UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)

Annual Financial Report

June 30, 2021

(With Independent Auditor's Report Thereon)

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UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller

May 4, 2022

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, 2021, and the results of operations and cash flows for the fiscal year.

Even though the global pandemic disrupted the day-to-day operations, the financial position of the University of Illinois remains strong. Diversified revenue sources, timely financial assistance provided by federal and state agencies, and deliberate cost containment measures helped the University end the year with positive financial results. Additionally, the University developed a COVID-19 testing approach referred to as SHIELD helped control the spread of the coronavirus through early detection and isolation. The University of Illinois is proud of its efforts which contributed to the health and safety of our students, faculty, staff, and surrounding communities throughout the state.

The University of Illinois continues its missions of teaching, research, public service, healthcare, and economic development during these times of recovery, healing, and reunifying. Our contributions to the State of Illinois, the nation, and the world align with these missions and will continue to grow as our institution develops new collaborations and innovations.

Respectfully,

SIGNED ORIGINAL ON FILE

Paul Ellinger
Interim 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 Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities, fiduciary activities, and aggregate discretely presented component units of the University of Illinois (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. 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 aggregate discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The University of Illinois Foundation; The University of Illinois Alumni Association; Wolcott, Wood, and Taylor, Inc.; Prairieland Energy, Inc.; Illinois Ventures, LLC; The University of Illinois Research Park, LLC, Illinois Global Gateway, LLC, and Shield T3, LLC (discretely presented component units) were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University, as of June 30, 2021, and the respective changes in its 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.

Emphasis of Matters

As discussed in Note 10 to the financial statements, in Fiscal Year 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. The adoption of this statement resulted in the inclusion and presentation of fiduciary fund financial statements, and a restatement of the July 1, 2020 fiduciary net position.

Further, as discussed in Note 10 to the financial statements, in Fiscal Year 2021, the business-type activities net position as of July 1, 2020 was restated to correct a material misstatement.

Our opinions are not modified with respect to these matters.

<u>Other Matters</u>

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, the Schedule of the University's Share of the Net Pension Liability and Schedule of Contributions for Pensions on page 76, the Schedule of the University's Proportionate Share of the Net 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, 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.

Other 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 Letter of Transmittal on page 1 and the Table of Operating Expenses on page 79 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Table of Operating Expenses on page 79 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Letter of Transmittal on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 4, 2022, 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.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
May 4, 2022

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, 2021. 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 90,000 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.

Financial Highlights and Key Trends

Like institutions around the globe, the University of Illinois faced many unusual challenges due to the ongoing Coronavirus Infectious Disease 2019 (COVID-19) pandemic. The University implemented a hybrid approach to instruction through a combination of students continuing their programs in classrooms and remotely. The University's hospital and clinics provided care for COVID-19 patients and conducted COVID-19 related research. As a result, some units across the University experienced a decrease in revenue and additional, unanticipated costs associated with combatting the pandemic.

Funding from federal stimulus programs and the State of Illinois helped the University, including its hospital, partially overcome revenue losses and additional expenses. The funding also provided additional financial support for University students.

Despite the challenges, prudent financial decisions by University units and good financial management practices resulted in positive financial results for fiscal year 2021. Excluding a correction to the State of Illinois calculated allocation of the other postemployment benefits (OPEB) to the University (see note 1(v)), the University had a $470 million increase in net position for fiscal year 2021. The efforts of faculty and staff across the University were critical to achieving this strong financial result, while continuing to provide excellent academic experiences and maintaining the health and safety of students, faculty, and staff.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University using the accrual basis of accounting. Net position is one indicator of the current financial condition of the institution. The changes in net position that occur over time indicate improvement or deterioration in financial condition. Generally, assets and liabilities are reported at cost with the exception of investments, which are reported at fair value. Capital assets are reported at historical cost less accumulated depreciation. A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2021 and 2020 is as follows:

	2021	2020
	(In thousands)	
Current assets:		
Cash and investments	$ 1,308,896	$ 1,395,492
Accounts and notes receivable	624,187	506,546
Appropriations receivable from State of Illinois	1,378	170,740
Other current assets	96,357	94,639
Noncurrent assets:		
Cash and investments	2,691,470	2,231,985
Notes receivable	32,065	37,674
Capital assets, net of accumulated depreciation	4,286,102	4,123,333
Other noncurrent assets	46,274	36,433
Deferred outflows of resources	123,758	138,296
Total assets and deferred outflows of resources	$ 9,210,487	$ 8,735,138
Current liabilities:		
Accounts payable, accrued liabilities and unearned revenue	$ 993,515	$ 886,803
Bonds payable	72,813	71,975
Leaseholds payable and other obligations	38,669	125,009
Other postemployment benefits	27,616	29,555
Other current liabilities	98,040	105,623
Noncurrent liabilities:		
Bonds payable	1,171,744	1,226,621
Leaseholds payable and other obligations	218,915	185,660
Other postemployment benefits	1,072,703	1,241,431
Other noncurrent liabilities	468,883	456,516
Deferred inflows of resources	309,766	377,935
Total liabilities and deferred inflows of resources	4,472,664	4,707,128
Net position	4,737,823	4,028,010
Total liabilities, deferred inflows of resources, and net position	$ 9,210,487	$ 8,735,138

Total assets and deferred outflows of resources increased by $475 million or 5.4% during fiscal year 2021. As mentioned on the following page, the University invested in new construction and several improvements

(Continued)

to existing buildings during fiscal year 2021. There was also an increase in cash and investments due to unrealized gains related to an increase in the stock market.

Total liabilities and deferred inflows of resources decreased $234 million, or 5.0% for fiscal year 2021. This change primarily resulted from a decrease in the OPEB in fiscal year 2021.

Capital Assets and Long-Term Debt

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

Capital Assets, Net of Accumulated Depreciation
(In thousands)

	2021		2020	
Buildings	$ 3,069,747	71.6%	$ 2,953,489	71.6%
Improvements and infrastructure	215,154	5.0	222,852	5.4
Construction in progress	321,926	7.5	375,359	9.1
Land	141,525	3.3	139,282	3.4
Equipment and software	394,796	9.2	289,293	7.0
Collections	142,954	3.4	143,058	3.5
	$ 4,286,102	100.0%	$ 4,123,333	100.0%

Capital assets, net of accumulated depreciation, increased by $163 million in fiscal year 2021. This increase included current year additions to equipment, software and buildings. Facilities improvements under construction were funded by revenue bonds, federal grants, private gifts, internal funds and State capital appropriations. Capital assets included additions to the 3i Integrated Information Infrastructure software project. Improvements to existing buildings included Freer Hall, the Medical Sciences Building, Beckman Institute, and the Food Services Building. Buildings placed into service were the Illinois Feed Technology Center and the Campus Instructional Facility.

The University has historically utilized revenue bonds to finance capital projects related to the Auxiliary Facilities System (AFS), the Health Services Facilities System (HSFS) and the University of Illinois – Chicago (UIC) South Campus project. The following table details the various bonded debt outstanding at June 30, 2021 and 2020:

Bonds Payable
(In thousands)

	2021	2020
AFS	$ 1,137,848	$ 1,180,534
HSFS	98,034	101,837
UIC South Campus	8,675	16,225
	$ 1,244,557	$ 1,298,596

The University has issued Certificates of Participation (Certificates), which are reported as leaseholds payable in the financial statements. The outstanding Certificates have funded projects such as utility infrastructure, College of Medicine facilities and deferred maintenance on medical, academic and research facilities. The reduction in the outstanding balance of the Certificates was due to scheduled redemptions. The outstanding balances of the Certificates as of June 30, 2021 and 2020 were $79,990,000 and $120,043,000 respectively.

Net Position

The University's resources are classified into net position categories on the Statement of Net Position. These categories are defined as (a) Net investment in capital assets, (b) Restricted nonexpendable – net position restricted by externally imposed stipulations, (c) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time and (d) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees. The University's net position increased by $676 million during fiscal year 2021. Net position balances are below:

Net Position
(In thousands)

	2021	2020
Net position:		
Net investment in capital assets	$ 2,826,150	$ 2,671,467
Restricted	1,048,038	728,095
Unrestricted	863,635	628,448
	$ 4,737,823	$ 4,028,010

The overall increase in net position of $710 million included growth in net investment in capital assets, which included changes in capital assets, reductions in long-term debt, and the State's correction to the University's allocation of the OPEB balances.

