UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)

Annual Financial Report

June 30, 2022

(With Independent Auditor's Report Thereon)

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UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller

February 3, 2023

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, 2022, and the results of operations and cash flows for the fiscal year.

Although the University has endured the uncertainties of a global pandemic, its financial position remains strong. Diversified revenue sources and judicious spending have assisted the University in achieving positive financial results. The University of Illinois provides world-class education, delivers exceptional patient care, and performs innovative research activities. Additionally, the University helped to control the spread of the coronavirus throughout the entire state of Illinois during the fiscal year 2022 through its COVID-19 Shield testing. Through Shield and its other healthcare programs, the University of Illinois continues to contribute to the health and safety of communities throughout the state.

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 and an institution that makes the State, nation, and the entire world a better place.

Respectfully,

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Paul Ellinger
Vice President, Chief Financial Officer, and Comptroller

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Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
University of Illinois

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities, fiduciary activities and the aggregate discretely presented component units of the University of Illinois (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of, the business-type activities, fiduciary activities and aggregate discretely presented component units of the University, as of June 30, 2022, 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 (GAAS).

We did not audit the financial statements of the University of Illinois Foundation; Wolcott, Wood, and Taylor, Inc.; Prairieland Energy, Inc.; Illinois Ventures, LLC; The University of Illinois Research Park, LLC, Illinois Global Gateway, LLC, and Shield T3, LLC, which represent 99%, 99%, and 99%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of all of the discretely presented component units were not audited in accordance with *Government Auditing Standards.*

Emphasis of Matters
As discussed in Note 1(u) to the financial statements of the University, in Fiscal Year 2022, the University adopted Governmental Accounting Standards Board's Statement No. 87, *Leases*. The adoption of this statement resulted in the inclusion of intangible right-to-use assets, lease receivable, deferred inflow of resources, and a lease liability.

Further, as discussed in Note 10 to the financial statements, in Fiscal Year 2022, the fiduciary fund statement net position as of July 1, 2021 was restated to correct a material misstatement.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-12, the Schedule of the University's Share of the Net Pension Liability and the Schedule of Contributions for Pensions on page 76, the Schedule of the University's Proportionate Share of the Total OPEB Liability on page 78, and the Notes to the Required Supplementary Information on page 77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit 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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Operating Expenses on page 79 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the University Officials page and Transmittal Letter but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of the University's 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 the University's internal control over financial reporting and compliance.

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Schaumburg, Illinois
February 3, 2023

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, 2022. 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 currently enrolls nearly 95,000 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 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: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. 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 University's fiduciary activities are reported in the fiduciary financial statements.

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.; Illinois Global Gateway, LLC; and Shield T3, 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. In addition, the 2021 amounts disclosed in this MD&A do not reflect restated amounts for changes in accounting principles effective July 1, 2021.

Financial Highlights and Key Trends

The University ended fiscal year 2022 with positive financial results thanks to its diversified revenue sources, prudent financial decisions, and returning to in-person operations. Additionally, funding from federal stimulus programs and the State of Illinois helped with revenue losses and additional expenses associated with the COVID-19 pandemic. This funding also provided additional financial aid for University students. The University ended the fiscal year with a $553 million increase in net position after the restatement for the change in accounting principles.

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 and amortization. A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2022 and 2021 is as follows:

	2022	2021
	(In thousands)	
Current assets:		
Cash and investments	$ 1,776,656	$ 1,308,896
Accounts, notes and lease receivable	723,352	624,187
Appropriations receivable from State of Illinois	16,989	1,378
Other current assets	93,307	96,357
Noncurrent assets:		
Cash and investments	2,442,025	2,691,470
Notes and lease receivable	59,312	32,065
Capital assets, net of accumulated depreciation and amortization	4,343,790	4,286,102
Other noncurrent assets	62,539	46,274
Deferred outflows of resources	285,739	123,758
Total assets and deferred outflows of resources	$ 9,803,709	$ 9,210,487
Current liabilities:		
Accounts payable, accrued liabilities and unearned revenue	$ 917,971	$ 993,515
Bonds payable	50,215	72,813
Certificates of participation, leases payable and other obligations	37,997	38,669
Other postemployment benefits	26,341	27,616
Other current liabilities	78,753	98,040
Noncurrent liabilities:		
Bonds payable	1,139,190	1,171,744
Certificates of participation, leases payable and other obligations	249,266	218,915
Other postemployment benefits	1,041,741	1,072,703
Other noncurrent liabilities	477,419	468,883
Deferred inflows of resources	492,452	309,766
Total liabilities and deferred inflows of resources	4,511,345	4,472,664
Net position	5,292,364	4,737,823
Total liabilities, deferred inflows of resources, and net position	$ 9,803,709	$ 9,210,487

Total assets and deferred outflows of resources increased by $593 million or 6.4% during fiscal year 2022. The University had an increase in cash and investments due to an increase in revenues from operating activities. In addition, there was an increase in lease receivables and capital assets due to the implementation of a new lease accounting standard.

Total liabilities and deferred inflows of resources increased $38 million, or 0.9% for fiscal year 2022. This change primarily resulted from an increase in deferred inflows of resources due to the implementation of a new lease accounting standard in fiscal year 2022.

Capital Assets and Long-Term Debt

The University's policy requires the capitalization of equipment and all intangible right-of-use assets at $5,000, software and other intangibles at $250,000, buildings and improvements at $250,000, infrastructure at $1,000,000 and all land and collection purchases regardless of cost. The University depreciates and amortizes capital and right-of-use assets on a straight-line basis, using estimated useful lives ranging from 3 to 50 years or over the lease term for intangible right-of-use assets. For more information on capital assets, please see Note 4. The following table illustrates the composition of the University's capital assets, net of accumulated depreciation and amortization, if applicable, by category:

Capital Assets, Net of Accumulated Depreciation and Amortization
(In thousands)

	2022		2021	
Buildings	$ 3,136,372	72.2%	$ 3,069,747	71.6%
Improvements and infrastructure	200,396	4.6	215,154	5.0
Construction in progress	257,935	5.9	321,926	7.5
Land	150,807	3.5	141,525	3.3
Equipment and software	381,081	8.8	394,796	9.2
Collections	145,066	3.3	142,954	3.4
Right-of-use	72,133	1.7		
	$ 4,343,790	100.0%	$ 4,286,102	100.0%

Capital assets, net of accumulated depreciation and amortization, increased by $58 million in fiscal year 2022. The increase primarily resulted from the addition of right-of-use assets due to the implementation of new lease accounting standards. The University also had significant improvements and additions to buildings in Urbana-Champaign including Wardall Hall, Townsend Hall, Siebel Center for Design, Talbot Laboratory, Sidney Lu Mechanical Engineering Building, Demirjian Park Stadium, and Veterinary Teaching Hospital, and, in Chicago, the University of Illinois Hospital (Hospital). In addition, land was donated for the future site of the Discovery Partners Institute building.

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. For additional information about bonds payable see Note 7. The following table details the various bonded debt outstanding at June 30, 2022 and 2021.

Bonds Payable
(In thousands)

	2022	2021
AFS	$ 1,094,650	$ 1,137,848
HSFS	93,983	98,034
UIC South Campus	772	8,675
	$ 1,189,405	$ 1,244,557

The University has issued certificates of participation (certificates). The outstanding certificates have funded projects such as utility infrastructure, UIC College of Medicine facilities and deferred maintenance on medical, academic and research facilities. The outstanding balances of the certificates as of June 30, 2022 and 2021 were $52,787,000 and $79,990,000, respectively. The reduction in the outstanding balance of the certificates was due to scheduled redemptions.

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 prior to the restatement by $555 million during fiscal year 2022. Net position balances are below:

Net Position
(In thousands)

	2022	2021
Net position:		
Net investment in capital assets	$ 2,847,229	$ 2,826,150
Restricted	1,137,387	1,048,038
Unrestricted	1,307,748	863,635
	$ 5,292,364	$ 4,737,823

The overall increase in net position after restatement of $553 million included growth in capital assets due to new construction and increased operating activities in several areas. The largest increase was in unrestricted net position in auxiliary enterprises, hospital and other medical activities, and educational and other activities.

Statement of Revenues, Expenses and Changes in Net Position

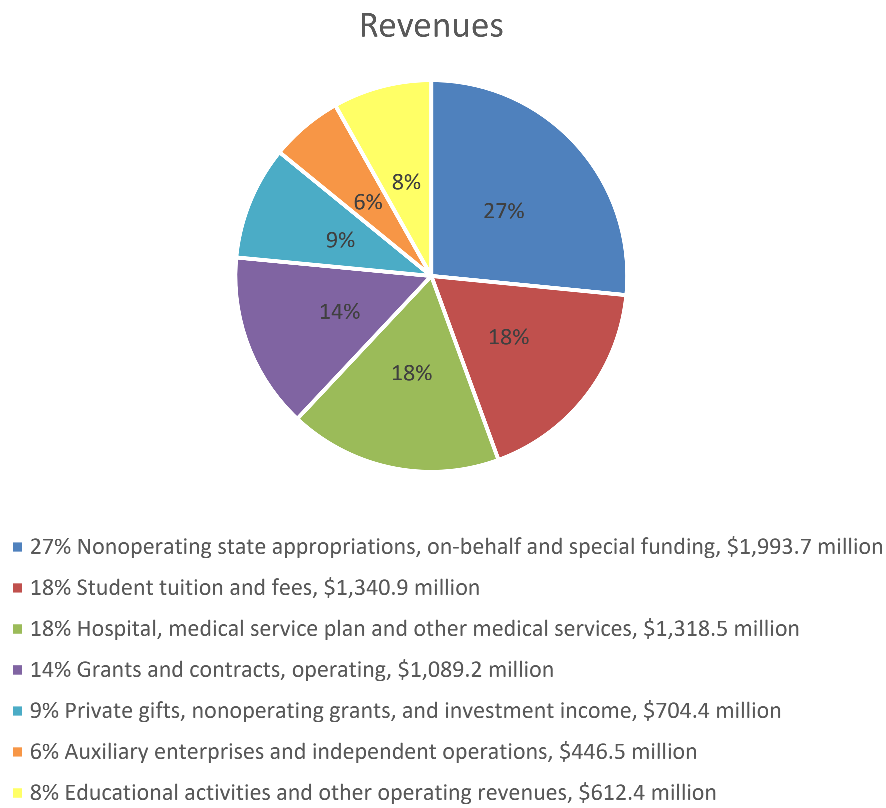
The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. In accordance with GASB reporting standards, revenues and expenses are classified as either operating or nonoperating. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
	(In thousands)	
Operating revenues:		
Student tuition and fees	$ 1,340,843	$ 1,232,010
Hospital, medical service plans and other medical activities	1,318,512	1,136,570
Grants and contracts	1,089,222	998,853
Auxiliary enterprises and independent operations	446,532	301,032
Educational and other activities	593,679	362,824
Other	18,721	21,597
Total operating revenues	4,807,509	4,052,886
Operating expenses	6,940,460	7,102,983
Operating loss	(2,132,951)	(3,050,097)
Nonoperating revenues (expenses):		
State appropriations, on behalf, and special funding situation	2,020,726	2,559,347
Transfer of state appropriation to the Illinois Hospital Services Fund	(27,000)	(26,250)
Private gifts	218,231	241,031
Grants, contracts, and COVID-19 relief funding	423,678	412,279
Investment income	62,473	57,490
Change in fair value of investments	(138,202)	188,423
Interest expense	(53,747)	(44,953)
Other nonoperating revenues, net	126,271	121,735
Net nonoperating revenues	2,632,430	3,509,102
Capital state appropriations and capital gifts and grants	53,127	27,590
Endowment gifts	196	198
Increase in net position	552,802	486,793
Net position, beginning of year	4,737,823	4,028,010
Restatements	1,739	223,020
Net position, beginning of year, as restated	4,739,562	4,251,030
Net position, end of year	$ 5,292,364	$ 4,737,823

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, 2022:



Operating revenues experienced a net increase of $755 million in fiscal year 2022 due to growth in tuition and fees, educational and other activities, hospital and other medical activities and medical service plan revenue.

