
HSFS, Series 2008	0.11	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. 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, 2020, 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, 2020 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	$ 21,225	Nov 2008*	3.534%	68% of LIBOR**	$ (2,471)	Oct-2026	Loop	BBB+/A3
UIC SC 2008	7,105	Feb 2006*	4.086	68% of LIBOR**	(318)	Jan-2022	Morgan Stanley	BBB+/A3
UIC SC 2008	6,900	Feb 2006*	4.092	68% of LIBOR**	(309)	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, 2020. 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] (In thousands)	Term of commitment	Debt service to pledged revenues (current year)
AFS	Refunding, various improvements and additions to the System	Net AFS revenue, student tuition and fees	$ 1,677,153	2049	8.27%
HSFS	Additions to System and refunding	Net HSFS revenue, Medical Service Plan revenue net of bad debt expense, College of Medicine net tuition revenue	173,662	2043	2.94
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	17,088	2023	2.11
		Total future revenues pledged	$ 1,867,903		

[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, 2020 are as follows:

Debt Service Requirements
(In thousands)

		Principal		Interest
2021	$	69,805	$	53,762
2022		72,825		51,489
2023		57,265		48,253
2024		54,890		45,639
2025		57,920		43,138
2026 – 2030		298,045		176,756
2031 – 2035		267,255		112,908
2036 – 2040		160,270		62,455
2041 – 2045		175,055		24,127
2046 – 2049		33,380		2,666
Total	$	1,246,710	$	621,193

Using the actual rates of .17% (UIC South Campus, Series 2008) and .11% (Health Services Facilities System, Series 2008), in effect as of June 30, 2020, 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
2021		6,845	273	194		7,312
2022		7,160	140	42		7,342
Total	$	14,005	413	236	$	14,654

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
2021	$	2,700	24	664	$	3,388
2022		2,845	21	569		3,435
2023		2,900	17	471		3,388
2024		3,060	14	368		3,442
2025		3,225	11	260		3,496
2026 - 2027		6,670	11	185		6,866
Total	$	21,400	98	2,517	$	24,015

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, 2020 consists of the following:

Leaseholds Payable and Other Obligations
(In thousands)

	Beginning balance	Additions	Deductions	Ending balance	Current portion
University:					
Certificates of participation	$ 146,740		(34,670)	$ 112,070	$ 35,975
Unamortized debt premium	10,927		(2,954)	7,973	2,598
	157,667	—	(37,624)	120,043	38,573
Other capital leases	25,809	39,789	(2,555)	63,043	3,281
Energy services agreement installment payment contracts	31,163		(3,334)	27,829	3,433
Centers for Medicare & Medicaid Services Accelerated and Advance Payments Program		75,354		75,354	75,354
Perkins loans	31,010		(6,610)	24,400	4,368
Total University	245,649	115,143	(50,123)	310,669	125,009
URO – Foundation:					
Annuities payable	43,756	7,980	(5,425)	46,311	5,798
Other liabilities	2,840		(14)	2,826	
Total URO – Foundation	$ 46,596	7,980	(5,439)	$ 49,137	$ 5,798

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, 2020 as follows:

Assets Held Under Capital Lease
(In thousands)

Land	$	6,471
Buildings		174,041
Improvements		181,919
Equipment		6,507
Subtotal		368,938
Less accumulated depreciation		173,033
Total	$	195,905

The net present value of outstanding capital leases at June 30, 2020 is as follows:

Outstanding Capital Leases
(In thousands)

Certificates of participation:		
Series 2007A	$	15,300
Series 2007B		4,985
Series 2014A		13,615
Series 2014B		5,120
Series 2014C		19,170
Series 2016A		36,610
Series 2016B		4,495
Series 2016C		5,350
Series 2016D		7,425
Other capital leases		63,043
Net present value	$	175,113

As of June 30, 2020, future minimum lease payments under capital leases are as follows:

Future Minimum Lease Payments Under Capital Leases (In thousands)		
2021	$	46,763
2022		34,575
2023		17,572
2024		16,811
2025		15,334
2026-2030		46,073
2031-2035		16,508
2066-2040		11,760
2041-2045		11,761
2046-2050		11,760
Total minimum lease payments		228,917
Amount representing interest		(53,804)
Net present value	$	175,113

(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, 2020, future minimum lease payments under installment payment contracts are as follows:

Future Minimum Lease Payments Under Installment Payment Contracts (In thousands)		
2021	$	4,216
2022		4,216
2023		4,215
2024		4,215
2025		4,215
2026 – 2029		10,121
Total minimum lease payments		31,198
Amount representing interest		(3,370)
Net present value	$	27,828

During fiscal year 2020, the Centers for Medicare and Medicaid Services expanded the existing Accelerated and Advance Payments Program to a broader group of Medicare Part A providers and Part B suppliers. An accelerated or advance payment is a payment intended to provide necessary funds when there is a disruption in claims submission and/or claims processing. The Centers for Medicare and Medicaid Services can also offer these payments in circumstances such as national emergencies, or natural disasters in order to accelerate cash flow to the impacted health care providers and suppliers. The University may repay their accelerated or advance payments at any time by contacting its Medicare Administrative Contractor. As of June 30, 2020, the University was scheduled to repay its advance payment of $75,354,000 in November of 2020.

At June 30, 2020, the URO – Foundation had annuities payable outstanding of $46,311,000. 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 $13,871,000 for the year ended June 30, 2020. The future minimum lease payments (excluding those leases renewed on an annual basis) are as follows:

Future Minimum Operating Lease Payments

(In thousands)

2021	$	10,655
2022		8,902
2023		6,615
2024		4,887
2025		3,174
2026 – 2030		3,190
Total	$	37,423

(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	$	2,671,467
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for – scholarships, academic programs, fellowships and research		114,654
Restricted – expendable for:		
Scholarships, academic programs, fellowships and research		286,035
Auxilary Facilities System		15,036
Loans		47,602
Service plans		95,237
Retirement of indebtedness		23,828
Capital projects		145,703
Unrestricted:		
Designated		628,448
Total	$	4,028,010

URO – Foundation Net Position
(In thousands)

Net investment in capital assets	$	40,957
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for academic programs, scholarships, fellowships and research		1,430,804
Restricted – expendable for:		
Academic programs, scholarships, fellowships and research		982,411
Unrestricted		49,416
Total	$	2,503,588

(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, $19,903,000 and $22,677,000, respectively, have been recorded in the accompanying financial statements. The fair value of these funds at June 30, 2020 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	$	59,350	$	76,579
Income received from funds held in trust by others		1,103		1,744

(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 Comprehensive Annual Financial Report (CAFR) 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 reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2019 can be found in the SURS' CAFR's 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 2019 and fiscal year 2020, respectively, was 12.29% and 13.02% 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 State’s 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 (NPL) was measured as of June 30, 2019. At June 30, 2019, SURS reported a NPL of $28,720,071,000.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State’s NPL associated with the University is $12,749,644,000. This amount is not recognized in the financial statements. The NPL and total pension liability as of June 30, 2019 was determined based on the June 30, 2018 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 2019.

Pension Expense: At June 30, 2019 SURS reported a collective net pension expense of $3,094,666,000.

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 2019. As a result, the University recognized revenue and pension expense of $1,373,809,000 from this special funding situation during the year ended June 30, 2020.

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. Conversely, deferred inflows of resources are the acquisition of net pension 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	$ 160,133	$ 80,171
Changes in assumption	773,321	0
Net difference between projected and actual earnings on pension plan investments	0	55,456
Total	$ 933,454	$ 135,627

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
2020	$ 786,021
2021	(11,535)
2022	(6,661)
2023	30,001
2024	
Thereafter	
Total	$ 797,826

(c) ***University Deferral of Fiscal Year 2020 Pension Expense***

The University paid $38,900,000 in federal, trust or grant contributions for fiscal year ended June 30, 2020. These contributions were made subsequent to the pension liability date of June 30, 2019 and are recognized as deferred outflows of resources as of June 30, 2020.