Statement of Revenues, Expenses and Changes in Net Position

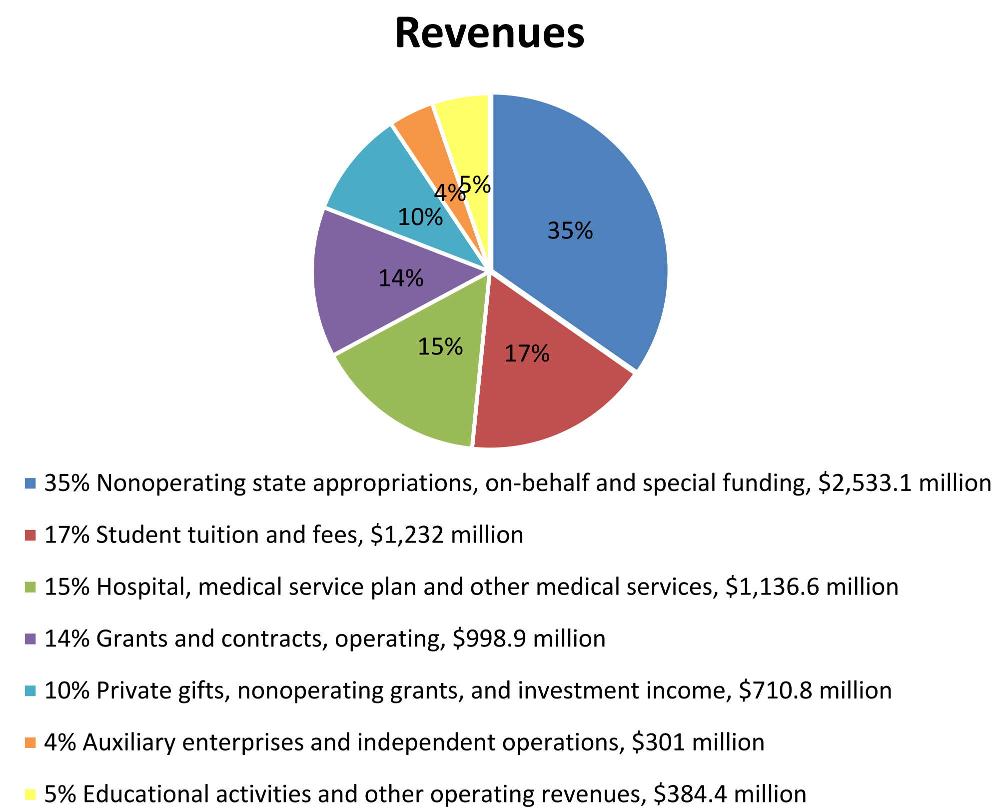
The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. In accordance with GASB reporting standards, revenues and expenses are classified as either operating or nonoperating. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020 is as follows:

	2021	2020
	(In thousands)	
Operating revenues:		
Student tuition and fees	$ 1,232,010	$ 1,233,646
Hospital, medical service plans and other medical activities	1,136,570	1,070,630
Grants and contracts	998,853	928,173
Auxiliary enterprises and independent operations	301,032	386,582
Educational activities	362,824	348,692
Other	21,597	24,392
Total operating revenues	4,052,886	3,992,115
Operating expenses	7,102,983	6,182,080
Operating loss	(3,050,097)	(2,189,965)
Nonoperating revenues (expenses):		
State appropriations, on behalf, and special funding situation	2,559,347	1,816,289
Transfer of state appropriation to the Illinois Hospital Services Fund	(26,250)	(20,000)
Private gifts	241,031	206,509
Grants, contracts, and COVID-19 relief funding	412,279	296,063
Investment income	57,490	146,389
Change in fair value of investments	188,423	(60,468)
Interest expense	(44,953)	(58,181)
Other nonoperating revenues, net	121,735	87,360
Net nonoperating revenues	3,509,102	2,413,961
Capital state appropriations and capital gifts and grants	27,590	10,814
Endowment gifts	198	2,411
Increase in net position	486,793	237,221
Net position, beginning of year	4,028,010	3,790,789
Restatement, correction of an error	223,020	
Net position, beginning of year, as adjusted	4,251,030	
Net position, end of year	$ 4,737,823	$ 4,028,010

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, 2021:



Operating revenues experienced a net increase of $61 million in fiscal year 2021 due to growth in grants and contracts, hospital and other medical activities and medical service plan revenue.

Nonoperating revenues increased by $799 million in fiscal year 2021. The most significant reason for the increase in nonoperating revenues resulted from a $743 million increase in on-behalf and special funding revenues from the State of Illinois (State), which fluctuates each year based on many factors related to actuarial calculations. The other significant increase was in grants, contracts, and COVID-19 relief funding revenues due to increased funding being received in response to the COVID-19 pandemic.

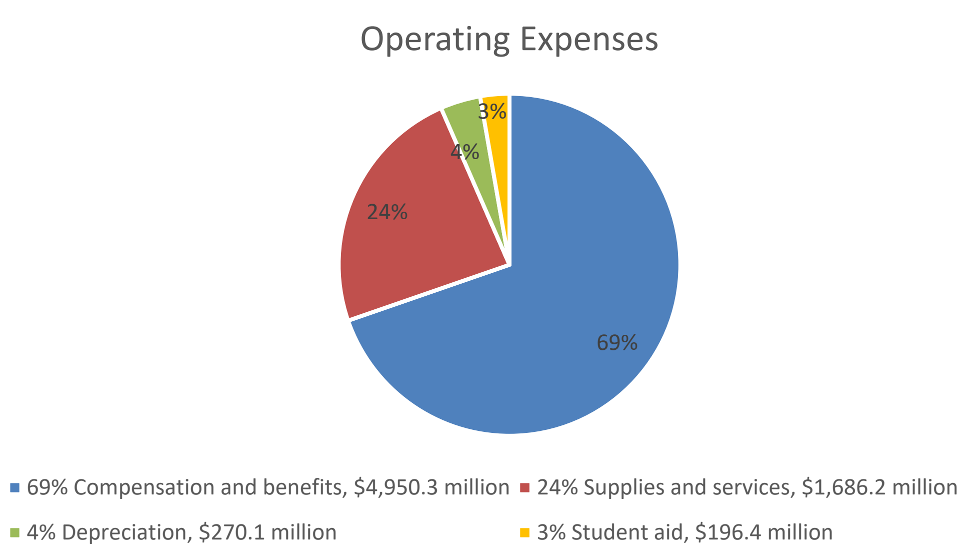
Expenses

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.

	2021		2020	
	(In thousands)			
Operating expenses:				
Instruction	$ 1,866,922	26.3%	$ 1,563,588	25.3%
Research	1,003,939	14.1	882,048	14.3
Public service	539,448	7.6	445,437	7.2
Support services	1,350,357	19.0	1,152,195	18.6
Hospital and medical activities	1,271,267	17.9	1,066,474	17.2
Auxiliary enterprises and independent operations	362,980	5.1	385,115	6.2
Scholarships and fellowships	128,851	1.8	90,761	1.5
Operation and maintenance of plant	309,095	4.4	343,874	5.6
Depreciation	270,124	3.8	252,588	4.1
Total operating expenses	$ 7,102,983	100.0%	$ 6,182,080	100.0%

The University's operating expenses increased by $921 million, or 14.9% in fiscal year 2021. This increase was primarily due to an increase in on-behalf and special funding from the State of $743 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 78 of this report, the University has additional information detailing the impact of these allocations on the functional operating expenses. Excluding the increase in special funding and on-behalf expenses, operating expenses increased by $178 million, or 3.6%, which was primarily due to increases in compensation and benefits due to additional faculty and staff hiring and an increase in employer paid insurance. Additional operating expenses were also incurred as a result of the impact of the COVID-19 pandemic.

The University reports its expenses by functional classifications in the Statement of Revenues, Expenses and Changes in Net Position. For the reader's information, the expenses are displayed in their natural classifications in Note 14. The following graph illustrates the $7,103 million of operating expenses by natural classification:



The University’s Economic Outlook

A strong financial position is critical to continued excellence of the University’s academic programs. Like institutions around the country, the University of Illinois has faced many challenges due to the COVID-19 pandemic. Federal stimulus programs during fiscal year 2021 provided additional funding to help the University and its students with the economic challenges associated with the pandemic. These federal stimulus programs will also provide $165.7 million of financial support in fiscal year 2022. The University also 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 has appropriated $638 million for fiscal year 2022, an increase of $9 million over fiscal year 2021. The additional funding was primarily related to specific initiatives at the Prairie Research Institute.

Overall enrollment continues to rise despite the COVID-19 pandemic, setting yet another enrollment record for fall 2021. For fiscal year 2022, the University estimates tuition revenue to increase by $68 million. The incremental tuition revenue for fiscal year 2022 considers enrollment changes, including resident, non-resident, and international student mix, changes in enrollment patterns between programs, undergraduate guarantee tuition cohort increases from fall 2021, and increases to a select few graduate and professional programs.

The University of Illinois – Urbana - Champaign and the University of Illinois - Chicago 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 transforms ideas into sustainable businesses and global solutions.

These research and development activities resulted in a revolutionary COVID-19 coronavirus surveillance test. Referred to as SHIELD, the targeting, testing, and communication protocols allow for fast results, is scalable, and can be administered at significantly lower costs than other comparable tests. This innovative strategy allowed the University to control the spread of the coronavirus on its campuses through early detection and isolation, including asymptomatic cases which would otherwise unknowingly spread the virus. These extraordinary efforts received national attention and the University was able to build additional capacity to facilitate testing at other universities, businesses, and elementary secondary schools within the State and across the country.

Healthcare is an important mission of the University. The University of Illinois Hospital (Hospital) has always provided state-of-the-art, comprehensive medical care to patients from across the region, including some of the State’s most vulnerable citizens. Its response to serving patients during the COVID-19 pandemic has been significant and inspirational. The Hospital was also able to complete the installation of a new electronic medical record system in the midst of the pandemic.