Nonoperating revenues decreased by $546 million in fiscal year 2022. The most significant reason for the decrease in nonoperating revenues resulted from a decrease 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. There was an increase in state appropriations of $36 million that partially offset the decrease noted above. Nonoperating revenues also include $164 million related to the Higher Education Emergency Relief Fund (HEERF) federal stimulus program, comprising $80 million for student financial aid and $84 million for the institutional portion.

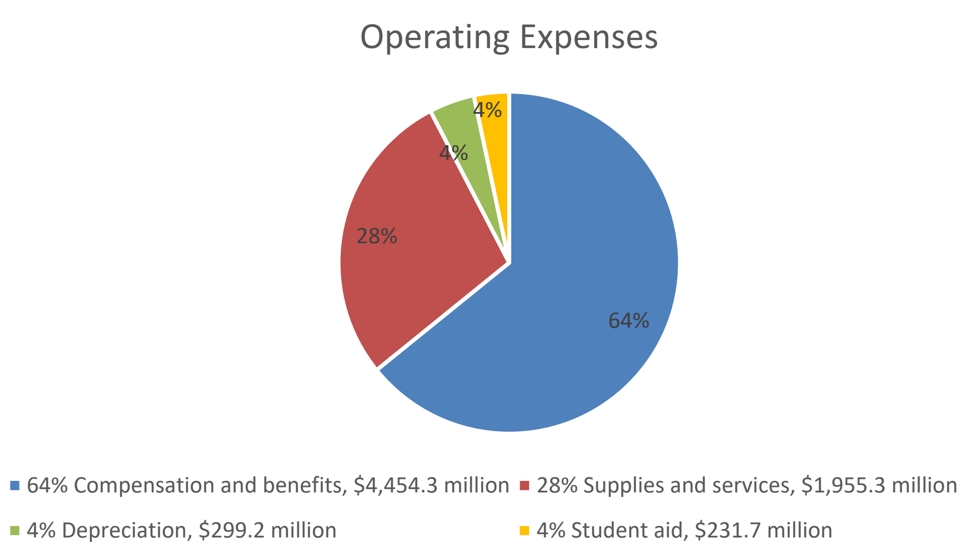
Expenses

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.

	2022		2021	
	(In thousands)			
Operating expenses:				
Instruction	$ 1,683,276	24.3%	$ 1,866,922	26.3%
Research	1,010,241	14.6	1,003,939	14.1
Public service	631,864	9.1	539,448	7.6
Support services	1,220,478	17.6	1,350,357	19.0
Hospital and medical activities	1,215,541	17.5	1,271,267	17.9
Auxiliary enterprises and independent operations	397,795	5.7	362,980	5.1
Scholarships and fellowships	156,563	2.3	128,851	1.8
Operation and maintenance of plant	325,505	4.6	309,095	4.4
Depreciation	299,197	4.3	270,124	3.8
Total operating expenses	$ 6,940,460	100.0%	$ 7,102,983	100.0%

The University's operating expenses decreased by $163 million, or 2.3% in fiscal year 2022. This decrease was primarily due to a decrease in on-behalf and special funding from the State of $575 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 79 of this report, the University has additional information detailing the impact of these allocations on the functional operating expenses. Excluding the decrease in special funding and on-behalf expenses, operating expenses increased by $413 million, or 8.0%, which was primarily due to increases in supplies and services related to foreign and domestic travel, scientific and laboratory supplies related to COVID-19 testing and the Coursera online learning platform.

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 $6,940.5 million of operating expenses by natural classification:



(Continued)

The University's Economic Outlook

A strong financial position is critical to continued excellence of the University's academic programs. 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 programs across the University. The State passed a supplemental appropriation for general operations late in fiscal year 2022, increasing the appropriation to $666 million. An additional $3.5 million was added for fiscal year 2023 bringing the total appropriation for fiscal year 2023 to $669.5 million. The additional funding for fiscal year 2023 was primarily related to specific initiatives at the University of Illinois – Urbana - Champaign (UIUC) and the University of Illinois - Springfield.

Overall enrollment continues to rise despite the COVID-19 pandemic, setting yet another enrollment record for fall 2022. For fiscal year 2023, the University estimates tuition revenue to increase by $73 million. The incremental tuition revenue for fiscal year 2023 considers enrollment changes, including resident, non-resident, and international student mix, changes in enrollment patterns between programs, undergraduate guarantee tuition cohort increases from fall 2022, and increases to a select few graduate and professional programs.

UIUC and UIC consistently rank 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 transform ideas into sustainable businesses and global solutions.

Healthcare is an important mission of the University. The 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. The new Health Specialty Care Building, opening in September 2022, has expanded critical patient services by providing six floors of patient care space, with eight operating rooms and 24 pre-post bays for outpatient surgery, exam and treatment rooms.

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, 2022
(In thousands)

Assets and Deferred Outflows of Resources	University 2022	Discretely Presented Component Units 2022
Current assets:		
Cash and cash equivalents	$ 1,082,494	$ 44,030
Cash and cash equivalents, restricted	154,592	1,725
Investments	410,405	286
Investments, restricted	129,165	
Accrued investment income	7,728	537
Accounts receivable, net of allowances for uncollectible	711,534	18,655
Appropriations receivable from State of Illinois	16,989	
Pledges receivable, net of allowance for uncollectible		62,305
Notes receivable, net of allowance for uncollectible	8,147	
Leases receivable	3,671	121
Accrued interest on notes and leases receivable	4,022	
Inventories	31,565	1,298
Prepaid expenses, deposits and other assets	49,992	4,820
Total current assets	2,610,304	133,777
Noncurrent assets:		
Cash and cash equivalents, restricted	8,478	860
Investments	1,541,487	33,331
Investments, restricted	892,060	2,753,022
Pledges receivable, net of allowance for uncollectible		170,695
Notes receivable, net of allowance for uncollectible	29,220	
Leases receivable	30,092	11,084
Capital assets, nondepreciable	435,765	330
Depreciable and amortizable capital assets, net	3,908,025	58,012
Irrevocable trusts held by other trustees	21,069	
Other assets	41,470	140
Total noncurrent assets	6,907,666	3,027,474
Deferred outflows of resources	285,739	63
Total assets and deferred outflows of resources	$ 9,803,709	$ 3,161,314
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	$ 472,256	$ 34,226
Accrued payroll	205,813	333
Accrued compensated absences	22,925	2,518
Accrued self-insurance	42,714	
Unearned revenue and student deposits	239,902	12
Accrued interest payable	13,114	
Bonds payable, net	50,215	
Certificates of participation payable	9,765	
Leases payable	17,747	405
Other obligations	10,485	16,427
Other postemployment benefits	26,341	
Total current liabilities	1,111,277	53,921
Noncurrent liabilities:		
Bonds payable, net	1,139,190	
Certificates of participation payable, net	43,022	
Leases payable	55,153	1,326
Notes payable		9,813
Other obligations	151,091	46,385
Accrued compensated absences	227,310	
Accrued self-insurance	249,551	
Other postemployment benefits	1,041,741	
Derivative instruments– liability	558	
Total noncurrent liabilities	2,907,616	57,524
Deferred inflows of resources	492,452	21,233
Total liabilities and deferred inflows of resources	4,511,345	132,678
Net position:		
Net investment in capital assets	2,847,229	46,798
Restricted:		
Nonexpendable	142,367	1,570,178
Expendable	995,020	1,295,491
Unrestricted	1,307,748	116,169
Total net position	5,292,364	3,028,636
Total liabilities, deferred inflows of resources and net position	$ 9,803,709	$ 3,161,314

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, 2022
(In thousands)

	University 2022	Discretely Presented Component Units 2022
Operating revenues:		
Student tuition and fees, net of scholarship allowance of $483,673	$ 1,340,843	$
Federal appropriations	18,721	
Federal grants and contracts	820,930	
State of Illinois grants and contracts	86,440	
Private and other government agency grants and contracts	181,852	178,634
Educational and other activities	593,679	
Auxiliary enterprises, net	435,883	
Hospital and other medical activities, net	1,023,211	
Medical service plan	295,301	
Independent operations	10,649	
Allocation from the University		12,934
Other sources		176,936
Total operating revenues	4,807,509	368,504
Operating expenses:		
Instruction	1,683,276	
Research	1,010,241	
Public service	631,864	
Academic support	649,195	
Student services	249,251	
Institutional support	322,032	179,465
Operation and maintenance of plant	325,505	
Scholarships and fellowships	156,563	
Auxiliary enterprises	389,384	
Hospital and medical activities	1,215,541	
Independent operations	8,411	
Depreciation and amortization	299,197	5,263
Distributions to the University		240,115
Total operating expenses	6,940,460	424,843
Operating loss	(2,132,951)	(56,339)
Nonoperating revenues (expenses):		
State appropriations	665,024	
Transfer of state appropriations to the Illinois Hospital Services Fund	(27,000)	
Private gifts	218,231	
Grants and contracts	423,678	
On-behalf for fringe benefits	336,416	
Special funding situation for fringe benefits	1,019,286	
Net investment income (loss) (net of investment expense of $5,783)	62,473	(1,796)
Net decrease in the fair value of investments	(138,202)	(194,074)
Interest expense	(53,747)	(109)
Loss on disposal of capital assets	(7,864)	
Other nonoperating revenues (expenses), net	134,135	(5,983)
Net nonoperating revenues (expenses)	2,632,430	(201,962)
Income (loss) before other revenues	499,479	(258,301)
Capital state appropriations	29,985	
Capital gifts and grants	23,142	
Private gifts for endowment purposes	196	82,753
Increase (decrease) in net position	552,802	(175,548)
Net position, beginning of year	4,737,823	3,203,899
Restatement, change in accounting principle	1,739	285
Net position, beginning of year, as restated	4,739,562	3,204,184
Net position, end of year	$ 5,292,364	$ 3,028,636