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

Actuarial assumptions: The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2014, through June 30, 2017. The total pension liability in the June 30, 2019 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 White Collar, gender distinct tables 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 consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, 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%	5.25%
Private Equity	6%	8.65%
Non-U.S. Equity	19%	6.75%
Global Equity	8%	6.25%
Fixed Income	19%	1.85%
Treasury-Inflation Protected Securities	4%	1.20%
Emerging Market Debt	3%	4.00%
Real Estate REITS	4%	5.70%
Direct Real Estate	6%	4.85%
Commodities	2%	2.00%
Hedged Strategies	5%	2.85%
Opportunity Fund	1%	7.00%
Total	100%	4.80%
Inflation		2.75%
Expected Arithmetic Return		**7.55%**

Discount Rate: A single discount rate of 6.59% 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 3.13% (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 NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.59%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.59%	Current Single Discount Rate Assumption 6.59%	1% Increase 7.59%
	(In thousands)	
$34,786,852	$28,720,071	$23,712,555

Additional information regarding the SURS basic financial statements including the plan's net position can be found in the SURS CAFR 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 these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan 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, State contributions and Federal government subsidies from the Medicare Part D program. 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 State Employee's Retirement System 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 shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the State's General Revenue 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 2020, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,681 ($6,704 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,959 ($5,592 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, this change in estimate was amortized for subsequent recognition in the University's OPEB expense over a period of approximately five years, which began in fiscal year 2019.

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

The proportionate share of the State's OPEB expense relative to the University's retirees totaled ($401,507,000) during the year ended June 30, 2020. 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, 2020.

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, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

(in thousands)

Measurement Date:	June 30, 2019	June 30, 2018
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 7,564,028	$ 7,052,321
SEGIP total OPEB liability	$ 43,889,169	$ 40,093,248
Proportionate share of the total OPEB liability	17.23%	17.59%

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

The total OPEB liability, as reported at June 30, 2020, was measured as of June 30, 2019, with an actuarial valuation as of June 30, 2018, 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, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

(in thousands)

Measurement Date:		June 30, 2019		June 30, 2018
University's OPEB liability	$	1,270,986	$	1,160,539
SEGIP total OPEB liability	$	43,889,169	$	40,093,248
Proportionate share of the total OPEB liability		2.90%		2.89%

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, 2019. As of the current year measurement date of June 30, 2019, the University's proportion increased .01% from its proportion measured as of the prior year measurement date of June 30, 2018.

The University recognized OPEB expense for the year ended June 30, 2020, of $(401,507,000).

At June 30, 2020, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience		1,825
Changes in assumptions		44,188
Changes in proportion and differences between employer contributions and proportionate share of contributions		468
University contributions subsequent to the measurement date		29,555
Total deferred outflows of resources	$	76,036
Deferred inflows of resources		
Differences between expected and actual experience		19,389
Changes of assumptions		78,430
Changes in proportion and differences between employer contributions and proportionate share of contributions		190,934
Total deferred inflows of resources	$	288,753

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, 2021. 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,		
2021	$	(96,394)
2022		(96,394)
2023		(57,207)
2024		6,100
2025		1,623
Total	$	(242,272)

(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, 2018, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2018.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Discount Rate	3.13%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical (Post-Medicare)	9.00% grading down 0.50% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%
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.

Since the last measurement date on June 30, 2019, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. On December 20, 2019, the *Further Consolidated Appropriations Act, 2020* (Public Law 116-94) was signed into law repealing the federal excise taxes of 40% on total employer premium spending in excess of specified dollar amounts, also known as the "Cadillac Tax." The impact of this repeal to the State's financial statements, which could be significant, is not known at this time.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2018 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 2012 - June 2015	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.