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, 2021
(In thousands)

Assets and Deferred Outflows of Resources	**University**	**Discretely Presented Component Units**
Current assets:		
Cash and cash equivalents	$ 877,442	$ 18,832
Cash and cash equivalents, restricted	72,340	1,413
Investments	278,048	1,489
Investments, restricted	81,066	
Accrued investment income	6,975	350
Accounts receivable, net of allowance for uncollectible	616,036	12,641
Appropriations receivable from State of Illinois	1,378	
Pledges receivable, net of allowance		60,241
Notes receivable, net of allowance for uncollectible	8,151	
Accrued interest on notes receivable	5,380	
Inventories	32,055	2,807
Prepaid expenses and deposits	51,566	2,661
Due from related organizations	381	
Total current assets	2,030,818	100,434
Noncurrent assets:		
Cash and cash equivalents, restricted	16,114	285
Investments	1,744,730	28,120
Investments, restricted	930,626	2,933,900
Pledges receivable, net of allowance		173,759
Notes receivable, net of allowance for uncollectible	32,065	
Capital assets, net of accumulated depreciation	4,286,102	55,333
Irrevocable trusts held by other trustees	21,685	
Other assets	24,589	215
Total noncurrent assets	7,055,911	3,191,612
Deferred outflows of resources	123,758	265
Total assets and deferred outflows of resources	$ 9,210,487	$ 3,292,311
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	$ 473,706	$ 17,486
Accrued payroll	199,273	500
Accrued compensated absences, current portion	19,055	2,518
Accrued self-insurance, current portion	40,460	
Unearned revenue and student deposits	320,536	614
Accrued interest payable	14,465	
Notes payable		7,777
Bonds payable, current portion, net	72,813	
Due to related organizations		381
Leaseholds payable and other obligations, current portion, net	38,669	6,231
Other postemployment benefits, current portion	27,616	
Assets held for others	24,060	2,500
Total current liabilities	1,230,653	38,007
Noncurrent liabilities:		
Bonds payable, net	1,171,744	
Leaseholds payable and other obligations, net	218,915	48,175
Accrued compensated absences	234,750	
Accrued self-insurance	232,272	
Other postemployment benefits	1,072,703	
Derivative instruments– liability	1,861	751
Total noncurrent liabilities	2,932,245	48,926
Deferred inflows of resources	309,766	1,479
Total liabilities and deferred inflows of resources	4,472,664	88,412
Net investment in capital assets	2,826,150	47,556
Restricted:		
Nonexpendable	165,340	1,487,464
Expendable	882,698	1,563,372
Unrestricted	863,635	105,507
Total net position	4,737,823	3,203,899
Total liabilities, deferred inflows of resources and net position	$ 9,210,487	$ 3,292,311

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, 2021
(In thousands)

	University	Discretely Presented Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowance of $457,530	$ 1,232,010	$
Federal appropriations	20,366	
Federal grants and contracts	764,176	
State of Illinois grants and contracts	77,515	
Private and other government agency grants and contracts	157,162	203,969
Educational activities	362,824	
Auxiliary enterprises, net	291,571	
Hospital and other medical activities, net	871,063	
Medical service plan	265,507	
Independent operations	9,461	
Interest and service charges on student loans	1,231	
Allocation from the University		13,153
Other sources		112,625
Total operating revenues	4,052,886	329,747
Operating expenses:		
Instruction	1,866,922	
Research	1,003,939	
Public service	539,448	
Academic support	752,545	
Student services	258,943	
Institutional support	338,869	138,507
Operation and maintenance of plant	309,095	
Scholarships and fellowships	128,851	
Auxiliary enterprises	356,263	
Hospital and medical activities	1,271,267	
Independent operations	6,717	
Depreciation and amortization	270,124	3,119
Distributions to the University		271,281
Total operating expenses	7,102,983	412,907
Operating loss	(3,050,097)	(83,160)
Nonoperating revenues (expenses):		
State appropriations	628,541	
Transfer of state appropriations to the Illinois Hospital Services Fund	(26,250)	
Private gifts	241,031	
Grants and contracts	322,030	
Federal and State COVID-19 relief funds for healthcare providers	90,249	
On-behalf for fringe benefits	311,498	
Special funding situation for fringe benefits	1,619,308	
Net investment income (net of investment expense of $6,012)	57,490	(6,176)
Net increase in the fair value of investments	188,423	695,808
Interest expense	(44,953)	(117)
(Loss) gain on disposal of capital assets	(391)	160
Other nonoperating revenues (expenses), net	122,126	(1,179)
Net nonoperating revenues	3,509,102	688,496
Income before other revenues	459,005	605,336
Capital state appropriations	2,647	
Capital gifts and grants	24,943	
Private gifts for endowment purposes	198	56,601
Increase in net position	486,793	661,937
Net position, beginning of year	4,028,010	2,541,962
Restatement, correction of an error	223,020	
Net position, beginning of year, as restated	4,251,030	2,541,962
Net position, end of year	$ 4,737,823	$ 3,203,899

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, 2021
(In thousands)

		University
Cash flows from operating activities:		
Student tuition and fees	$	1,227,321
Federal appropriations		21,107
Federal, state, and local grants and contracts		841,016
Other governmental agencies and private grants and contracts		173,593
Sales and services of educational activities		368,055
Auxiliary activities and independent operations		305,659
Hospital and other medical activities		799,165
Medical service plan		268,364
Receipt of cash held for others		62,348
Payment of cash held for others		(62,348)
Payments to employees and for benefits		(2,994,695)
Payments to suppliers		(1,640,891)
Payments for scholarships and fellowships		(195,596)
Student loans issued		(3,509)
Student loans collected		9,518
Student loan interest and fees collected		1,226
Net cash used in operating activities		(819,667)
Cash flows from noncapital financing activities:		
State appropriations		771,653
Gifts transferred from University of Illinois Foundation		241,031
Direct lending receipts		457,947
Direct lending payments		(459,925)
Grants, contracts and COVID-19 relief funds, nonoperating		357,738
Private gifts for endowment purposes		198
Advance to related organizations, net		(83)
Other receipts		96,672
Other disbursements		(1,347)
Net cash provided by noncapital financing activities		1,463,884
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt including premiums		100,745
Proceeds from sale of capital assets		2,566
Capital gifts and grants		8,982
Purchase of capital assets		(335,501)
Principal payments on bonds, capital leases, and other obligations		(186,049)
Interest payments on bonds, capital leases, and other obligations		(64,601)
Payment of capital debt issuance costs		(1,751)
Net cash used in capital and related financing activities		(475,609)
Cash flows from investing activities:		
Interest and dividends on investments, net		49,012
Proceeds from sales and maturities of investments		2,439,964
Purchase of investments		(2,673,123)
Net cash used in investing activities		(184,147)
Net decrease in cash and cash equivalents		(15,539)
Cash and cash equivalents, beginning of year		998,906
Restatement due to implementation of GASB Statement #84		(17,471)
Cash and cash equivalents, beginning of year, as restated		981,435
Cash and cash equivalents, end of year	$	965,896

(Continued)

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended June 30, 2021
(In thousands)

		University
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(3,050,097)
Adjustments to reconcile operating loss to net cash used in operating activities:		
On-behalf and special funding situation for fringe benefits expense		1,930,806
Depreciation and amortization expense		270,124
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable, net		(70,210)
Notes receivable, net		5,694
Accrued interest on notes receivable		(6)
Inventories		2,255
Prepaid expenses and deposits		(5,910)
Deferred outflow of resources		9,632
Accounts payable and accrued liabilities		56,836
Accrued payroll		13,587
Unearned revenue and student deposits		22,836
Accrued compensated absences		22,144
Accrued self-insurance		(6,727)
Other postemployment benefits		(156,774)
Deferred inflows of resources		123,824
Assets held for others		12,319
Net cash used in operating activities	$	(819,667)
Noncash investing, capital, and financing activities:		
On-behalf for fringe benefits nonoperating revenue	$	311,498
Special funding for fringe benefits nonoperating revenue		1,619,308
State appropriation		26,250
Transfers of state appropriations to Illinois Hospital Services Fund		(26,250)
Net increase in fair value of investments		188,423
Gifts in kind and grants – capital assets		13,335
Decrease of capital asset obligations in accounts payable		(12,858)
Capital asset acquisitions by Capital Development Board		2,647
Capital asset acquisitions by leaseholds payable		73,284
Net interest capitalized		6,213
Other capital asset adjustments		17,728
Loss on disposal of capital assets		(391)
Capital appreciation on bonds payable		2,080

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, 2021 and Year ended June 30, 2021
(In thousands)

Statement of Fiduciary Net Position

		Custodial Funds
Assets:		
Current assets:		
Cash and cash equivalents	$	21,548
Prepaid deductions		13,851
Accounts receivable		194
Total assets	$	35,593
Liabilities:		
Accounts payable and accrued liabilities	$	3,001
Unearned additions		4,962
Total liabilities		7,963
Net position:		
Restricted - organizations		27,630
Total net position		27,630
Total liabilities and net position	$	35,593

Statement of Changes in Fiduciary Net Position

		Custodial Funds
Additions:		
Collections from third party	$	29,493
Software license sales and fees		18,887
Investment income		20
Other sources		3,233
Total additions		51,633
Deductions:		
Professional and other contractual services		47,790
Utilities		1,590
Supplies		614
Administrative services		50
Other		1,335
Total deductions		51,379
Increase in fiduciary net position		254
Net position, beginning of year, as restated		27,376
Net position, end of year	$	27,630

See accompanying independent auditor's report.