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, 2022
(In thousands)

		University
		2022
Cash flows from operating activities:		
Student tuition and fees	$	1,333,972
Federal appropriations		17,492
Federal, state, and local grants and contracts		879,062
Other governmental agencies and private grants and contracts		160,691
Sales and services of educational and other activities		499,809
Auxiliary activities and independent operations		448,992
Hospital and other medical activities		985,562
Medical service plan		284,584
Receipt of cash held for others		74,687
Payment of cash held for others		(74,687)
Payments to employees and for benefits		(3,115,066)
Payments to suppliers		(1,926,931)
Payments for scholarships and fellowships		(226,937)
Student loans issued		(5,148)
Student loans collected		8,103
Net cash used in operating activities		(655,815)
Cash flows from noncapital financing activities:		
State appropriations		597,520
Gifts transferred from University of Illinois Foundation		218,231
Direct lending receipts		461,400
Direct lending payments		(463,075)
Grants, contracts and COVID-19 relief funds, nonoperating		463,912
Private gifts for endowment purposes		196
Other receipts		91,532
Other disbursements		(1,582)
Net cash provided by noncapital financing activities		1,368,134
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt including premiums		158,321
State capital appropriations		550
Capital gifts and grants		7,733
Purchase of capital assets		(241,143)
Principal payments on bonds, capital leases, and other obligations		(251,352)
Interest payments on bonds, capital leases, and other obligations		(65,414)
Payment of capital debt issuance costs		(1,900)
Net cash used in capital and related financing activities		(393,205)
Cash flows from investing activities:		
Interest and dividends on investments, net		28,722
Proceeds from sales and maturities of investments		2,430,394
Purchase of investments		(2,498,562)
Net cash used in investing activities		(39,446)
Net increase in cash and cash equivalents		279,668
Cash and cash equivalents, beginning of year		965,896
Cash and cash equivalents, end of year	$	1,245,564

(Continued)

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended June 30, 2022
(In thousands)

		University 2022
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(2,132,951)
Adjustments to reconcile operating loss to net cash used in operating activities:		
On-behalf and special funding situation for fringe benefits expense		1,355,702
Health insurance costs paid to Central Management Services by State Comptroller		24,893
Depreciation and amortization expense		299,197
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable, net		(119,615)
Notes receivable, net		2,849
Lease receivable		3,674
Inventories		490
Prepaid expenses and deposits		1,838
Deferred outflow of resources		(166,229)
Accounts payable and accrued liabilities		10,226
Accrued payroll		6,540
Unearned revenue and student deposits		(76,867)
Accrued compensated absences		(3,570)
Accrued self-insurance		19,533
Other postemployment benefits		(32,237)
Deferred inflows of resources		150,712
Net cash used in operating activities	$	(655,815)
Noncash investing, capital, and financing activities:		
On-behalf for fringe benefits nonoperating revenue	$	336,416
Special funding for fringe benefits nonoperating revenue		1,019,286
State appropriation		51,893
Transfers of state appropriations to Illinois Hospital Services Fund		(27,000)
State appropriation paid to Central Management Services by State Comptroller		(24,893)
Net decrease in fair value of investments		(138,202)
Gifts in kind and grants – capital assets		22,617
Decrease of capital asset obligations in accounts payable		(16,615)
Capital asset acquisitions by Capital Development Board		29,435
Capital assets leased		36,695
Other increases in capital assets		1,274
Loss on disposal of capital assets		(7,864)
Capital appreciation on bonds payable	$	1,019

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
June 30, 2022 and Year ended June 30, 2022
(In thousands)

Statement of Fiduciary Net Position

		Custodial Funds
Assets:		
Current assets:		
Cash and cash equivalents	$	23,898
Right-of-use - building		332
Prepaid deductions and other current assets		909
Total assets	$	25,139
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$	3,575
Unearned additions		112
Lease payable		122
Long-term lease payable		211
Total liabilities		4,020
Net position:		
Restricted - organizations		21,119
Total liabilities and net position	$	25,139

Statement of Changes in Fiduciary Net Position

		Custodial Funds
Additions:		
Collections from third party	$	29,865
Software and electronic licenses sales and fees		19,292
Other sources		4,398
Total additions		53,555
Deductions:		
Professional and other contractual services		9,154
Software and electronic licenses purchased for resale		40,344
Utilities and supplies		1,430
Amortization expense		127
Administrative services		50
Investment loss		247
Other		1,414
Total deductions		52,766
Increase in fiduciary net position		789
Net position, beginning of year		27,630
Restatement, correction of an error		(7,300)
Net position, beginning of year, restated		20,330
Net position, end of year	$	21,119

(1) Organization and Summary of Significant Accounting Policies

Organization

The University of Illinois (University), a federal land grant institution, founded in 1867, 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. GASB also requires the presentation of the financial position and financial activities of the University's fiduciary activities. These activities are purely custodial in nature and represent transactions in which the University is acting in an agent capacity for other organizations such as academic alliances, consortiums, and student groups.

The discretely presented component units column in the financial statements includes the financial data of the University Related Organizations (UROs). 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), Illinois Global Gateway, LLC (Illinois Global Gateway), and Shield T3, LLC (Shield T3) are included in the University's reporting entity (Entity) because of the significance of their operational or financial relationship with the University and is in accordance with GASB Statement No. 61. 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 was approved by the Board of Trustees of the University in September 1996 to provide low-cost energy commodities and utility services 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, 200 S. Wacker Drive, 20th Floor, Chicago, Illinois 60606.

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.

Illinois Global Gateway was formed to establish and to maintain physical presence in strategic locations throughout the world to pursue strategic objectives of the University. Complete financial information may be obtained by writing to the Treasurer, Illinois Global Gateway, LLC, 506 S. Wright Street, Suite 349, Urbana, Illinois 61801.

Shield T3 was formed to expand the reach of saliva-based coronavirus infectious disease 2019 (COVID-19) testing pioneered by University of Illinois researchers. Shield T3 aims to provide a quality test and testing system to curb the spread of the COVID-19 pandemic. Complete financial information may be obtained by writing to the Chief Financial Officer, 506 S. Wright Street, Urbana, Illinois 61801.

The Foundation, Alumni Association, WWT, Prairieland, Illinois Ventures, Research Park, Illinois Global Gateway, and Shield T3 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 annual comprehensive 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*. Business-type activities are those financed in whole or in part by fees charged to external parties for goods and services.

The University financial statements including its fiduciary financial statements use the economic resources measurement focus and the accrual basis of accounting. 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 and/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.

UROs

The financial statements of WWT, Prairieland, Illinois Ventures, Research Park, Illinois Global Gateway, and Shield T3 are prepared using the same presentation and basis of accounting as the University, as described above. The University holds a majority equity interest in these UROs which is reported within other assets on the University financial statements.

The Foundation and Alumni Association are nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. 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, 2022, net appreciation of $136,953,000 was available to be spent, of which $104,660,000 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 $109,267,000 for fiscal year ended June 30, 2022.

(f) ***Capital Assets***

Capital assets, which will be or are owned by the University, are recorded at cost or, if donated, at acquisition value at the date of a gift. Intangible right-of-use lease assets are recorded at cost based on the present value of expected payments over the term of the respective lease plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs that are ancillary charges necessary to place the lease asset into service. Depreciation and amortization of the capital assets is calculated on a straight-line basis over the estimated useful lives (noted below) of the assets, or over the shorter of the estimated useful lives or over the lease term for intangible right-of-use lease assets. The University's policy requires the capitalization of land and collection purchases regardless of cost, equipment and all intangible right-of-use assets over $5,000, software, easements, buildings and improvements over $250,000 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
Right-of-use lease	Shorter of the estimated useful lives or the lease term		

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

Under hedge accounting, the University has determined that its interest rate swap agreement on bonds payable, as hedging derivative instruments, is an effective hedge. Accordingly, changes in the fair values of the interest rate swap, since being associated with the related outstanding bonds, are reported as deferred outflows of resources on the accompanying Statement of Net Position. Additionally, an interest rate swap 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 a swap 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 outflows 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 2022 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 Outflows of Resources
(In thousands)

		Ending balance
Interest rate swap agreements	$	226
Unamortized deferred loss on refunding		14,413
Pension contributions		42,074
OPEB (Note 12)		229,026
Total deferred outflows of resources	$	285,739

(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 certificates of participation payable, respectively, and are amortized over the life of the debt issue using the effective interest 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 related to leases in which the University is lessor are measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflows of resources are recognized as revenue over the term of the lease.

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.

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

Deferred Inflows of Resources

(In thousands)

		Ending balance
Irrevocable trusts	$	21,069
Leases (Note 8)		29,823
SCA (Note 8)		65,737
OPEB (Note 12)		375,823
Total deferred inflows of resources	$	492,452

(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 amortization along with 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, federal grants, gifts, on-behalf for fringe benefits, special funding situation 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 2022, the University allocated $27,000,000 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, or a related organization, of the University.

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

Scholarships and fellowships of $483,673,000 and $37,006,000 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***

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. 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.

Approximately 94% of the Hospital's net patient service revenues were derived from Medicare, Medicaid and managed care programs for the year ended June 30, 2022. 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, 2022, the contractual allowances totaled $2,220,098,000.

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 $25,454,000 for fiscal year 2022. 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.

On March 28, 2020, the Federal Centers for Medicare and Medicaid Services expanded its Accelerated/Advanced Payment Program to provide liquidity support to Medicare providers during the COVID-19 pandemic. Repayment began one year from April 21, 2020 by offsetting Medicare payments by 25% for eleven months. After the eleven months, Medicare payments are to be offset at 50% for an additional six months with any remaining balance due at the conclusion of the offset period. As of June 30, 2022, $15,086,000 of the advance was remaining as due for repayment.

(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 $77,296,000 at June 30, 2022 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from revenues to be recognized in fiscal year 2023 rather than from the unrestricted net position available at June 30, 2022.

(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, 2022, as described below.

Substantially all active employees participate in group insurance plans provided by the State and administered by the Department of Central Management Services (CMS), primarily providing healthcare benefits. In order to fund the group insurance plans' 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, 2022, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$353,502,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$17,086,000 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 \$336,416,000 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 nonoperating 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 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 nonoperating 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. (1) The 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, and (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, 2021, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $7,806,000 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

The University adopted the provisions of GASB Statement No. 87, *Leases*, which was effective for periods beginning after June 15, 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University has included lessee and lessor leases within the Statement of Net Position and within the Statement of Revenues, Expenses and Changes in Net Position. See Note 10 for the impact to the beginning balances for fiscal year 2022 related to implementation of this standard.