(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 3.62% at June 30, 2018, and 3.13% at June 30, 2019, 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, calculated using a Single Discount Rate of 3.13%, 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 (4.13%) or lower (2.13%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.13%)	Current Single Discount Rate Assumption (3.13%)	1% Increase (4.13%)
University's proportionate share of total OPEB liability	1,496,921	1,270,986	1,090,261

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

The following presents the plans total OPEB liability, 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 8.00% in 2020 decreasing to an ultimate trend rate of 4.89% in 2027, for non-Medicare coverage, and 9.00% decreasing to an ultimate trend rate of 4.50% in 2029 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	1,065,727	1,270,986	1,536,830

(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, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

(in thousands)

Measurement Date:	June 30, 2019	June 30, 2018
University's OPEB liability	$ 1,270,986	$ 1,160,539
State of Illinois' OPEB liability related to the University under the Special Funding Situation	7,564,028	7,052,321
Total OPEB liability associated with the University	8,835,014	8,212,860
SEGIP total OPEB liability	$ 43,889,169	$ 40,093,248
Proportionate share of the OPEB liability associated with the University	20.13%	20.48%

(13) Commitments and Contingencies

At June 30, 2020, the University had commitments on various construction projects, contracts for repairs and renovation of facilities and software projects of $291,330,000.

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 $49,000,000. The exposure related to Prairieland at June 30, 2020 is $996,000 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 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 the 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, 2020 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	$	1,453,635	97,016	7,603		$	1,558,254
Research		614,141	256,734	11,173			882,048
Public service		278,741	160,944	5,752			445,437
Academic support		425,226	131,117	14,331			570,674
Student services		157,288	55,635	21,132			234,055
Institutional support		265,561	84,802	2,437			352,800
Operation and maintenance of plant		81,814	255,241	6,819			343,874
Scholarships and fellowships		4,508	844	85,409			90,761
Auxiliary enterprises		169,189	190,627	16,268			376,084
Hospital and medical activities		606,165	460,309				1,066,474
Independent operations		1,750	7,281				9,031
Depreciation					252,588		252,588
Total	$	4,058,018	1,700,550	170,924	252,588	$	6,182,080

URO – Foundation Operating Expenses by Natural Classification
(In thousands)

		Distributions on behalf of the University	Institutional support	Depreciation		Total
Fund-raising	$		20,784		$	20,784
Distributions on behalf of the University		216,434				216,434
General and administrative			14,422			14,422
Actuarial adjustments			5,368			5,368
Depreciation				1,378		1,378
Total	$	216,434	40,574	1,378	$	258,386

(Continued)

(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, 2020

(In thousands)

	AFS	HSFS	Total
Assets and deferred outflow of resources:			
Current assets	$ 193,002	505,241	$ 698,243
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,207,816	266,480	1,474,296
Other noncurrent assets	77,275	25,712	102,987
Deferred outflow of resources	15,057	3,549	18,606
Total assets and deferred outflow of resources	$ 1,493,150	800,982	$ 2,294,132
Liabilities:			
Current liabilities	$ 113,086	239,699	$ 352,785
Noncurrent liabilities:			
Long-term debt	1,120,112	99,157	1,219,269
Other liabilities	9,578	32,404	41,982
Total liabilities	1,242,776	371,260	1,614,036
Net position:			
Net investment in capital assets	116,438	166,286	282,724
Restricted:			
Expendable	19,391	25,712	45,103
Unrestricted	114,545	237,724	352,269
Total net position	250,374	429,722	680,096
Total liabilities and net position	$ 1,493,150	800,982	$ 2,294,132

Condensed Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2020

(In thousands)

	AFS	HSFS	Total
Operating revenues	$ 313,050	843,834	$ 1,156,884
Operating expenses	293,415	1,095,428	1,388,843
Depreciation expense	44,170	22,608	66,778
Operating loss	(24,535)	(274,202)	(298,737)
Nonoperating revenues, net	21,829	281,228	303,057
(Decrease) increase in net position	(2,706)	7,026	4,320
Net position, beginning of year	253,080	422,696	675,776
Net position, end of year	$ 250,374	429,722	$ 680,096