(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.

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, 2242 W. Harrison, Suite 201, Chicago, Illinois 60612.

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

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 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 coronavirus infectious disease 2019 (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*, using the economic resources measurement focus and the accrual basis of accounting. Business-type activities are those financed in whole or in part by fees charged to external parties for goods and services.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses 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 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, 2021, net appreciation of $176,216,000 was available to be spent, of which $136,338,000 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 $106,400,000 for fiscal year ended June 30, 2021.

(f) ***Capital Assets***

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

Proceeds from the sale, exchange or other disposal of any item belonging to a collection must be applied to the acquisition of additional items for the same collection.
Estimated useful lives for capital assets are as follows:

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

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

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

Losses on refunding of the University's bonds and certificates of participation are reported as deferred 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 2021 are reported as deferred outflows of resources.

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

Deferred Outflow of Resources
(In thousands)

		Ending balance
Interest rate swap agreements	$	1,278
Unamortized deferred loss on refunding		17,609
Pension contributions		40,550
OPEB (note 12)		64,321
Total deferred outflow of resources	$	123,758

(h) ***Compensated Absences***

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

(i) ***Premiums***

Premiums for bonds and certificates of participation are reported within bonds payable and leaseholds payable, respectively, and are amortized over the life of the debt issue using the 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 also include OPEB sources as disclosed in note 12.

Facilities constructed and operated through a service concession arrangement (SCA) are reported as deferred inflows of resources. In a SCA, the day-to-day operations of the facility, or a portion thereof, is managed by a third party. Deferred inflows of resources are recognized when the SCA becomes effective and are amortized using the straight-line method over the life of the SCA, in accordance with GASB Statement No. 60.

Deferred Inflow of Resources

(In thousands)

		Ending balance
Irrevocable trusts	$	21,685
SCA (note 8)		67,508
OPEB (note 12)		220,573
Total deferred inflow of resources	$	309,766

(k) ***Net Position***

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

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

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

In fiscal year 2021, the University allocated $26,250,000 of State appropriations for transfer to the University of Illinois Hospital Services Fund, which is a special fund established in the State Treasury pursuant to the State Finance Act, 30 ILCS 105/6z-30. This fund is owned and operated by the Illinois Department of Healthcare and Family Services. It is not part of or a related organization of the University.

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

Scholarships and fellowships of $457,530,000 and $29,257,000 are netted against student tuition and fees and auxiliary enterprises revenues, respectively. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Graduate and other employment related remissions are included with compensation and benefits and presented in instruction, research and other functional categories of operating expenses. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year are unearned and recognized in the next fiscal year.

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

With respect to the Hospital, patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, some of which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges and per diem payments. Approximately 96% of the Hospital's net patient service revenues were derived from Medicare, Medicaid and managed care programs for the year ended June 30, 2021. 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, 2021, the contractual allowances totaled $1,996,438,000.

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 $24,594,000 for fiscal year 2021. 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 will continue to be offset at 50% for an additional six months with any remaining balance due at the conclusion of the offset period. As of June 30, 2021, $67,867,000 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 $76,473,000 at June 30, 2021 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from revenues to be recognized in fiscal year 2022 rather than from the unrestricted net position available at June 30, 2021.

(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, 2021, 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, 2021, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $327,775,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $16,277,000 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 $311,498,000 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. The (1) State of Illinois and its public universities are under a special funding situation for employees who are not paid from trust, federal, and other similar funds, while (2) the University is responsible for OPEB employer contributions when University employees are paid from trust, federal, and other similar funds.

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2020, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $8,616,000 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. 84, *Fiduciary Activities*, which was effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Implementation of this pronouncement did impact the University's financial statements. The University restated its beginning cash and cash equivalents balance by $17,471,000 on its Statement of Cash Flows since these amounts are related to balances held within the University's fiduciary funds. The University has included fiduciary fund statements on page 17 of this report. Note 10 has additional details regarding the restatements impacted by this Statement.

The University adopted the provisions of GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which was effective for periods beginning after December 15, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. This requirement is to be applied on a prospective basis. Implementation of this pronouncement impacted the University's financial statements. As such, the University recorded a majority interest in WWT, Prairieland, Illinois Ventures, Research Park, Illinois Global Gateway, and Shield T3 of $17,340,000 within Other Assets in the Statement of Net Position and within net Other Nonoperating Revenues in the Statement of Revenues, Expenses and Changes in Net Position.

The University adopted certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*; relating to defined benefit plans that were effective immediately upon issuance in June 2020. The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units, mitigate costs associated with the reporting of certain defined contribution pension plans and other postemployment benefit plans, and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans. 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 totaled $2,399,000 on June 30, 2021. The June 30, 2021 total bank account balances for the University aggregated $33,981,000 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, 2021:

University Cash, Cash Equivalents and Investments
(In thousands)

U.S. Treasury bonds and bills	$	395,836
U.S. government agencies		225,020
International government bonds and governmental agencies		12,951
Nongovernment mortgage-backed securities		91,277
Asset backed securities		329,387
Corporate bonds		1,024,402
Commercial paper		39,742
Municipal bonds		29,436
Global fixed income		6,262
Money market funds		936,302
Illinois Public Treasurer's Investment Pool		21,397
Subtotal before cash deposits, equities and other investments		3,112,012
Equities		31,672
Equity funds		530,961
Diversifying strategies		72,530
Private equity		91,656
Farm properties		120,699
Real assets		38,437
Cash deposits (net of outstanding checks)		2,399
Total	$	4,000,366

(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, 2021 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	$ 395,836	86,855	232,502	67,841	8,638
U.S. government agencies	225,020	814	11,815	18,960	193,431
International government bonds and governmental agencies	12,951	2,836	7,682	1,760	673
Nongovernment mortgage-backed securities	91,277			1,374	89,903
Asset backed securities	329,387	1,725	257,851	29,869	39,942
Corporate bonds	1,024,402	232,667	679,945	96,434	15,356
Commercial paper	39,742	39,742			
Municipal bonds	29,436	6,122	17,179	2,581	3,554
Global fixed income	6,262			122	6,140
Subject to interest rate risk	2,154,313	370,761	1,206,974	218,941	357,637
Money market funds	936,302	936,302			
Illinois Public Treasurer's Investment Pool	21,397	21,397			
Total	$ 3,112,012	1,328,460	1,206,974	218,941	357,637

At June 30, 2021, the University's operating funds pool portfolio had an effective duration of 1.4 years.

(b) ***Credit Risk***

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

The University reports the credit ratings of fixed income securities and short term instruments using Standard & 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, 2021 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	$ 395,836		395,836				
U.S. government agencies	225,020		225,020				
International government bonds and governmental agencies	12,951	6,673	767	4,599	912		
Nongovernment mortgage-backed securities	91,277	74,826	2,867	500	2,300		10,784
Asset backed securities	329,387	317,792	6,820	600	1,483		2,692
Corporate bonds	1,024,402	2,740	81,501	468,532	462,123	6,423	3,083
Commercial paper	39,742		9,785	29,957			
Municipal bonds	29,436	4,910	16,033	5,996	237		2,260
Global fixed income	6,262	5	83	15	20		6,139
Money market funds	936,302	936,302					
Illinois Public Treasurer's Investment Pool	21,397	21,397					
Total	$ 3,112,012	1,364,645	738,712	510,199	467,075	6,423	24,958

[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, 2021, 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, 2021, 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. Level 1 securities would include global fixed income, equity funds, and exchange traded equities.

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

Investments may be classified as Level 3 when the values include inputs that are unobservable and Level 1 and Level 2 inputs are not available. The values are based upon the best information available under the circumstances and may include management's own data. Level 3 securities include equities and farm properties. 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, 2021.

The following table summarizes assets measured at fair value as of June 30, 2021, 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, 2021

(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	$ 395,836		395,836	
U.S. government agencies	225,020		225,020	
International government bonds and governmental agencies	12,951		12,951	
Nongovernment mortgage-backed securities	91,277		91,277	
Asset backed securities	329,387		329,387	
Corporate bonds	1,024,402		1,024,402	
Commercial paper	39,742		39,742	
Municipal bonds	29,436		29,436	
Global fixed income	122	122		
Equities	31,672	31,186		486
Equity funds	37,255	37,255		
Farm properties	120,699			120,699
Total subject to fair value hierarchy	2,337,799	68,563	2,148,051	121,185
Investments measured at the NAV				
Global fixed income	6,140			
Equity funds	493,706			
Diversifying strategies	72,530			
Private equity	91,656			
Real assets	38,437			
Total investments measured at NAV	702,469			
Investments measured at cost				
Money market funds	936,302			
Cash deposits	2,399			
Illinois Public Treasurer's Investment Pool	21,397			
Total investments measured at cost	960,098			
Total cash, cash equivalents and investments	$ 4,000,366			

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, 2021:

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
	(In thousands)			
Investments:				
Global fixed income (A)	$ 6,140	$	(A)	(A)
Equity funds (B)	493,706		(B)	(B)
Diversifying strategies (C)	72,530	123,787	(C)	(C)
Private equity (D)	91,656	41,769	(D)	(D)
Real assets (E)	38,437	28,334	(E)	(E)
	$ 702,469	$ 193,890		

(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, 2021.