The University adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which was effective for periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Implementation of this pronouncement did not materially impact the University's financial statements.

The University adopted certain provisions of GASB Statement No. 92, *Omnibus 2020,* which was effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers, pensions, postemployment benefit arrangements, asset retirement obligations, public entity risk pool reporting, nonrecurring fair value measurements, and terminology related to derivative instruments. Implementation of this pronouncement did not materially impact the University's financial statements.

The University adopted the provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which was effective for periods beginning after June 15, 2021 and certain provisions related to the replacement of London Interbank Offered Rate (LIBOR) within GASB Statement No. 99, *Omnibus*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR will cease to exist in its previous form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including re-measurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Once LIBOR ceases to exist, these Statements will achieve that objective by removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap and identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. Implementation of this pronouncement did not materially impact the University's financial statements.

The University adopted the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No.14 and No.84, and a supersession of GASB Statement No.32*, which was effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Implementation of this pronouncement did not materially impact the University's financial statements.

(2) Cash, Cash Equivalents and Investments

The carrying amount of the University's cash on June 30, 2022 is disclosed below as cash deposits. The June 30, 2022 total bank account balances for the University aggregated $24,509,000 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, 2022:

University Cash, Cash Equivalents and Investments
(In thousands)

U.S. Treasury bonds and bills	$	353,522
U.S. government agencies		182,755
International government bonds and governmental agencies		23,287
Nongovernment mortgage-backed securities		95,485
Asset backed securities		342,900
Corporate bonds		1,033,854
Commercial paper		78,749
Municipal bonds		28,419
Global fixed income		10,128
Money market funds		1,242,218
Illinois Public Treasurer's Investment Pool		7,362
Subtotal before cash deposits, equities and other investments		3,398,679
Equities		18,336
Equity funds		403,542
Diversifying strategies		78,305
Private equity		116,430
Farm properties		167,230
Real assets		51,749
Cash deposits (net of outstanding balances)		(15,590)
Total	$	4,218,681

(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 cash equivalent and investment maturities as of June 30, 2022 are illustrated below:

University Cash Equivalent and 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	$ 353,522	67,709	189,404	75,283	21,126
U.S. government agencies	182,755	1,080	8,711	14,614	158,350
International government bonds and governmental agencies	23,287	17,527	3,945	1,494	321
Nongovernment mortgage-backed securities	95,485			2,156	93,329
Asset backed securities	342,900	2,522	276,958	38,820	24,600
Corporate bonds	1,033,854	387,348	541,298	93,388	11,820
Commercial paper	78,749	78,749			
Municipal bonds	28,419	8,205	11,989	5,906	2,319
Global fixed income	10,128				10,128
Subject to interest rate risk	2,149,099	563,140	1,032,305	231,661	321,993
Money market funds	1,242,218	1,242,218			
Illinois Public Treasurer's Investment Pool	7,362	7,362			
Total	$ 3,398,679	1,812,720	1,032,305	231,661	321,993

At June 30, 2022, the University's operating funds pool portfolio had an effective duration of 1.1 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 & 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 cash equivalent and investment quality ratings at June 30, 2022 are illustrated below:

University Cash Equivalent and Investment 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	$ 353,522		353,522				
U.S. government agencies	182,755		182,755				
International government bonds and governmental agencies	23,287	16,840	4,646	848	794	159	
Nongovernment mortgage-backed securities	95,485	79,041	3,488	470	1,990		10,496
Asset backed securities	342,900	339,065	1,044	657	422		1,712
Corporate bonds	1,033,854	4,303	114,467	515,736	390,833	6,146	2,369
Commercial paper	78,749		38,006	40,743			
Municipal bonds	28,419	6,967	14,581	6,118	228		525
Global fixed income	10,128		90	14	18		10,006
Money market funds	1,242,218	1,242,218					
Illinois Public Treasurer's Investment Pool	7,362	7,362					
Total	$ 3,398,679	1,695,796	712,599	564,586	394,285	6,305	25,108

[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, 2022, 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, 2022, 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.

(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.

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.

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. For farm properties, a full appraisal is conducted by an independent agency at receipt of each farm and every five years thereafter. In the years between the full appraisal, the independent agency provides an estimate of market value which is derived by an annual updating of prior appraised values.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2022.

The following table summarizes assets measured at fair value as of June 30, 2022, 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, 2022

(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	$ 353,522		353,522	
U.S. government agencies	182,755		182,755	
International government bonds and governmental agencies	23,287		23,287	
Nongovernment mortgage-backed securities	95,485		95,485	
Asset backed securities	342,900		342,900	
Corporate bonds	1,033,854		1,033,854	
Commercial paper	78,749		78,749	
Municipal bonds	28,419		28,419	
Global fixed income	121	121		
Equities	18,336	18,235	8	93
Equity funds	27,667	27,667		
Farm properties	167,230			167,230
Total subject to fair value hierarchy	2,352,325	46,023	2,138,979	167,323
Investments measured at the NAV				
Global fixed income	10,007			
Equity funds	375,875			
Diversifying strategies	78,305			
Private equity	116,430			
Real assets	51,749			
Total investments measured at NAV	632,366			
Investments measured at cost				
Money market funds	1,242,218			
Cash deposits (net of outstanding balances)	(15,590)			
Illinois Public Treasurer's Investment Pool	7,362			
Total investments measured at cost	1,233,990			
Total cash, cash equivalents and investments	$ 4,218,681			

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, 2022:

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
	(In thousands)			
Investments:				
Global fixed income (A)	$ 10,007	$ 15,971	(A)	(A)
Equity funds (B)	375,875		(B)	(B)
Diversifying strategies (C)	78,305	13,950	(C)	(C)
Private equity (D)	116,430	64,755	(D)	(D)
Real assets (E)	51,749	35,280	(E)	(E)
	$ 632,366	$ 129,956		

(A) The funds in this category invest in bonds and other debt instruments. Investments may include government, corporate, municipal and convertible bonds; mortgage-backed and asset-backed securities; mezzanine/subordinated debt partnerships; and restructuring/distressed debt partnerships. 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 period between the dates of the last available NAV and June 30, 2022.

(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. Settlement may take up to three business days. The fair 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 either be redeemed quarterly with notice periods of 60 to 65 days or 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 for the funds that cannot be redeemed as the underlying investments of the funds are liquidated over time. The fair values of these investments have been estimated using the NAV per share, or NAV, provided by the fund manager and an adjustment determined by management for the period between the dates of the last available NAV and June 30, 2022.

(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, 2022.

(E) The funds in this category invest in real assets. These investments can either be redeemed quarterly with up to a three-month notice period subject to general partner approval and available cash or 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 for the funds that cannot be redeemed as the underlying investments of the funds are liquidated over time. The fair values of these investments have been estimated using the NAV per share, or NAV, provided by the fund manager and an adjustment determined by management for the period between the dates of the last available NAV and June 30, 2022.

(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 regarding 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, 2022, 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, 2022

(In thousands)

	Fair value	Level 1	Level 2	Level 3
Cash surrender value of life insurance	$ 6,032			6,032
Certificate of deposit	652		652	
Common stock:				
Domestic	54,241	54,241		
International	10,879	10,879		
Emerging markets equity	20,709			20,709
Emerging markets index linked equity	63,054	63,054		
Farms	95,859		95,859	
International government bonds	6,505		6,505	
International index linked government bonds	44,038		44,038	
Money market mutual funds	173,545	173,545		
Mutual Funds:				
Blended, domestic	9,170	9,170		
Bond	9,120	9,120		
Equity, domestic	29,869	29,869		
Equity, international	13,422	13,422		
Fixed income	8,888	8,888		
Non-U.S. developed markets equity	116,232			116,232
Private equity funds	101,159			101,159
Private real estate funds	43,696			43,696
U.S. treasury bonds and bills	1,776		1,776	
U.S. index linked government bonds	35,411		35,411	
Variable annuity contract	3,286		3,286	
Beneficial interest in trusts	43,987			43,987
Trusts held by others	23,649			23,649
	$ 915,179	372,188	187,527	355,464

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2022.

The investments above exclude $7,532,000 of real estate and $18,612,000 of private equities and other assets, which are carried at cost, without a readily determinable fair value, and $1,811,669,000 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 investment managers, insurance companies, or trustees. For Level 3, private real estate funds' appraisal values, as prepared by 3rd parties and reported by the investment fund manager, are used as the fair value measure. 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, 2022.

There are certain Level 3 investments subject to lock provisions that may limit the ability to redeem all or a portion of the investment for a given period, ranging from one to three years or, in the case of partnership investments, for the life of the partnership, which can be ten years or more. During the year ended June 30, 2022, 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, 2022

(In thousands)

	Purchases or additions	Sales or deductions
Private equity funds	$ 8,572	$ (16,280)
Non-U.S. developed markets equity		(687)
Private real estate	7,527	(3,858)
Trusts held by others	135	(763)
Cash surrender value of life insurance	22	(467)
Total	$ 16,256	$ (22,055)

The Foundation invests in alternative investment funds including limited partnerships, private capital funds, 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, 2022:

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)	$ 274,654	$	daily, monthly, quarterly, or annually **	5 to 90 days
Developed markets - non U.S. equity (B)	161,115	6,800	daily, monthly, quarterly, or annually **/***	5 to 90 days
Emerging markets (C)	110,975		daily, monthly, quarterly, or annually **	5 to 90 days
Global equity (D)	366,763		daily, monthly, quarterly, or annually **/***	5 to 90 days
Global fixed income (E)	48,154		daily, monthly, quarterly	5 to 90 days
Natural resources (F)	31,832		daily, monthly, quarterly, or annually	5 to 90 days
Private credit (G)	77,033	8,078	not eligible*	N/A
Private equity - entertainment/leisure (H)	18,709	11,122	not eligible*	N/A
Private equity - global growth (I)	83,853	7,149	not eligible*	N/A
Private equity - health care (J)	80,047	27,590	not eligible*	N/A
Private equity - industrials (K)	21,786		not eligible*	N/A
Private equity - middle market (L)	45,464	8,714	not eligible*	N/A
Private equity - venture capital (M)	79,349	54,212	not eligible*	N/A
Private natural resources (N)	126,201	8,273	not eligible*	N/A
Real estate (O)	70,770	37,080	not eligible*	N/A
U.S. equity (P)	214,994		daily, monthly, quarterly, or annually ***	5 to 90 days
	$ 1,811,699	$ 169,018		

* In the case of private funds, capital is returned as monetization events occur that may be infrequent in nature and the timing is not known. Generally, capital is committed to a partnership for a period of up to ten 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, 2022, there were $169,018,000 of unfunded commitments relating to private fund investments. The unfunded commitments at June 30, 2022, include $37,000,000 in commitments to funds that have not called any capital as of June 30, 2022, and therefore do not appear in the balances on the URO - Foundation

statement of financial position or activities or elsewhere in the URO - Foundation footnote disclosures.