Condensed Statement of Cash Flows

Year ended June 30, 2020

(In thousands)

	AFS	HSFS	Total
Net cash flows provided by operating activities	$ 60,144	98,750	$ 158,894
Net cash flows provided by noncapital financing activities	19,303	57,156	76,459
Net cash flows used in capital and related financing activities	(140,167)	(77,067)	(217,234)
Net cash flows provided by investing activities	79,656	11,022	90,678
Net increase in cash and cash equivalents	18,936	89,861	108,797
Cash and cash equivalents, beginning of year	210,678	323,756	534,434
Cash and cash equivalents, end of year	$ 229,614	413,617	$ 643,231

(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 to) Repayments from URO, net	Services/Goods Provided to University	Services/Goods Provided by University	Total
Foundation	$ 216,434		9,434	(9,434)	$ 216,434
Alumni Association			2,473	(2,473)	-
WWT			27,873	(27,873)	-
Illinois Ventures			2,394	(2,394)	-
Research Park			406	(406)	-
Prairieland			34,729	(34,729)	-
Singapore Research		1,049	359	(359)	1,049
Total	$ 216,434	1,049	77,668	(77,668)	$ 217,483

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, 2020
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Assets and deferred outflow of resources:				
Current assets	$ 65,728	7,396	2,602	3,405
Noncurrent assets:				
Capital assets, net of accumulated depreciation	48,836	3,423	452	13
Other noncurrent assets	2,454,174	16,606	66	3,112
Deferred outflow of resources				
Total assets and deferred outflow of resources	$ 2,568,738	27,425	3,120	6,530
Liabilities and deferred inflow of resources:				
Current liabilities	$ 21,811	623	3,098	121
Due to related organizations				
Noncurrent liabilities	43,339			
Deferred inflow of resources				
Total liabilities and deferred inflow of resources	65,150	623	3,098	121
Net position:				
Net investment in capital assets	40,957	3,423	452	13
Restricted:				
Nonexpendable	1,430,804			19
Expendable	982,411			
Unrestricted	49,416	23,379	(430)	6,377
Total net position	2,503,588	26,802	22	6,409
Total liabilities, deferred inflow of resources and net position	$ 2,568,738	27,425	3,120	6,530

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2020
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Operating revenues	$ 211,121	4,247	27,283	2,769
Operating expenses	257,008	5,217	27,084	2,660
Depreciation expense	1,378	477	110	3
Operating (loss) income	(47,265)	(1,447)	89	106
Nonoperating (expenses) revenues, net	(14,443)	1,080	(56)	(689)
Contributions to endowments	86,572			
Increase (decrease) in net position	24,864	(367)	33	(583)
Net position, beginning of year	2,478,724	27,169	(11)	6,992
Net position, end of year	$ 2,503,588	26,802	22	6,409

Condensed Statements of Net Position
June 30, 2020
(In thousands)

	Research Park	Prairieland	Singapore Research	Total
Assets and Deferred Outflow of Resources:				
Current assets	$ 633	7,451	1,896	$ 89,111
Noncurrent assets:				
Capital assets, net of accumulated depreciation	2,102	2	48	54,876
Other noncurrent assets				2,473,958
Deferred outflow of resources		1,229		1,229
Total assets and deferred outflow of resources	$ 2,735	8,682	1,944	$ 2,619,174
Liabilities and Deferred Inflow of Resources:				
Current liabilities	$ 56	5,431	1,206	$ 32,346
Due to related organizations			298	298
Noncurrent liabilities		1,164		44,503
Deferred inflow of resources		65		65
Total liabilities and deferred inflow of resources	56	6,660	1,504	77,212
Net position:				
Net investment in capital assets	2,102	2	48	46,997
Restricted:				
Nonexpendable				1,430,823
Expendable				982,411
Unrestricted	577	2,020	392	81,731
Total net position	2,679	2,022	440	2,541,962
Total liabilities, deferred inflow of resources, and net position	$ 2,735	8,682	1,944	$ 2,619,174