(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, 2021.

(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, 2021.

(E) The funds in this category invest in real estate and farmland. 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, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2021, 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, 2021

(In thousands)

	Fair value	Level 1	Level 2	Level 3
Cash surrender value of life insurance	$ 6,435			6,435
Certificate of deposit	1,334		1,334	
Common stock:				
Domestic	78,997	78,997		
International	12,296	12,296		
Emerging markets equity	49,988			49,988
Emerging markets index linked equity	86,079	86,079		
Farms	68,735		68,735	
International government bonds	4,985		4,985	
International index linked government bonds	48,160		48,160	
Money market mutual funds	146,015	146,015		
Mutual Funds:				
Blended, domestic	12,903	12,903		
Bond	14,242	14,242		
Equity, domestic	44,878	44,878		
Equity, international	20,264	20,264		
Fixed income	13,048	13,048		
Non-U.S. developed markets equity	163,413			163,413
Private equity funds	109,996			109,996
Private real estate funds	38,454			38,454
U.S. treasury bonds and bills	1,658		1,658	
U.S. index linked government bonds	30,174		30,174	
Variable annuity contract	3,795		3,795	
Beneficial interest in trusts	42,665			42,665
Trusts held by others	22,216			22,216
	$ 1,020,730	428,722	158,841	433,167

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2021.

The investments above exclude $2,514,000 of real estate without a readily determinable fair value, $18,602,000 of private equities and other assets, which are carried at cost, without a readily determinable fair value, and $1,892,054,000 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, 2021.

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, 2021, 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, 2021
(In thousands)

	Purchases or additions	Sales or deductions
Private equity funds	$ 14,753	$ (33,180)
Non-U.S. developed markets equity	30,000	(303)
Emerging markets equity	40,000	(56)
Private real estate	2,874	(4,657)
Trusts held by others	1,050	(1,592)
Beneficial interest in trusts	—	(12,500)
Cash surrender value of life insurance	—	(10)
Total	$ 88,677	$ (52,298)

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, 2021:

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)	$ 295,166	$	daily, monthly, quarterly, or annually **	5 to 90 days
Developed markets - non U.S. equity (B)	152,350	6,800	daily, monthly, quarterly, or annually	5 to 90 days
Emerging markets (C)	107,759		daily, monthly, quarterly, or annually **	5 to 90 days
Global equity (D)	417,570		daily, monthly, quarterly, or annually **	5 to 90 days
Global fixed income (E)	31,415		daily, monthly, quarterly	5 to 90 days
Natural resources (F)	31,722		daily, monthly, quarterly, or annually	5 to 90 days
Private credit (G)	100,939	35,078	not eligible*	N/A
Private equity - entertainment/leisure (H)	18,334	15,151	not eligible*	N/A
Private equity - global growth (I)	71,477	14,644	not eligible*	N/A
Private equity - health care (J)	62,562	9,602	not eligible*	N/A
Private equity - industrials (K)	21,457		not eligible*	N/A
Private equity - middle market (L)	34,153	14,343	not eligible*	N/A
Private equity - venture capital (M)	50,080	18,823	not eligible*	N/A
Private natural resources (N)	112,814	11,604	not eligible*	N/A
Real estate (O)	79,577	47,713	not eligible*	N/A
U.S. equity (P)	304,679		daily, monthly, quarterly, or annually	5 to 90 days
	$ 1,892,054	$ 173,758		

* In the case of private funds, capital is returned as monetization events occur which may be infrequent in nature and the timing is not known. Generally, capital is committed to a partnership for a period of up to 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, 2021, there were $173,758,000 of unfunded commitments relating to private fund investments.

** There are certain investments with fair value of $232,164,000 in the above category that are subject to certain lock provisions that may limit the ability to redeem all or a portion of the investment for a given period of time, typically ranging from one to three years.

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

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

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

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

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

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

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

(H) This category includes investments in private equity 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 business.

(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, 2021.

The composition of accounts receivable and notes and pledges receivable at June 30, 2021 is summarized as follows:

University Accounts Receivable, Net of Allowance
(In thousands)

		Gross receivables	Allowance for uncollectible	Net receivables
Receivables from sponsoring agencies	$	268,074	(2,358)	265,716
Hospital and other medical activities		357,673	(189,372)	168,301
Student tuition and fees		72,457	(24,485)	47,972
Auxiliaries		16,618	(6,065)	10,553
Medical service plan		48,214	(8,272)	39,942
Educational activities		74,631	(14,057)	60,574
Other		23,838	(860)	22,978
Total	$	861,505	(245,469)	616,036

Notes and Pledges Receivable
(In thousands)

Student notes receivable – University:		
Student notes outstanding - Perkins loan program*	$	15,127
Student notes outstanding - other programs		28,709
Allowance for uncollectible loans		(3,620)
Total student notes receivable, net	$	40,216

* 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:	$	251,729
Less:		
Allowance for doubtful pledges		(13,546)
Present value discount		(4,183)
Total gift pledges outstanding, net	$	234,000

(4) Capital Assets

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest of $6,213,000 was capitalized during the year ended June 30, 2021.

Capital assets activity during the year ended June 30, 2021 is summarized as follows:

University Capital Assets
(In thousands)

	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 139,282	2,381	(138)		$ 141,525
Construction in progress	375,359	239,321		(292,754)	321,926
Inexhaustible collections	25,186	617			25,803
Total nondepreciable capital assets	539,827	242,319	(138)	(292,754)	489,254
Depreciable capital assets:					
Buildings	5,133,700	74,458	(517)	180,275	5,387,916
Improvements and infrastructure	760,612	4,417		11,297	776,326
Equipment	1,349,093	91,466	(46,726)	6,174	1,400,007
Software	207,904		(1,333)	95,008	301,579
Exhaustible collections	704,605	23,190	(1,163)		726,632
Total depreciable and amortizable capital assets	8,155,914	193,531	(49,739)	292,754	8,592,460
Less accumulated depreciation and amortization:					
Buildings	2,180,211	138,343	(385)		2,318,169
Improvements and infrastructure	537,760	23,412			561,172
Equipment	1,076,436	73,670	(44,039)		1,106,067
Software	191,268	10,788	(1,333)		200,723
Exhaustible collections	586,733	23,911	(1,163)		609,481
Total accumulated depreciation and amortization	4,572,408	270,124	(46,920)	—	4,795,612
Total net depreciable capital assets	3,583,506	(76,593)	(2,819)	292,754	3,796,848
Total	$ 4,123,333	165,726	(2,957)	—	$ 4,286,102

(5) Accrued Self-Insurance and Loss Contingency

The University's accrued self-insurance liability of $272,732,000, as of June 30, 2021 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, 2021. 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 $183,352,000 at June 30, 2021 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, 2021. 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)

		2021		2020
Balance, beginning of year	$	279,459	$	242,048
Claims incurred and changes in estimates		37,545		81,453
Claim payments and other deductions		(44,272)		(44,042)
Balance, end of year		272,732		279,459
Less current portion		(40,460)		(38,728)
Balance, end of year – noncurrent portion	$	232,272	$	240,731

An additional workers' compensation self-insurance liability included in the University's accounts payable at June 30, 2021 and 2020 was $23,198,000 and $27,426,000, respectively. Claims incurred and changes in estimates related to this liability were $3,924,000 and $13,369,000 in fiscal years 2021 and 2020, respectively. Claim payments and other deductions were $8,153,000 and $6,722,000 in fiscal years 2021 and 2020, 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, 2021.

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	$	231,661
Additions		41,623
Deductions		(19,479)
Balance, end of year		253,805
Less current portion		(19,055)
Balance, end of year – noncurrent portion	$	234,750

(7) Bonds Payable

On July 9, 2020, the University issued $59,775,000 of AFS Revenue Bonds, Series 2020A and $31,175,000 of AFS Revenue Bonds, Series 2020B. Proceeds of these bonds are or were being used to (i) finance or refinance certain capital improvements, (ii) refund a portion of the currently outstanding Prior Parity Bonds, Series 2010A, and Series 2014C, respectively, (iii) pay a portion of the interest on the Series 2020 Bonds, and (iv) pay costs of issuing the Series 2020 Bonds.

The refunding of Series 2010A resulted in a projected gain over the life of the issue at a net present value of $3,953,000. The difference between the reacquisition price and the net carrying amount of the old debt, gain on refunding, was $526,000. The refunding of Series 2014C resulted in a projected loss over the life of the issue at a net present value of $7,093,000 for the Series 2020B bonds. The difference between the reacquisition price and the net carrying amount of the old debt, loss on refunding, was $59,000. This gain and loss on each refunding are 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, 2021 consists of the following:

Bonds Payable
(In thousands)

	Maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Auxiliary Facilities System:						
Current interest bonds	2022 – 2050	$ 1,085,775	90,950	(110,190)	$ 1,066,535	$ 52,705
Capital appreciation bonds	2022 – 2030	43,335		(21,235)	22,100	2,930
Health Services Facilities System	2022 – 2043	101,385		(3,900)	97,485	4,045
UIC South Campus	2022 – 2023	16,215		(7,550)	8,665	7,895
		1,246,710	90,950	(142,875)	1,194,785	67,575
Unaccreted appreciation		(7,568)	2,080		(5,488)	(1,019)
		1,239,142	93,030	(142,875)	1,189,297	66,556
Unamortized debt premium		59,454	9,795	(13,989)	55,260	6,257
Total		$ 1,298,596	102,825	(156,864)	$ 1,244,557	$ 72,813

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

Capital appreciation bonds of $22,100,000 outstanding at June 30, 2021 do not require current interest payments and have a net unappreciated value of $16,612,000. 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 $33,860,000 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 2.95% to 6.25%.