** There are certain investments with fair value of $246,140,000 at June 30, 2022, in the above categories, 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 one to three years.

*** There are certain investments in the above categories for which redemption has been requested and will occur during fiscal year 2023. The fair value of the redemption requests at June 30, 2022, total $204,916,000.

(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 and Asia.

(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 related to travel, lodging, leisure, entertainment, and similar businesses.

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

(J) This category includes investments in private equity in the health care industry.

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

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

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

(N) 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.

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

(P) 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, 2022.

The composition of accounts receivable and notes and pledges receivable at June 30, 2022 is summarized as follows:

University Accounts Receivable, Net of Allowances
(In thousands)

		Gross receivables	Allowances for uncollectible	Net receivables
Receivables from sponsoring agencies	$	272,331	(1,265)	271,066
Hospital and other medical activities		308,557	(156,622)	151,935
Student tuition and fees		71,959	(25,754)	46,205
Auxiliaries		18,291	(6,407)	11,884
Medical service plan		60,508	(9,957)	50,551
Educational and other activities		159,879	(21,881)	137,998
Other		42,825	(930)	41,895
Total	$	934,350	(222,816)	711,534

Notes and Pledges Receivable
(In thousands)

Student notes receivable – University:		
Student notes outstanding - Perkins loan program*	$	11,478
Student notes outstanding - other programs		28,533
Allowance for uncollectible loans		(2,644)
Total student notes receivable, net	$	37,367

* 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:	$	245,215
Less:		
Allowance for doubtful pledges		(7,529)
Present value discount		(4,686)
Total gift pledges outstanding, net	$	233,000

(4) Capital Assets

Capital assets activity during the year ended June 30, 2022 is summarized as follows:

University Capital Assets
(In thousands)

	Beginning balance, restated	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 141,525	8,800		482	$ 150,807
Construction in progress	321,926	167,554		(231,545)	257,935
Inexhaustible collections	25,803	1,220			27,023
Total nondepreciable capital assets	489,254	177,574	—	(231,063)	435,765
Depreciable capital assets:					
Buildings	5,387,916	1,326		208,405	5,597,647
Improvements and infrastructure	776,326			8,639	784,965
Equipment	1,392,857	74,413	(212,593)	7,698	1,262,375
Software	301,579		(2,207)	6,321	305,693
Exhaustible collections	726,632	24,541	(2,159)		749,014
Total depreciable capital assets	8,585,310	100,280	(216,959)	231,063	8,699,694
Less accumulated depreciation:					
Buildings	2,318,169	143,106			2,461,275
Improvements and infrastructure	561,172	23,397			584,569
Equipment	1,104,233	75,184	(205,687)		973,730
Software	200,723	14,741	(2,207)		213,257
Exhaustible collections	609,481	23,649	(2,159)		630,971
Total accumulated depreciation	4,793,778	280,077	(210,053)	—	4,863,802
Total depreciable capital assets, net	3,791,532	(179,797)	(6,906)	231,063	3,835,892
Amortizable capital assets:					
Right-of-use land	15				15
Right-of-use buildings	45,480	36,055	(1,476)		80,059
Right-of-use equipment	10,021	640			10,661
Total amortizable capital assets	55,516	36,695	(1,476)	—	90,735
Less accumulated amortization:					
Right-of-use land		7			7
Right-of-use buildings		15,955	(518)		15,437
Right-of-use equipment		3,158			3,158
Total accumulated amortization	—	19,120	(518)	—	18,602
Total amortizable capital assets, net	55,516	17,575	(958)	—	72,133
Net depreciable and amortizable capital assets, net	$ 3,847,048	$ (162,222)	$ (7,864)	$ 231,063	$ 3,908,025

(5) Accrued Self-Insurance and Loss Contingency

The University's accrued self-insurance liability of $292,265,000 as of June 30, 2022 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 4.5% at June 30, 2022. Amounts increasing the accrued self-insurance liability are charged as expenses based upon estimates made by actuaries and the University's risk management division.

The accrued self-insurance liability includes $185,108,000 at June 30, 2022 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, 2022. 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)

	2022	2021
Balance, beginning of year	$ 272,732	$ 279,459
Claims incurred and changes in estimates	90,467	37,545
Claim payments and other deductions	(70,934)	(44,272)
Balance, end of year	292,265	272,732
Less current portion	(42,714)	(40,460)
Balance, end of year – noncurrent portion	$ 249,551	$ 232,272

An additional workers' compensation self-insurance liability included in the University's accounts payable at June 30, 2022 and 2021 was $20,789,000 and $23,198,000, respectively. Claims incurred and changes in estimates related to this liability were $5,126,000 and $3,924,000 in fiscal years 2022 and 2021, respectively. Claim payments and other deductions were $7,535,000 and $8,153,000 in fiscal years 2022 and 2021, respectively. These claims will be paid in the year in which the claims are finalized, rather than from unrestricted net position as of June 30, 2022.

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	$	253,805
Additions		25,649
Deductions		(29,219)
Balance, end of year		250,235
Less current portion		(22,925)
Balance, end of year – noncurrent portion	$	227,310

(7) Bonds Payable

On July 8, 2021, the University issued $135,355,000 of AFS Revenue Bonds, Series 2021A. Proceeds of these bonds are or were being used to (1) renovate two parking garages at the University of Illinois Urbana Champaign, (2) refund the Series 2011A and 2011C Bonds, and (3) pay costs of issuing the Series 2021A Bonds.

The refundings of Series 2011A and Series 2011C resulted in a saving of $35,962,000 over the life of the issue at a present value of $29,852,000. The cumulative difference of the refundings between the reacquisition price and the net carrying amount of the old debt, gain on refunding, was $425,000. This gain on refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bonds payable activity for the year ended June 30, 2022 consists of the following:

	Maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Auxiliary Facilities System:						
Current interest bonds	2023 – 2051	$ 1,066,535	135,355	(186,810)	$ 1,015,080	$ 44,045
Capital appreciation bonds	2023 – 2030	22,100		(2,930)	19,170	2,110
Health Services Facilities System	2023 – 2043	97,485		(4,045)	93,440	4,200
UIC South Campus	2023	8,665		(7,895)	770	770
		1,194,785	135,355	(201,680)	1,128,460	51,125
Unaccreted appreciation		(5,488)	1,019		(4,469)	(910)
		1,189,297	136,374	(201,680)	1,123,991	50,215
Unamortized debt premium		55,260	22,966	(12,812)	65,414	—
Total		$ 1,244,557	159,340	(214,492)	$ 1,189,405	$ 50,215

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

Capital appreciation bonds of $19,170,000 outstanding at June 30, 2022 do not require current interest payments and have a net unappreciated value of $14,701,000. 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 $22,655,000 of variable rate demand bonds. These bonds mature serially through October 2026. 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 2.125% to 6.25%.

Variable Rate Bonds

Bond issues	Interest rate at June 30, 2022	Remarketing agent	Remarketing fee	Liquidity facility: Bank	Liquidity facility: Expiration	Liquidity facility: Insured by	Liquidity fee
HSFS, Series 1997B	0.95	JPMorgan Securities	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.585
HSFS, Series 2008	0.91	Goldman Sachs	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.585

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

The University is party to one pay-fixed/receive-variable interest rate swap agreement (swap). The objective of the swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate. The notional amount of the swap is equal to the par amount of the related bonds, except for which $130,000 is not covered by the swap. In addition, the swap was entered into at the same time as the original bonds were issued and terminates with maturity of the existing bonds. No cash was paid or received when the swap was entered into.

Credit Risk – As of June 30, 2022, the University was not exposed to credit risk because the swap had a negative fair value. If interest rates change and the fair value of the swap becomes positive, the University will be exposed to credit risk in the amount of the derivative's fair value. The terms, fair value and credit ratings of the outstanding swap as of June 30, 2022 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	$ 15,725	Nov 2008*	3.534%	68% of LIBOR**	$ (558)	Oct-2026	Deutsche Bank***	A-/A2

* Swap agreement was transferred from original issue to refunded bond issues.
** LIBOR – London Interbank Offered Rate
*** In May 2022, Loop exercised an option in the agreement to assign the swap to its credit support provider, Deutsche Bank AG

The University engaged a third-party consultant to determine the fair value of the swap. 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 swap, declining interest rates exposed the University to interest rate risk, which adversely affected the fair values of the swap.

Termination Risk – The University has the option to terminate the swap 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 swap exposes 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 extends 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, 2022. 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	$ 1,519,172	2051	7.47%
HSFS	Additions to System and refunding	Net HSFS revenue, Medical Service Plan revenue net of bad debt expense, College of Medicine net tuition revenue	156,032	2043	2.19
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	808	2023	1.99
		Total future revenues pledged	$ 1,676,012		

[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, 2022 are as follows:

Debt Service Requirements
(In thousands)

	Principal	**Interest**
2023	$ 51,125	$ 49,493
2024	49,515	47,110
2025	52,285	44,860
2026	54,895	42,702
2027	58,070	40,199
2028-2032	301,805	160,122
2033-2037	251,955	96,593
2038-2042	178,805	51,821
2043-2047	110,755	13,655
2048-2051	19,250	997
Total	$ 1,128,460	$ 547,552

Using the actual rates of .91% (Health Services Facilities System, Series 2008), in effect as of June 30, 2022, 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.

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**
2023	$ 2,900	127	362	$ 3,389
2024	3,060	99	284	3,443
2025	3,225	70	202	3,497
2026	3,295	41	116	3,452
2027	3,375	10	29	3,414
Total	$ 15,855	347	993	$ 17,195

(8) Certificates of Participation, Leases Payable and Other Obligations

Certificates of participation, leases payable and other obligations activity for the year ended June 30, 2022 consists of the following:

Certificate of Participation, Leaseholds Payable and Other Obligations
(In thousands)

	Beginning balance	Additions	Deductions	Ending balance	Current portion
University:					
Certificates of participation	$ 76,095		(25,735)	$ 50,360	$ 9,765
Unamortized debt premium	3,895		(1,468)	2,427	—
Total Certificates of participation	79,990	—	(27,203)	52,787	9,765
Finance purchases	129,089		(2,067)	127,022	3,327
Energy services agreement installment payment contracts	24,396		(3,535)	20,861	3,640
Environmental remediation	150		(150)	—	—
Perkins loans	20,270		(6,577)	13,693	3,518
Total Other obligations	173,905	—	(12,329)	161,576	10,485
Leases payable	55,516	36,695	(19,311)	72,900	17,747
Total Leases payable	55,516	36,695	(19,311)	72,900	17,747
URO – Foundation:					
Annuities payable	50,634	3,072	(6,231)	47,475	5,894
Other liabilities	3,635		(1,477)	2,158	
Total URO – Foundation	$ 54,269	3,072	(7,708)	$ 49,633	$ 5,894

(a) ***Certificates of Participation***

Future debt service requirements for all certificates of participation outstanding at June 30, 2022 are as follows:

Debt Service Requirements
(In thousands)

		Principal		**Interest**
2023	$	9,765	$	2,377
2024		9,990		1,894
2025		9,255		1,395
2026		9,700		922
2027		5,970		437
2028		5,680		142
Total	$	50,360	$	7,167

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.