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2020
(In thousands)

	Research Park	Prairieland	Singapore Research	Total
Operating revenues	$ 1,171	34,635	2,902	$ 284,111
Operating expenses	1,004	33,757	2,841	329,554
Depreciation expense	99	2	36	2,105
Operating income (loss)	68	876	25	(47,548)
Nonoperating (expenses) revenues, net		(793)	(23)	(14,924)
Contributions to endowments				86,572
Increase (decrease) in net position	68	83	2	24,100
Net position, beginning of year	2,611	1,939	438	2,517,862
Net position, end of year	$ 2,679	2,022	440	$ 2,541,962

(17) Subsequent Events

On July 9, 2020, the University issued Auxiliary Facilities System Revenue Bonds, Series 2020A in the amount of $59,775,000 and Series 2020B in the amount of $31,175,000. The proceeds from the Series 2020A bonds will be used, together with other lawfully available moneys, to (i) acquire a Conference Center and to finance the renovation of a Soccer Park (Demirjian Park Phase 1) on the Urbana-Champaign campus and (ii) refund the Series 2010A Bonds and to pay costs of issuing the Series 2020A bonds. The proceeds from the Series 2020B bonds will be used to refund the Series 2014C Bonds and to pay certain interest and costs of issuing the Series 2020B Bonds.

In July of 2020, the Hospital received additional distributions from the CARES Act's Provider Relief Fund totaling $60,893,000, comprised of $43,074,000 from the safety net hospital allocation and $17,819,000 from the COVID-19 high-impact allocation. These funds are intended to offset pandemic response costs and lost revenue for providers impacted by COVID-19.

In August of 2020, the University entered into several agreements with private enterprises in order to construct a 200,000 square foot Outpatient Surgery Center and Specialty Clinics Facility (OSC). The University has partnered with Provident Group-UIC Surgery Center LLC (Provident) and its developer, UIH ASC Development, LLC (Developer). Through agreements among the parties, Provident is responsible for the design, development, and construction of the OSC. The Illinois Finance Authority (IFA) provided financing through public bonds. Provident is the owner of the OSC and debtor on the IFA bonds issued to finance the project. The IFA bonds have a service period of 35 years which includes a 30 month period for construction. The University leased the land on which the OSC will be built to Provident over a period of 40 years and agreed to directly acquire and install within the OSC certain medical equipment. Upon the termination or expiration of the land lease, the OSC, any improvements, fixtures, equipment and all personal property attached to or within the OSC shall be owned by the University. Construction began in August 2020 and completion is anticipated in fiscal year 2023. Once the OSC is completed, the University will recognize an asset and corresponding long-term liability. The use of the OSC will be reported in accordance with GASB Statement No. 87 on lease accounting standards.

In October 2020, repayment terms for the advance payment of $75,354,000 from the Centers of Medicare & Medicaid Services Accelerated and Advance Payments Program were modified. Repayment will begin one year from the date of receipt by offsetting bi-weekly, periodic interim payments (PIP) payments by 25% for eleven months. After eleven months, PIP payments will continue to be offset at 50% for an additional six months with any remaining balance due at the conclusion of the offset period.

As mentioned in note 13, the University entered into several agreements with private enterprises in order to construct a feed technology center and a campus instructional facility. The construction of the feed technology center was completed and the facility was placed into service in late autumn 2020. Construction of the campus instructional facility is expected to be completed in early spring 2021. In fiscal year 2021, the University will recognize a capital asset, a long-term lease liability, and deferred inflows of resources related to this facility.

In December 2020, the Hospital received $28,290,000 from the State of Illinois CARES Pandemic Related Stability Payments program. Awards under this program are intended to cover expenditures incurred by the Hospital related to the pandemic between March 1, 2020 and December 30, 2020.