Variable Rate Bonds

Bond issues	Interest rate at June 30, 2021	Remarketing agent	Remarketing fee	Liquidity facility: Bank	Liquidity facility: Expiration	Liquidity facility: Insured by	Liquidity fee
UIC South Campus, Series 2008	0.05%	JPMorgan Securities	0.075%	JPMorgan Chase	1/20/2022	Letter of Credit	0.250%
HSFS, Series 1997B	0.05	JPMorgan Securities	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.585
HSFS, Series 2008	0.02	Goldman Sachs	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.585

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

The University has entered into three separate pay-fixed/receive-variable interest rate swap agreements. The objective of these swaps was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate. The notional amount of the interest rate swaps is equal to the par amount of the related bonds, except for HSFS Series 2008, of which $155,000 is not covered by the swap agreement. In addition, the swaps were entered into at the same time as the original bonds were issued and terminate with maturity of the existing bonds. No cash was paid or received when the original swap agreements were entered into.

Credit Risk – As of June 30, 2021, the University was not exposed to credit risk because the swaps had a negative fair value. If interest rates change and the fair value of the swaps become positive, the University will be exposed to credit risk in the amount of the derivative's fair value. The terms, fair values and credit ratings of the outstanding swaps as of June 30, 2021 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	$ 18,545	Nov 2008*	3.534%	68% of LIBOR**	$ (1,682)	Oct-2026	Loop	BBB+/A3
UIC SC 2008	3,638	Feb 2006*	4.086	68% of LIBOR**	(91)	Jan-2022	Morgan Stanley	BBB+/A1
UIC SC 2008	3,523	Feb 2006*	4.092	68% of LIBOR**	(88)	Jan-2022	JPMorgan Chase	A+/Aa2

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

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

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

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

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

Other Risks – Since the swap agreements extend to the maturity of the related bond, the University is not exposed to rollover risk. In addition, the University is not exposed to foreign currency risk or to market access risk as of June 30, 2021. 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	$ 1,628,521	2050	8.18%
HSFS	Additions to System and refunding	Net HSFS revenue, Medical Service Plan revenue net of bad debt expense, College of Medicine net tuition revenue	164,776	2043	2.94
UIC South Campus	South Campus Development Project[1] and refunding	Defined Tax Increment Financing District revenue, student tuition and fees, and sales of certain land in the UIC South Campus project	8,961	2023	2.11
		Total future revenues pledged	$ 1,802,258		

[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, 2021 are as follows:

Debt Service Requirements
(In thousands)

	Principal	Interest
2022	$ 67,575	$ 53,106
2023	51,755	50,135
2024	50,125	47,782
2025	52,925	45,513
2026	55,795	43,102
2027 – 2031	305,725	176,168
2032 – 2036	278,060	110,828
2037 – 2041	171,580	60,144
2042 – 2046	134,730	18,904
2047 – 2050	26,515	1,791
Total	$ 1,194,785	$ 607,473

Using the actual rates of .05% (UIC South Campus, Series 2008) and .02% (Health Services Facilities System, Series 2008), in effect as of June 30, 2021, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will also vary.

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

	Variable-rate bonds		Interest rate	
	Principal	Interest	swaps, net	Total
2022	7,160	4	179	7,343
Total	$ 7,160	4	179	$ 7,343

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
2022	$ 2,845	4	585	$ 3,434
2023	2,900	3	485	3,388
2024	3,060	3	380	3,443
2025	3,225	2	270	3,497
2026	3,295	1	155	3,451
2027	3,375	1	39	3,415
Total	$ 18,700	14	1,914	$ 20,628

(8) Leaseholds Payable and Other Obligations

Leaseholds payable and other obligations activity for the year ended June 30, 2021 consists of the following:

Leaseholds Payable and Other Obligations
(In thousands)

	Beginning balance	Additions	Deductions	Ending balance	Current portion
University:					
Certificates of participation	$ 112,070		(35,975)	$ 76,095	$ 25,735
Unamortized debt premium	7,973		(4,078)	3,895	1,270
	120,043	—	(40,053)	79,990	27,005
Other capital leases	63,043	73,598	(3,863)	132,778	3,706
Energy services agreement installment payment contracts	27,829		(3,433)	24,396	3,535
Environmental remediation		150		150	150
Perkins loans	24,400		(4,130)	20,270	4,273
Total University	235,315	73,748	(51,479)	257,584	38,669
URO – Foundation:					
Annuities payable	46,311	10,121	(5,798)	50,634	6,231
Other liabilities	2,826	809		3,635	
Total URO – Foundation	$ 49,137	10,930	(5,798)	$ 54,269	$ 6,231

Note: For fiscal year 2021, the Centers for Medicare and Medicaid Advance was reclassified and reported as unearned revenue.

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

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

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

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

Assets held under capital leases are included in capital assets at June 30, 2021 as follows:

Assets Held Under Capital Lease
(In thousands)

Land	$	6,471
Buildings		245,566
Improvements		181,919
Equipment		8,007
Subtotal		441,963
Less accumulated depreciation		184,690
Total	$	257,273

The net present value of outstanding capital leases at June 30, 2021 is as follows:

Outstanding Capital Leases
(In thousands)

Certificates of participation:		
Series 2007A	$	15,300
Series 2014A		10,960
Series 2014B		3,850
Series 2014C		16,355
Series 2016A		18,670
Series 2016B		4,495
Series 2016D		6,465
Other capital leases		132,778
Net present value	$	208,873

As of June 30, 2021, future minimum lease payments under capital leases are as follows:

Future Minimum Lease Payments
Under Capital Leases
(In thousands)

2022	$	38,800
2023		22,651
2024		21,583
2025		20,092
2026		19,932
2027-2031		58,349
2032-2036		37,148
2037-2041		34,599
2042-2046		34,507
2047-2051		32,056
2052		4,515
Total minimum lease payments		324,232
Amount representing interest		(115,359)
Net present value	$	208,873

(b) ***Other Obligations***

As part of energy services agreements, the University has entered into installment payment contracts to finance energy conservation measures. As of June 30, 2021, future minimum lease payments under installment payment contracts are as follows:

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

2022	$	4,216
2023		4,216
2024		4,215
2025		4,215
2026		3,443
2027 – 2029		6,678
Total minimum lease payments		26,983
Amount representing interest		(2,587)
Net present value	$	24,396

At June 30, 2021, the URO – Foundation had annuities payable outstanding of $50,634,000. The Foundation recalculates the present value of these payments through the use of Internal Revenue Service (IRS) discount rates and IRS life expectancy tables.

(c) ***Operating Leases***

The University also leases various buildings and equipment under operating lease agreements. Total rental expense under these agreements was $15,201,000 for the year ended June 30, 2021.

The future minimum lease payments (excluding those leases renewed on an annual basis) are as follows:

Future Minimum Operating Lease Payments		
(In thousands)		
2022	$	13,121
2023		10,254
2024		8,134
2025		5,921
2026		3,022
2027 – 2031		7,331
Total	$	47,783

(d) ***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 recognized a capital asset of $118,737,000. The student housing portion is reported as a SCA and recognized as a deferred inflow 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 recognized a capital asset of $12,160,000 for the feed technology center and $59,365,000 for the campus instructional facility.

(9) Net Position

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

University Net Position
(In thousands)

Net investment in capital assets	$	2,826,150
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for – scholarships, academic programs, fellowships and research		165,340
Restricted – expendable for:		
Scholarships, academic programs, fellowships and research		574,602
Auxilary Facilities System		4,476
Loans		49,951
Service plans		92,372
Retirement of indebtedness		7,679
Capital projects		153,618
Unrestricted:		
Designated		863,635
Total	$	4,737,823

URO – Foundation Net Position
(In thousands)

Net investment in capital assets	$	38,301
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for academic programs, scholarships, fellowships and research		1,487,405
Restricted – expendable for:		
Academic programs, scholarships, fellowships and research		1,563,372
Unrestricted		67,698
Total	$	3,156,776

(Continued)

(10) Restatement of Beginning of Year Amounts

During Fiscal Year 2021, two error corrections resulted in a restatement to beginning net position, as follows:

		University of Illinois Affected by the Restatement to Beginning Balances, Net Position
		(In thousands)
07/01/2020, as previously reported	$	4,028,010
Error Correction (A)		205,462
Error Correction (B)		17,558
07/01/2020, as restated	$	4,251,030

(A) This error correction occurred due to the Illinois State Toll Highway Authority (Tollway) and the State of Illinois, Department of Central Management Services not separately stating OPEB balances for Tollway employees who only partake in the State Employees Group Insurance Program (SEGIP) upon their retirement from the Tollway from other employees accounted for within SEGIP's cost-sharing proportionate share allocation of OPEB balances. This error impacted SEGIP's cost-sharing proportionate share allocation, which is used by the State of Illinois' agencies and public universities to record their OPEB activity. At the University, this correction also impacted the beginning OPEB liability and the related deferred inflows of resources and deferred outflows of resources. The impact to the prior year change in net position is unknown.