(b) ***Leases - Lessee Arrangements***

The University leases land, office space, office equipment, medical equipment, and other right-of-use assets with remaining lease terms ranging from less than one year to ten years from external parties. The renewal and termination options are not included in the right-of-use asset or lease liability balance until they are reasonably certain of exercise. The lease term does not include periods of a lease that include a mutual termination option.

Certain University's leases contain both fixed and variable lease payments. These exist primarily within the leases for office facilities related to rent escalations based on the consumer price index (fixed in substance) and common area or other maintenance costs, which are paid based on actual costs paid by the lessor (not fixed). The remaining equipment and other leases do not contain variable lease payments. Variable payments that are not fixed in nature and non-rent charges are not included in leases payable. The total expenditures for variable payments not previously included in the measurement of the lease liability during the fiscal year ended June 30, 2022, were $293,000.

Additionally, the University recognized certain residual value guarantees and termination penalties for leases held at June 30, 2022. These amounts were not included in the measurement of the lease liability and were minimal.

As of June 30, 2022, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

(In thousands)

		Principal	Interest
2023	$	17,747	1,937
2024		14,075	1,451
2025		10,145	1,079
2026		6,597	828
2027		5,500	647
2028-2032		18,836	1,164
	$	72,900	7,106

(c) ***Leases - Lessor Arrangements***

The University leases space within and attached to its buildings to external parties. These agreements have terms ranging from less than one year to fifty-three years. In accordance with GASB 87, the University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. Variable payments are excluded from the valuations unless they are fixed in substance. During the fiscal year ended June 30, 2022, the University recognized revenues related to these lease agreements totaling $7,492,000, including interest and other related revenues. Of these amounts recognized during the fiscal year ended June 30, 2022, the University recognized $1,908,000 of revenue related to variable receipts that were not previously included in the measurement of the lease receivable.

Additionally, the University has certain leases of assets that are sublease transactions; however, these amounts are minimal.

(d) ***Other Obligations***

The University has entered into finance purchase obligations including the public-private partnerships disclosed in Note 8(e). As of June 30, 2022, future debt service requirements for all finance purchase obligations are as follows:

Debt Service Requirements

(In thousands)

		Principal	Interest
2023	$	3,327	5,901
2024		3,448	5,772
2025		3,584	5,637
2026		3,725	5,489
2027		3,891	5,323
2028-2032		22,307	23,727
2033-2037		15,802	19,071
2038-2042		19,642	14,939
2043-2047		24,789	9,698
2048-2052		26,507	3,177
	$	127,022	98,734

As part of energy services agreements, the University has entered into installment payment contracts to finance energy conservation measures. As of June 30, 2022, future debt service requirements for all installment payments under contracts are as follows:

Debt Service Requirements
(In thousands)

		Principal	Interest
2023	$	3,640	575
2024		3,749	467
2025		3,860	356
2026		3,203	241
2027		2,511	160
2028 – 2029		3,898	109
	$	20,861	1,908

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.

At June 30, 2022, the URO – Foundation had annuities payable outstanding of $47,475,000. The Foundation recalculates the present value of these payments through the use of Internal Revenue Service (IRS) discount rates and IRS life expectancy tables.

(e) ***Public-Private Partnerships***

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 included a two-year period for construction. The University provided an up-front deposit to the project of $8,535,000 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 has subleased the academic portion of the facility from CHF and has a finance purchase obligation of $37,495,000 as of June 30, 2022, which is included in the amounts disclosed in Note 8(d). The student housing portion is reported as a SCA and recognized as a deferred inflow of resources which is disclosed in Note 1(j). The day-to-day operations of the student housing portion of the facility will be managed by ACC.

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 Group) and its developer, Vermilion Campbell Development, LLC (Vermilion). Through agreements among the parties, Provident Group has implemented the design, development, and construction of the facilities. The Illinois Finance Authority (IFA) provided financing through public bonds. Provident Group 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 and leased the land on which the facilities lie to Provident Group 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 2021. The University has subleased the facilities from Provident and has a finance purchase obligation of $71,525,000 as of June 30, 2022, which is included in the amounts disclosed in Note 8(d).

(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. 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	$	2,847,229
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for – scholarships, academic programs, fellowships and research		142,367
Restricted – expendable for:		
Scholarships, academic programs, fellowships and research		655,830
Auxilary Facilities System		36,322
Loans		52,059
Service plans		111,312
Retirement of indebtedness		4,103
Capital projects		135,394
Unrestricted:		
Designated		1,307,748
Total	$	5,292,364

URO – Foundation Net Position
(In thousands)

Net investment in capital assets	$	38,362
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for academic programs, scholarships, fellowships and research		1,570,158
Restricted – expendable for:		
Academic programs, scholarships, fellowships and research		1,295,491
Unrestricted		69,828
Total	$	2,973,839

(10) Restatement of Beginning of Year Amounts

(a) *Change in Accounting Principles*

Effective for the fiscal year ended June 30, 2022, the University adopted GASB Statement No. 87, *Leases*, (GASB 87). This statement superseded GASB Statement No. 62 and established new requirements for calculating and reporting the University's lease activities. The adoption of GASB 87 has been reflected as of July 1, 2021. Beginning balances as of July 1, 2021 was restated for the effects of the University's adoption of GASB 87 as follows:

University (In thousands)

	July 1, 2021 as Previously Stated	GASB 87 Impact	July 1, 2021 as Restated
Current assets	$ 2,030,818	$ 3,673	$ 2,034,491
Noncurrent assets	7,055,911	83,967	7,139,878
Total assets	9,086,729	87,640	9,174,369
Deferred outflows of resources	123,758		123,758
Total assets and deferred outflows of resources	$ 9,210,487	$ 87,640	$ 9,298,127
Current liabilities	$ 1,230,653	$ 13,041	$ 1,243,694
Noncurrent liabilities	2,932,245	38,786	2,971,031
Total liabilities	$ 4,162,898	$ 51,827	$ 4,214,725
Deferred inflows of resources	309,766	34,074	343,840
Net position	4,737,823	1,739	4,739,562
Total liabilities, deferred inflows of resources, and net position	$ 9,210,487	$ 87,640	$ 9,298,127

Discretely Presented Component Units (In thousands)

	July 1, 2021 as Previously Stated	GASB 87 Impact	July 1, 2021 as Restated
Current assets	$ 100,434	$ (13)	$ 100,421
Noncurrent assets	3,191,612	1,503	3,193,115
Total assets	3,292,046	1,490	3,293,536
Deferred outflows of resources	265		265
Total assets and deferred outflows of resources	$ 3,292,311	$ 1,490	$ 3,293,801
Current liabilities	$ 38,007	$ (527)	$ 37,480
Noncurrent liabilities	48,926	1,732	50,658
Total liabilities	$ 86,933	$ 1,205	$ 88,138
Deferred inflows of resources	1,479	-	1,479
Net position	3,203,899	285	3,204,184
Total liabilities, deferred inflows of resources, and net position	$ 3,292,311	$ 1,490	$ 3,293,801

(b) ***Correction of an error***

During Fiscal Year 2022, an error correction resulted in a restatement to beginning net position for the University's fiduciary activities, as follows:

	University of Illinois Fiduciary Activities Affected by the Restatement to Beginning Balances, Net Position	
	(In thousands)	
07/01/2021, as previously reported	$	27,630
Error Correction		(7,300)
07/01/2021, as restated	$	20,330

The error correction occurred due to an error identified by the University during fiscal year 2022 after further inquiry of those outside entities that utilize the University's custodial funds to account for their operations. The error involved incorrect recognition of software subscriptions provided by third parties to member entities that were purchased by the custodial funds and reimbursed by the member entities during fiscal year 2021. The impact to the prior year change in net position was $106,000.

(11) State Universities Retirement System

Defined Benefit Pension Plans

(a) ***General Information about the Defined Benefit Pension Plan***

Plan Description: The University contributes to the 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 Annual Comprehensive Financial Report 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, 2021 can be found in the SURS' Annual Comprehensive Financial Report-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 the 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 within 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 2021 and 2022, respectively, was 12.70% and 12.32% 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 Related to Defined Benefit Pensions***

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2021. At June 30, 2021, SURS reported a NPL of $28,528,477,000.

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 $12,849,146,000 or 45.0397%. The University's proportionate share changed by 0.0077% from 45.0320% since the last measurement date on June 30, 2020. This amount is not recognized in the financial statements. The NPL and total pension liability as of June 30, 2021 was determined based on the June 30, 2020 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 2020.

Defined Benefit Pension Expense: At June 30, 2021 SURS reported a collective net pension expense of $2,342,460,000.

Employer Proportionate Share of Defined Benefit Pension Expense: The employer proportionate share of collective defined benefit 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 defined benefit plan during fiscal year 2020. As a result, the University recognized revenue and pension expense of $1,055,037,000 from this special funding situation during the year ended June 30, 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit 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	$	113,468	$	
Changes in assumptions		776,968		
Net difference between projected and actual earnings on pension plan investments				2,283,515
Total	$	890,436	$	2,283,515

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

Year Ending June 30		Net Deferred Outflows and Inflows of Resources
2022	$	34,095
2023		(197,006)
2024		(538,343)
2025		(691,825)
2026		
Thereafter		
Total	$	(1,393,079)

(c) *University Deferral of Fiscal Year 2022 Pension Contributions*

The University paid $42,074,000 in federal, trust or grant contributions to SURS defined benefit pension plan for the fiscal year ended June 30, 2022. These contributions were made subsequent to the pension liability measurement date of June 30, 2021 and are recognized as deferred outflows of resources as of June 30, 2022.