In January 2021, the University was allocated $94,895,000 from the Higher Education Emergency Relief Fund II to provide additional student aid and defray expenses associated with the COVID-19 pandemic.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2020
(In thousands)

Schedule of the University's Share of the Net Pension Liability	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) University's Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%
(b) Proportionate Amount of the Collective Net Pension Liability	$0	$0	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the University	$12,749,644	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Total (b) + (c)	$12,749,644	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Employer defined benefit Covered Payroll*	$1,615,691	$1,576,353	$1,542,724	$1,546,902	$1,546,992	$1,520,177
Proportion of Collective Net Pension Liability associated with the University as a percentage of defined benefit covered payroll	789.11%	775.77%	712.40%	710.86%	643.67%	591.76%
SURS Plan Net Position as a Percentage of Total Pension Liability	40.71%	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 for Pensions	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Federal, trust, grant and other contribution	$ 38,900	$ 36,359	$ 37,139	$ 35,483	$ 34,753	$ 33,473	$ 34,200
Contributions in relation to required contribution	38,900	36,359	37,139	35,483	34,753	33,473	34,200
Contribution deficiency (excess)	-	-	-	-	-	-	-
University's covered payroll	$ 2,414,572	$ 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	1.61%	1.67%	1.77%	1.75%	1.74%	1.70%	1.80%

(Continued)

The pension schedules above are presented to illustrate the requirements of the Governmental Accounting Standards Board's Statement No. 68 to show information for 10 years. However, until a full 10-year trend is compiled, the University will only present available information measured in accordance with the requirements of Statement No. 68.

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2019.

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.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2020
(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, 2019	June 30, 2018	June 30, 2017
Proportionate percentage of the collective total OPEB liability	2.90%	2.89%	3.18%
Proportionate share of the collective total OPEB liability	$1,270,986	$1,160,539	$1,314,760
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	$7,564,028	$7,052,321	$10,142,951
Total OPEB liability associated with the University	$8,835,014	$8,212,860	$11,457,711
Covered employee payroll	$2,199,848	$2,106,226	$2,023,794
Proportionate share of the total OPEB liability as a percentage of its covered employee payroll	401.62%	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 June 30, 2017. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
SUPPLEMENTARY INFORMATION

TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2020
(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	865,778	118,991	(4,173)	8,317	988,913	88,219	(164,473)	540,976	464,722	1,453,635	104,619	1,558,254
Research	395,672	155,214	(24,699)	17,524	543,711	12,671	(23,624)	81,383	70,430	614,141	267,907	882,048
Public service	210,151	25,179	(13,833)	10,809	232,306	8,131	(15,157)	53,461	46,435	278,741	166,696	445,437
Academic support	260,294	14,501	(3,134)	3,434	275,095	26,154	(48,759)	172,736	150,131	425,226	145,448	570,674
Student services	98,848	5,106	(72)	447	104,329	10,194	(19,006)	61,771	52,959	157,288	76,767	234,055
Institutional support	160,158	10,232	(197)	891	171,084	16,636	(31,016)	108,857	94,477	265,561	87,239	352,800
Operation and maintenance of plant	54,975	2,769	(8)	5	57,741	4,162	(7,760)	27,671	24,073	81,814	262,060	343,874
Scholarships and fellowships	1,359	3,066	(55)	58	4,428	13	(22)	89	80	4,508	86,253	90,761
Auxiliary enterprises	109,852	4,645	-	55	114,552	9,369	(17,468)	62,736	54,637	169,189	206,895	376,084
Hospital and medical activities	374,904	1,519	2	304	376,729	39,762	(74,132)	263,806	229,436	606,165	460,309	1,066,474
Independent operations	1,234	169	(130)	197	1,470	47	(90)	323	280	1,750	7,281	9,031
Depreciation	-	-	-		-	-	-	-	-	-	252,588	252,588
Total	2,533,225	341,391	(46,299)	42,041	2,870,358	215,358	(401,507)	1,373,809	1,187,660	4,058,018	2,124,062	6,182,080

[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.