(B) This error correction occurred due to errors identified in the Hospital's historical methodology to estimate the settlement liability related to the Hospital's managed care contracts with Blue Cross. Because the Hospital used the same methodology for many years, the overstatement of the settlement liability has accumulated incrementally over many years. The impact to the prior year change in net position was $185,000.

During Fiscal Year 2021, implementation of GASB Statement No. 84, *Fiduciary Activities*, resulted in a restatement of beginning cash and cash equivalents on the University's Statement of Cash Flows, as follows:

		University of Illinois Affected by the Restatement to Beginning Balances, Cash & Cash Equivalents
		(In thousands)
07/01/2020, as previously reported	$	998,906
Restatement due to GASB Statement #84		(17,471)
07/01/2020, as restated	$	981,435

(Continued)

During Fiscal Year 2021, implementation of GASB Statement No. 84, *Fiduciary Activities*, resulted in a restatement of net position on the University's Statement of Changes in Fiduciary Net Position, as follows:

	University of Illinois Fiduciary Activities Affected by the Restatement to Beginning Balance, Fiduciary Net Position
	(In thousands)
07/01/2020, as previously reported	$ -
Restatement due to GASB Statement #84	27,376
07/01/2020, as restated	$ 27,376

(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, 2020 can be found in the SURS' Comprehensive Annual 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 2020 and 2021, respectively, was 13.02% and 12.70% 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, 2020. At June 30, 2020, SURS reported a NPL of $30,619,504,000.

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 $13,788,569,000 or 45.0320%. The University's proportionate share changed by 0.6392% from 44.3928% since the last measurement date on June 30, 2019. This amount is not recognized in the financial statements. The NPL and total pension liability as of June 30, 2020 was determined based on the June 30, 2019 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, 2020 SURS reported a collective net pension expense of $3,364,411,000.

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 $1,515,061,000 from this special funding situation during the year ended June 30, 2021.

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 of Resources by Sources

(In thousands)

		Deferred Outflows of Resources
Difference between expected and actual experience	$	170,987
Changes in assumption		473,020
Net difference between projected and actual earnings on pension plan		474,659
Total	$	1,118,666

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

(In thousands)

Year Ending June 30		Deferred Outflows of Resources
2021	$	435,272
2022		346,428
2023		183,484
2024		153,482
2025		-
Thereafter		-
Total	$	1,118,666

(c) ***University Deferral of Fiscal Year 2021 Pension Contributions***

The University paid $40,550,000 in federal, trust or grant contributions for fiscal year ended June 30, 2021. These contributions were made subsequent to the pension liability measurement date of June 30, 2020 and are recognized as deferred outflows of resources as of June 30, 2021.

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

Actuarial assumptions: The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2014, through June 30, 2017. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 White Collar, gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2020, 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	44.0%	6.67%
Stabilized Growth		
Credit Fixed Income	14.0%	2.39%
Core Real Assets	5.0%	4.14%
Options Strategies	6.0%	4.44%
Non-Traditional Growth		
Private Equity	8.0%	9.66%
Non-Core Real Assets	3.0%	8.70%
Inflation Sensitive		
U.S. TIPS	6.0%	0.13%
Principal Protection		
Core Fixed Income	8.0%	-0.45%
Crisis Risk Offset		
Systematic Trend Following	2.1%	2.16%
Alternative Risk Premia	1.8%	1.60%
Long Duration	2.1%	0.86%
Total	**100.0%**	**4.84%**
Inflation		**2.25%**
Expected Arithmetic Return		**7.09%**

Discount Rate: A single discount rate of 6.49% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 2.45% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.49%, 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 5.49%	Current Single Discount Rate Assumption 6.49%	1% Increase 7.49%
	(In thousands)	
$36,893,470	$30,619,504	$25,441,838

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

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, 2020, can be found in SURS Comprehensive Annual 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, 2020, the State's contributions to the RSP on behalf of individual employers totaled $74,419,000. Of this amount, $68,874,000 was funded via an appropriation from the State and $5,545,000 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 make to the RSP during fiscal year 2020. The University's share of pensionable contributions was 55.1119%. As a result, the University recognized revenue and defined contribution pension expense of $41,014,000 from this special funding situation during the year ended June 30, 2021, of which $3,056,000 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 2021, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $12,261 ($6,910 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $15,224 ($6,449 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 $63,233,000 during the year ended June 30, 2021. 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, 2021.

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, 2020 based on the June 30, 2019 and 2018, respectively, actuarial valuation rolled forward:

(In thousands)

Measurement Date:		June 30, 2020
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$	6,881,615
SEGIP total OPEB liability	$	42,366,626
Proportionate share of the total OPEB liability		16.24%

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

The total OPEB liability, as reported at June 30, 2021 was measured as of June 30, 2020, with an actuarial valuation as of June 30, 2019, 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, 2020 based on the June 30, 2019 and 2018, respectively, actuarial valuation rolled forward:

(In thousands)

Measurement Date:		June 30, 2020
University's OPEB liability	$	1,100,319
SEGIP total OPEB liability	$	42,366,626
Proportionate share of the total OPEB liability		2.60%

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology in note 1(s) during the year ended June 30, 2020. As of the current year measurement date of June 30, 2020, the University's proportion decreased .30% from its proportion measured as of the prior year measurement date of June 30, 2019.

The University recognized OPEB expense for the year ended June 30, 2021, of $(21,669,000).

At June 30, 2021, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2020, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	6,227
Changes in assumptions		30,069
Changes in proportion and differences between employer contributions and proportionate share of contributions		409
University contributions subsequent to the measurement date		27,616
Total deferred outflows of resources	$	64,321
Deferred inflows of resources		
Differences between expected and actual experience	$	11,848
Changes of assumptions		110,499
Changes in proportion and differences between employer contributions and proportionate share of contributions		98,226
Total deferred inflows of resources	$	220,573

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, 2022. 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,		
2022	$	(61,813)
2023		(49,222)
2024		(30,301)
2025		(37,482)
2026		(5,050)
Total	$	(183,868)

(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, 2019, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2019.

Valuation Date	June 30, 2019, rolled forward
Measurement Date	June 30, 2020
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)	8.25% grading down 0.25% per year over 16 years to 4.25% in 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 4.25% through 2037.
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 2020 and 2021 are based on actual premiums. Premiums after 2021 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:

Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical & Rx (Post-Medicare)	9.00% grading down 0.50% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%

*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, 2019 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 3.13% at June 30, 2019, and 2.45% at June 30, 2020, 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 2.45%, 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 (3.45%) or lower (1.45%) than the current rate (amounts expressed in thousands):

	1% Decrease (1.45%)	Current Single Discount Rate Assumption (2.45%)	1% Increase (3.45%)
University's proportionate share of total OPEB liability	$ 1,295,174	$ 1,100,319	$ 944,915

(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 8.25% in 2021 decreasing to an ultimate trend rate of 4.25% in 2037.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$ 921,130	$ 1,100,319	$ 1,335,284

(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, 2020 based on the June 30, 2019 and 2018, respectively, actuarial valuation rolled forward:

(In thousands)		
Measurement Date:		**June 30, 2020**
University's OPEB liability	$	1,100,319
State of Illinois' OPEB liability related to the University under the Special Funding Situation		6,881,615
Total OPEB liability associated with the University	$	7,981,934
SEGIP total OPEB liability	$	42,366,626
Proportionate share of the OPEB liability associated with the University		18.84%

(13) Commitments and Contingencies

At June 30, 2021, the University had commitments on various construction projects, contracts for repairs and renovation of facilities and software projects of $222,177,000.

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 $53,100,000. The exposure related to Prairieland at June 30, 2021 is $28,684,000 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 Outpatient Surgery Center and Specialty Clinics Facility

In August of 2020, the University entered into several agreements with private enterprises in order to construct a 200,000 square foot Outpatient Surgery Center and Specialty Clinics Facility (OSC). The University has partnered with Provident Group-UIC Surgery Center LLC (Provident UICSC) and its developer, UIH ASC Development, LLC (Developer). Through agreements among the parties, Provident UICSC is responsible for the design, development, and construction of the OSC. The Illinois Finance Authority (IFA) provided financing through public bonds. Provident UICSC is the owner of the OSC and debtor on the IFA bonds issued to finance the project. The IFA bonds have a service period of 35 years which includes a 30 month period for construction. The University leased the land on which the OSC will be built to Provident UICSC over a period of 40 years and agreed to directly acquire and install within the OSC certain medical equipment. Upon the termination or expiration of the land lease, the OSC, any improvements, fixtures, equipment and all personal property attached to or within the OSC shall be owned by the University. Construction began in August 2020 and completion is anticipated in fiscal year 2023. Once the OSC is completed, the

University will recognize an asset and corresponding long-term liability. The use of the OSC will be reported in accordance with GASB Statement No. 87 on lease accounting standards.