(d) *Assumptions and Other Inputs*

Actuarial assumptions: The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period June 30, 2017, through June 30, 2020. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.00 to 12.75 percent, including inflation
Investment rate of return	6.50 percent beginning with the actuarial valuation as of June 30, 2021

Mortality rates were based on the Pub-2010 employee and retiree gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on defined benefit 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, 2021, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	41.0%	6.30%
Stabilized Growth		
Credit Fixed Income	14.0%	1.82%
Core Real Assets	5.0%	3.92%
Options Strategies	6.0%	4.20%
Non-Traditional Growth		
Private Equity	7.5%	10.45%
Non-Core Real Assets	2.5%	8.83%
Inflation Sensitive		
U.S. TIPS	6.0%	(0.22%)
Principal Protection		
Core Fixed Income	8.0%	(0.81%)
Crisis Risk Offset		
Systematic Trend Following	3.5%	3.45%
Alternative Risk Premia	3.0%	2.30%
Long Duration	3.5%	0.91%
Total	**100.0%**	**4.43%**
Inflation		**2.25%**
Expected Arithmetic Return		**6.68%**

Discount Rate: A single discount rate of 6.12% 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 6.50% and a municipal bond rate of 1.92% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2021). 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 6.12%, 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 5.12%	Current Single Discount Rate Assumption 6.12%	1% Increase 7.12%
	(In thousands)	
$35,000,704	$28,528,477	$23,155,086

Additional information regarding the SURS basic financial statements including the plan's net position can be found in the SURS Annual Comprehensive Financial Report by accessing the website at www.SURS.org.

Defined Contribution Pension Plan

(e) *General Information about the Defined Contribution Pension Plan*

Plan Description: The University contributes to the Retirement Savings Plan (RSP) administered by SURS, a cost-sharing multiple-employer defined contribution pension plan with a special funding situation whereby the State makes substantially all 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 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. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

Benefits Provided: A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. 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 defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2021, can be found in SURS Annual Comprehensive Financial Report – Notes to the Financial Statements.

Contributions: All employees who have elected to participate in the RSP are required to contribute 8.0% of their annual covered earnings. Section 15-158.2(h) of the Illinois Pension Code provides for an employer contribution to the RSP of 7.6% of employee earnings. The State is primarily responsible for contributing to the RSP on behalf of the individual employers. Employers are required to make the 7.6% contribution for employee earnings paid from "trust, federal, and other funds" as described in Section 15-155(b) of the Illinois Pension Code. The contribution requirements of plan members and employers were established and may be amended by the State's General Assembly.

Forfeitures: Employees are not vested in employer contributions to the RSP until they have attained five years of service credit. Should an employee leave SURS-covered employment with less than five years of service credit, the portion of the employee's RSP account designated as employer contributions is forfeited. Employees who later return to SURS-covered employment will have their forfeited employer contributions reinstated to their account, so long as the employee's own contributions remain in the account. Forfeited employer contributions are managed by SURS and are used both to reinstate previously forfeited contributions and to fund a portion of the State's contributions on behalf of the individual employers. The vesting and forfeiture provisions of the RSP were established and may be amended by the State's General Assembly.

(f) *Pension Expense Related to Defined Contribution Pensions*

Defined Contribution Pension Expense: For the year ended June 30, 2021, the State's contributions to the RSP on behalf of individual employers totaled $76,281,000. Of this amount, $70,404,000 was funded via an appropriation from the State and $5,877,000 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense: The employer proportionate share of collective defined contribution 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 defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2021. The University's share of pensionable contributions was 55.9351%. As a result, the University recognized revenue and defined contribution pension expense of $42,668,000 from this special funding situation during the year ended June 30, 2022, of which $3,288,000 constituted forfeitures.

(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 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,363 ($6,290 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,619 ($5,623 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) ***Special funding situation portion of OPEB***

The proportionate share of the State's OPEB expense relative to the University's retirees totaled ($78,419,000) during the year ended June 30, 2022. 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, 2022.

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, 2021 based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

(In thousands)		
Measurement Date:		**June 30, 2021**
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$	6,726,947
SEGIP total OPEB liability	$	34,911,897
Proportionate share of the total OPEB liability		19.27%

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

The total OPEB liability, as reported at June 30, 2022 was measured as of June 30, 2021, with an actuarial valuation as of June 30, 2020, 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, 2021 based on the June 30, 2020 actuarial valuation rolled forward:

(In thousands)		
Measurement Date:		**June 30, 2021**
University's OPEB liability	$	1,068,082
SEGIP total OPEB liability	$	34,911,897
Proportionate share of the total OPEB liability		3.06%

The University's portion of the OPEB liability was based on the University's proportionate share amount determined under the methodology in Note 1(s) during the measurement year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the University's proportion increased 0.46% from its proportion measured as of the prior year measurement date of June 30, 2020.

The University recognized OPEB expense for the year ended June 30, 2022, of negative $41.692 million.

At June 30, 2022, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	7,802
Changes in assumptions		24,160
Changes in proportion and differences between employer contributions and proportionate share of contributions		170,725
University contributions subsequent to the measurement date		26,339
Total deferred outflows of resources	$	229,026
Deferred inflows of resources		
Differences between expected and actual experience	$	7,431
Changes of assumptions		293,952
Changes in proportion and differences between employer contributions and proportionate share of contributions		74,440
Total deferred inflows of resources	$	375,823

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, 2023. 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,		
2023	$	(63,933)
2024		(41,645)
2025		(50,085)
2026		(15,563)
2027		(1,910)
Total	$	(173,136)

(f) *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, 2020, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020.

Valuation Date	June 30, 2020, rolled forward
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.25%
Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post Medicare)	8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	3.75% grading up 0.25% in the first year 4.00% through 2038.
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 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:

Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	8.25% grading down 0.25% per year over 16 years to an utlimate trend of 4.25% in the year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up 0.25% in the first year to 4.25% through 2037.

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

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2020 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	**Mortality^^**
GARS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
JRS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality table, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
SERS	July 2015 - June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality table, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018
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.

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

(g) ***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 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability.

(h) ***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 1.92%, 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 (2.92%) or lower (0.92 %) than the current rate (amounts expressed in thousands):

	1% Decrease (0.92%)	Current Single Discount Rate Assumption (1.92%)	1% Increase (2.92%)
University's proportionate share of total OPEB liability	$ 1,261,397	$ 1,068,082	$ 915,129

(i) ***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 2023 decreasing to an ultimate trend rate of 4.25% in 2038.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$ 891,281	$ 1,068,082	$ 1,302,034

A one percentage point decrease in healthcare trend rates are 7.00% in plan year end 2023 decreasing to an ultimate trend rate of 3.25% in plan year end 2038. A one percentage point increase in healthcare trend rates are 9.00% in plan year end 2023 decreasing to an ultimate trend rate of 5.25% in plan year 2038.

(j) ***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, 2021 based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

(In thousands)

Measurement Date:		June 30, 2021
University's OPEB liability	$	1,068,082
State of Illinois' OPEB liability related to the University under the Special Funding Situation		6,726,947
Total OPEB liability associated with the University	$	7,795,029
SEGIP total OPEB liability	$	34,911,897
Proportionate share of the OPEB liability associated with the University		22.33%

(13) Commitments and Contingencies

At June 30, 2022, the University had commitments on various construction projects, contracts for repairs and renovation of facilities, software projects, and equipment purchases of $176,031,000.

The University purchases the majority of its 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 $68,700,000. The exposure related to Prairieland at June 30, 2022 is $43,627,000 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 partnership to construct new UI Health Specialty Care Building

In August 2020, the University entered into several agreements with private enterprises in order to construct the UI Health Specialty Care Building (SCB), which includes an outpatient surgery center and five specialty clinics. The University has partnered with Provident Group-UIC Surgery Center LLC (Provident) and a developer, UIH ASC Development, LLC (Developer). Through agreements among the parties, Provident is responsible for the design, development and construction of the SCB. The Illinois Finance Authority (IFA) issued $149,845,000 of tax-exempt bonds in August 2020 and loaned the proceeds to Provident to fund a portion of the SCB project cost. The University leased the land on which the SCB will be built to Provident over a period of 40 years and has entered into a sublease with Provident to lease the SCB facility from Provident upon completion. Upon the termination or expiration of the land lease, the SCB, any improvements, fixtures, equipment and all personal property attached to or within the SCB shall be owned by the University.

Construction began in August 2020 and will be completed in September 2022. Beginning in fiscal year 2023, the University will recognize an asset and corresponding long-term liability. The use of the SCB will be reported as a financed purchase in accordance with lease accounting standards.

(14) Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2022 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 and Amortization	Total
Instruction	$ 1,558,212	117,213	7,851		$ 1,683,276
Research	683,512	315,007	11,722		1,010,241
Public service	315,189	304,840	11,835		631,864
Academic support	486,030	149,407	13,758		649,195
Student services	182,512	57,888	8,851		249,251
Institutional support	269,381	52,444	207		322,032
Operation and maintenance of plant	71,867	246,320	7,318		325,505
Scholarships and fellowships	3,016	918	152,629		156,563
Auxiliary enterprises	172,327	199,538	17,519		389,384
Hospital and medical activities	711,369	504,162	10		1,215,541
Independent operations	876	7,535			8,411
Depreciation and amortization				299,197	299,197
Total	$ 4,454,291	1,955,272	231,700	299,197	$ 6,940,460

URO – Foundation Operating Expenses by Natural Classification

(In thousands)

	Distributions on behalf of the University	Institutional support	Depreciation and Amortization	Total
Fund-raising	$	20,428		$ 20,428
Distributions on behalf of the University	240,115			240,115
General and administrative		14,496		14,496
Depreciation and amortization			1,299	1,299
Total	$ 240,115	34,924	1,299	$ 276,338

(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, 2022

(In thousands)

		AFS	HSFS		Total
Assets and deferred outflows of resources:					
Current assets	$	218,224	538,064	$	756,288
Noncurrent assets:					
Capital assets, nondepreciable		45,192	37,361		82,553
Capital assets, net of accumulated depreciation and amortization		1,164,272	272,143		1,436,415
Other noncurrent assets		30,507	22,601		53,108
Deferred outflows of resources		10,960	1,291		12,251
Total assets and deferred outflows of resources	$	1,469,155	871,460	$	2,340,615
Liabilities and deferred inflows of resources:					
Current liabilities	$	94,139	180,017	$	274,156
Noncurrent liabilities:					
Long-term debt		1,049,404	89,783		1,139,187
Other liabilities		12,457	37,157		49,614
Deferred inflows of resources		5,030	312		5,342
Total liabilities and deferred inflows of resources		1,161,030	307,269		1,468,299
Net position:					
Net investment in capital assets		158,015	223,884		381,899
Restricted:					
Expendable		3,663	22,425		26,088
Unrestricted		146,447	317,882		464,329
Total net position		308,125	564,191		872,316
Total liabilities, deferred inflows of resources, and net position	$	1,469,155	871,460	$	2,340,615

Condensed Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2022

(In thousands)

		AFS	HSFS		Total
Operating revenues	$	368,103	1,077,085	$	1,445,188
Operating expenses		288,131	1,277,839		1,565,970
Depreciation and amortization expense		49,361	32,276		81,637
Operating income (loss)		30,611	(233,030)		(202,419)
Nonoperating revenues, net and capital gifts		24,432	273,539		297,971
Increase in net position		55,043	40,509		95,552
Net position, beginning of year, as restated[1]		253,082	523,682		776,764
Net position, end of year	$	308,125	564,191	$	872,316

[1] The AFS beginning of year net position was restated from $253,054 to $253,082 due to a change in accounting principle. The HSFS beginning of year net position was restated from $524,625 to $523,682 due to a change in accounting principle.

Condensed Statement of Cash Flows

Year ended June 30, 2022

(In thousands)

		AFS	HSFS		Total
Net cash flows provided by operating activities	$	133,046	24,455	$	157,501
Net cash flows provided by noncapital financing activities		23,703	14,733		38,436
Net cash flows used in capital and related financing activities		(114,123)	(49,367)		(163,490)
Net cash flows used in investing activities		(12,744)	(11,069)		(23,813)
Net increase (decrease) in cash and cash equivalents		29,882	(21,248)		8,634
Cash and cash equivalents, beginning of year		187,700	414,447		602,147
Cash and cash equivalents, end of year	$	217,582	393,199	$	610,781

(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 annual comprehensive 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	$ 240,115		10,006	(10,006)	$ 240,115
Alumni Association			1,568	(1,568)	-
WWT			24,175	(24,175)	-
Illinois Ventures			1,368	(1,368)	-
Research Park			557	(557)	-
Prairieland			53,701	(53,701)	-
Shield T3, LLC			25,954	(25,954)	-
Illinois Global Gateway		21	353	(353)	21
Total	$ 240,115	21	117,682	(117,682)	$ 240,136

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, 2022
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Assets and Deferred Outflows of Resources:				
Current assets	$ 76,458	3,240	2,257	2,360
Noncurrent assets:				
Capital assets, net	48,175	2,475	2,042	7
Other noncurrent assets	2,924,645	18,768		4,443
Deferred outflows of resources				
Total assets and deferred outflows of resources	$ 3,049,278	24,483	4,299	6,810
Liabilities and Deferred Inflows of Resources:				
Current liabilities	$ 21,741	422	2,108	218
Noncurrent liabilities	53,698		1,326	
Deferred inflows of resources				
Total liabilities and deferred inflows of resources	75,439	422	3,434	218
Net Position:				
Net investment in capital assets	38,362	2,475	311	7
Restricted:				
Nonexpendable	1,570,158			20
Expendable	1,295,491			
Unrestricted	69,828	21,586	554	6,565
Total net position	2,973,839	24,061	865	6,592
Total liabilities, deferred inflows of resources and net position	$ 3,049,278	24,483	4,299	6,810

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2022
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Operating revenues	$ 206,536	3,128	23,760	1,459
Operating expenses	275,043	5,451	23,368	1,655
Depreciation expense	1,295	474	468	3
Operating (loss) income	(69,802)	(2,797)	(76)	(199)
Nonoperating (expenses) revenues, net	(195,888)	(2,001)	(28)	154
Contributions to endowments	82,753			
(Decrease) increase in net position	(182,937)	(4,798)	(104)	(45)
Net position, beginning of year	3,156,776	28,859	77	6,637
Restatements			892	
Net position, beginning of year, as restated			969	
Net position, end of year	$ 2,973,839	24,061	865	6,592

Condensed Statements of Net Position
June 30, 2022
(In thousands)

	Research Park	Prairieland	Shield T3	Illinois Global Gateway	Total
Assets and Deferred Outflows of Resources:					
Current assets	$ 636	20,772	26,132	1,922	$ 133,777
Noncurrent assets:					
Capital assets, net	2,058	1	3,559	25	58,342
Other noncurrent assets	11,084	10,142	50		2,969,132
Deferred outflows of resources		63			63
Total assets and deferred outflows of resources	$ 13,778	30,978	29,741	1,947	$ 3,161,314
Liabilities and Deferred Inflows of Resources:					
Current liabilities	$ 94	16,167	11,783	1,388	53,921
Noncurrent liabilities		2,500			57,524
Deferred inflows of resources	11,028	10,205			21,233
Total liabilities and deferred inflows of resources	11,122	28,872	11,783	1,388	132,678
Net Position:					
Net investment in capital assets	2,058	1	3,559	25	46,798
Restricted:					
Nonexpendable					1,570,178
Expendable					1,295,491
Unrestricted	598	2,105	14,399	534	116,169
Total net position	2,656	2,106	17,958	559	3,028,636
Total liabilities, deferred inflows of resources, and net position	$ 13,778	30,978	29,741	1,947	$ 3,161,314

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2022
(In thousands)

	Research Park	Prairieland	Shield T3	Illinois Global Gateway	Total
Operating revenues	$ 1,108	53,600	75,842	3,071	$ 368,504
Operating expenses	1,070	56,458	53,473	3,062	419,580
Depreciation expense	115	1	2,882	25	5,263
Operating (loss) income	(77)	(2,859)	19,487	(16)	(56,339)
Nonoperating (expenses) revenues, net	422	2,897	(7,484)	(34)	(201,962)
Contributions to endowments					82,753
(Decrease) increase in net position	345	38	12,003	(50)	(175,548)
Net position, beginning of year	2,918	2,068	5,955	609	3,203,899
Restatements	(607)				285
Net position, beginning of year, as restated	2,311				3,204,184
Net position, end of year	$ 2,656	2,106	17,958	559	$ 3,028,636

(17) Subsequent Events

In September 2022, the University completed construction of the SCB. The new building, located adjacent to the Hospital, includes six floors of patient care space, with eight operating rooms and 24 pre-post bays for outpatient surgery, exam and treatment rooms for Gastroenterology, Transplant, Ophthalmology, Otolaryngology and Urology services and a pharmacy. The 200,000 square-foot facility opened to patients on September 26, 2022.

On November 17, 2022, the University entered into a public-private partnership in order to finance, design, develop, construct, equip, and own: (1) an instructional facility to be known as the South Campus Center for Interdisciplinary Learning, along with associated site development and various related amenities and improvements (Learning Facility); and (2) a standalone parking facility, along with associated site development and various related amenities and improvements (Parking Facility). The Parking Facility will replace existing surface parking spaces that will be removed to allow for the construction of the Learning Facility.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2022
(In thousands)

Schedule of the University's Share of the Net Pension Liability

Measurement Date:	Fiscal Year 2021	Fiscal Year 2020	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%	0%	0%
(b) Proportionate Amount of the Collective Net Pension Liability	$0	$0	$0	$0	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the University	$12,849,146	$13,788,569	$12,749,644	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Total (b) + (c)	$12,849,146	$13,788,569	$12,749,644	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Employer defined benefit Covered Payroll*	$1,721,034	$1,779,914	$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	746.59%	774.68%	789.11%	775.77%	712.40%	710.86%	643.67%	591.76%
SURS Plan Net Position as a Percentage of Total Pension Liability	45.45%	39.05%	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 2022	Fiscal Year 2021	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	$ 42,074	$ 40,550	$ 38,900	$ 36,359	$ 37,139	$ 35,483	$ 34,753	$ 33,473	$ 34,200
Contributions in relation to required contribution	42,074	40,550	38,900	36,359	37,139	35,483	34,753	33,473	34,200
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
University's covered payroll	$ 2,485,229	$ 2,402,748	$ 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	1.69%	1.69%	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, 2021.

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, 2017 to June 30, 2020 was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021.

- Salary increase. Change in the overall assumed salary increase rates, ranging from 3.00 percent to 12.75 percent based on years of service, while maintaining the underlying wage inflation rate of 2.25 percent

- Investment return. Decrease the investment return assumption to 6.50 percent. This reflects decreasing the assumed real rate of return to 4.25 percent and maintaining the underlying assumed price inflation of 2.25 percent.

- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50 percent.

- Normal retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Early retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining a pattern of decreasing termination rates as years of service increase.

- Mortality rates. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.

- Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.

- Plan election. Change plan election assumptions to 75 percent Tier 2 and 25 percent RSP for non-academic members. Change plan election assumptions to 55 percent Tier 2 and 45 percent RSP for academic members.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2022
(In thousands)

Schedule of the University's Proportionate Share of the Total OPEB Liability

For the Plan Year Ended June 30

Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportionate percentage of the collective total OPEB liability	3.06%	2.60%	2.90%	2.89%	3.18%
Proportionate share of the collective total OPEB liability	$1,068,082	$1,100,319	$1,270,986	$1,160,539	$1,314,760
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	$6,726,947	$6,881,615	$7,564,028	$7,052,321	$10,142,951
Total OPEB liability associated with the University	$7,795,029	$7,981,934	$8,835,014	$8,212,860	$11,457,711
Covered employee payroll	$2,433,141	$2,354,324	$2,199,848	$2,106,226	$2,023,794
Proportionate share of the total OPEB liability as a percentage of its covered employee payroll	320.37%	339.03%	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.

**Note: The amounts disclosed for years ended June 30, 2019, 2018, and 2017 do not include the impact of the restatement of the OPEB liability due to the correction of an error.

UNIVERSITY OF ILLINOIS

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

TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2022
(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	899,049	128,020	(4,204)	9,135	1,032,000	135,430	(31,569)	422,351	526,212	1,558,212	125,064	1,683,276
Research	424,544	180,741	(20,964)	19,310	603,631	19,608	(4,571)	64,844	79,881	683,512	326,729	1,010,241
Public service	231,349	33,176	(13,709)	11,799	262,615	12,678	(2,955)	42,851	52,574	315,189	316,675	631,864
Academic support	290,095	17,079	(2,479)	3,523	308,218	42,696	(9,952)	145,068	177,812	486,030	163,165	649,195
Student services	107,653	12,479	(113)	710	120,729	15,759	(3,673)	49,697	61,783	182,512	66,739	249,251
Institutional support	161,681	5,298	(145)	1,021	167,855	24,660	(5,748)	82,614	101,526	269,381	52,651	322,032
Operation and maintenance of plant	47,173	985	(3)	105	48,260	5,637	(1,314)	19,284	23,607	71,867	253,638	325,505
Scholarships and fellowships	1,792	1,178	(57)	41	2,954	15	(4)	51	62	3,016	153,547	156,563
Auxiliary enterprises	106,530	9,277	(13)	124	115,918	13,418	(3,128)	46,119	56,409	172,327	217,057	389,384
Hospital and medical activities	429,273	5,909	-	659	435,841	66,444	(15,488)	224,572	275,528	711,369	504,172	1,215,541
Independent operations	318	29	(6)	227	568	71	(17)	254	308	876	7,535	8,411
Depreciation	-	-	-		-	-	-	-	-	-	299,197	299,197
Total	2,699,457	394,171	(41,693)	46,654	3,098,589	336,416	(78,419)	1,097,705	1,355,702	4,454,291	2,486,169	6,940,460

[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.