(14) Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2021 for the University and the URO – Foundation are summarized as follows:

University Operating Expenses by Natural Classification
(In thousands)

	Compensation and benefits	Supplies and services	Student aid	Depreciation	Total
Instruction	$ 1,754,186	104,794	7,942		$ 1,866,922
Research	715,024	277,132	11,783		1,003,939
Public service	344,565	189,247	5,636		539,448
Academic support	564,210	174,721	13,614		752,545
Student services	201,893	44,122	12,928		258,943
Institutional support	318,584	16,803	3,482		338,869
Operation and maintenance of plant	91,632	212,916	4,547		309,095
Scholarships and fellowships	5,654	2,051	121,146		128,851
Auxiliary enterprises	187,365	153,620	15,278		356,263
Hospital and medical activities	766,377	504,847	43		1,271,267
Independent operations	743	5,974			6,717
Depreciation				270,124	270,124
Total	$ 4,950,233	1,686,227	196,399	270,124	$ 7,102,983

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

	Distributions on behalf of the University	Institutional support	Depreciation	Total
Fund-raising	$	18,755		$ 18,755
Distributions on behalf of the University	271,281			271,281
General and administrative		14,448		14,448
Actuarial adjustments		3,971		3,971
Depreciation			1,296	1,296
Total	$ 271,281	37,174	1,296	$ 309,751

(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, 2021

(In thousands)

		AFS	HSFS		Total
Assets and deferred outflow of resources:					
Current assets	$	174,122	562,054	$	736,176
Noncurrent assets:					
Capital assets, net of accumulated depreciation		1,224,647	293,919		1,518,566
Other noncurrent assets		32,906	34,417		67,323
Deferred outflow of resources		12,952	2,587		15,539
Total assets and deferred outflow of resources	$	1,444,627	892,977	$	2,337,604
Liabilities:					
Current liabilities	$	106,784	227,217	$	334,001
Noncurrent liabilities:					
Long-term debt		1,077,014	94,683		1,171,697
Other liabilities		7,775	46,452		54,227
Total liabilities		1,191,573	368,352		1,559,925
Net position:					
Net investment in capital assets		139,156	197,802		336,958
Restricted:					
Expendable		3,590	34,417		38,007
Unrestricted		110,308	292,406		402,714
Total net position		253,054	524,625		777,679
Total liabilities and net position	$	1,444,627	892,977	$	2,337,604

Condensed Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2021 (In thousands)		AFS	HSFS		Total
Operating revenues	$	252,145	910,533	$	1,162,678
Operating expenses		282,850	1,298,137		1,580,987
Depreciation expense		46,484	28,023		74,507
Operating loss		(77,189)	(415,627)		(492,816)
Nonoperating revenues, net and capital gifts		79,869	492,973		572,842
Increase in net position		2,680	77,346		80,026
Net position, beginning of year, as restated[1]		250,374	447,279		697,653
Net position, end of year	$	253,054	524,625	$	777,679

[1] The HSFS beginning of year net position was restated from $429,722 to $447,279 due to correction of an error.

Condensed Statement of Cash Flows

Year ended June 30, 2021 (In thousands)		AFS	HSFS		Total
Net cash flows provided by (used in) operating activities	$	34,596	(63,188)	$	(28,592)
Net cash flows provided by noncapital financing activities		45,659	103,547		149,206
Net cash flows used in capital and related financing activities		(147,100)	(52,004)		(199,104)
Net cash flows provided by investing activities		24,931	12,475		37,406
Net (decrease) increase in cash and cash equivalents		(41,914)	830		(41,084)
Cash and cash equivalents, beginning of year		229,614	413,617		643,231
Cash and cash equivalents, end of year	$	187,700	414,447	$	602,147

(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	$ 271,281		9,559	(9,559)	$ 271,281
Alumni Association			1,895	(1,895)	-
WWT			27,525	(27,525)	-
Illinois Ventures			1,593	(1,593)	-
Research Park			671	(671)	-
Prairieland			38,008	(38,008)	-
Shield T3, LLC		(64)	4,070	(4,070)	(64)
Illinois Global Gateway		7	371	(371)	7
Total	$ 271,281	(57)	83,692	(83,692)	$ 271,224

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, 2021
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Assets and Deferred Outflow of Resources:				
Current assets	$ 74,096	2,294	2,624	2,820
Noncurrent assets:				
Capital assets, net of accumulated depreciation	46,078	2,949	362	10
Other noncurrent assets	3,108,012	24,067	80	4,070
Deferred outflow of resources				
Total assets and deferred outflow of resources	$ 3,228,186	29,310	3,066	6,900
Liabilities and Deferred Inflow of Resources:				
Current liabilities	$ 23,235	425	2,989	263
Due to related organizations		26		
Noncurrent liabilities	48,175			
Deferred inflow of resources				
Total liabilities and deferred inflow of resources	71,410	451	2,989	263
Net Position:				
Net investment in capital assets	38,301	2,949	362	10
Restricted:				
Nonexpendable	1,487,405			59
Expendable	1,563,372			
Unrestricted	67,698	25,910	(285)	6,568
Total net position	3,156,776	28,859	77	6,637
Total liabilities, deferred inflow of resources and net position	$ 3,228,186	29,310	3,066	6,900

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2021
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Operating revenues	$ 222,968	3,308	26,959	1,844
Operating expenses	308,455	5,216	26,717	2,009
Depreciation expense	1,296	475	96	3
Operating (loss) income	(86,783)	(2,383)	146	(168)
Nonoperating (expenses) revenues, net	683,370	4,440	(91)	396
Contributions to endowments	56,601			
Increase in net position	653,188	2,057	55	228
Net position, beginning of year	2,503,588	26,802	22	6,409
Net position, end of year	$ 3,156,776	28,859	77	6,637

Condensed Statements of Net Position
June 30, 2021
(In thousands)

	Research Park	Prairieland	Shield T3	Illinois Global Gateway	Total
Assets and Deferred Outflow of Resources:					
Current assets	$ 777	10,070	5,204	2,549	$ 100,434
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,155	1	3,737	41	55,333
Other noncurrent assets			50		3,136,279
Deferred outflow of resources		265			265
Total assets and deferred outflow of resources	$ 2,932	10,336	8,991	2,590	$ 3,292,311
Liabilities and Deferred Inflow of Resources:					
Current liabilities	$ 14	6,038	2,972	1,689	$ 37,625
Due to related organizations			64	292	382
Noncurrent liabilities		751			48,926
Deferred inflow of resources		1,479			1,479
Total liabilities and deferred inflow of resources	14	8,268	3,036	1,981	88,412
Net Position:					
Net investment in capital assets	2,155	1	3,737	41	47,556
Restricted:					
Nonexpendable					1,487,464
Expendable					1,563,372
Unrestricted	763	2,067	2,218	568	105,507
Total net position	2,918	2,068	5,955	609	3,203,899
Total liabilities, deferred inflow of resources, and net position	$ 2,932	10,336	8,991	2,590	$ 3,292,311

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2021
(In thousands)

	Research Park	Prairieland	Shield T3	Illinois Global Gateway	Total
Operating revenues	$ 1,326	37,764	32,552	3,026	$ 329,747
Operating expenses	973	37,665	25,900	2,853	409,788
Depreciation expense	114	1	1,104	30	3,119
Operating income (loss)	239	98	5,548	143	(83,160)
Nonoperating (expenses) revenues, net		(52)	407	26	688,496
Contributions to endowments					56,601
Increase in net position	239	46	5,955	169	661,937
Net position, beginning of year	2,679	2,022		440	2,541,962
Net position, end of year	$ 2,918	2,068	5,955	609	$ 3,203,899

(Continued)

(17) Higher Education Emergency Relief Fund Awards

The University has received three separate awards (consisting of an initial award and two supplemental awards) from the Higher Education Emergency Relief Fund (HEERF) as part of the federal government's response to the COVID-19 pandemic. The University's period of availability for using these federal funds is set to expire on August 3, 2022, but this can be extended for up to one additional year. The following chart reflects the remaining balance of this activity as of June 30, 2021, which the University intends to claim and recognize as non-operating revenue during Fiscal Year 2022.

HEERF Awards

(In thousands)

		Original Award		Remaining Balance	
		University's Portion	**Student Aid Portion**	**University's Portion**	**Student Aid Portion**
HEERF 1	$	34,001	31,672		
HEERF 2		66,437	31,672		
HEERF 3		83,245	83,883	79,786	80,409
Total	$	183,683	147,227	79,786	80,409

(18) Subsequent Events

On July 8, 2021, the University issued Auxiliary Facilities System Revenue Bonds, Series 2021A in the amount of $135,355,000. The Series 2021A bonds issued have fixed interest rates that range from 2.125% to 5.000% with final maturity on April 1, 2051. The proceeds from the Series 2021A bonds will be used, together with other lawfully available moneys, to (i) finance the renovation and rehabilitation of two parking garages at the Urbana-Champaign campus (ii) refund the Series 2011A Bonds and 2011C Bonds and (iii) to pay costs of issuing the Series 2021A bonds.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2021
(In thousands)

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

Measurement Date:	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%
(b) Proportionate Amount of the Collective Net Pension Liability	$0	$0	$0	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the University	$13,788,569	$12,749,644	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Total (b) + (c)	$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*	$1,779,914	$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	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	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 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	$ 40,550	$ 38,900	$ 36,359	$ 37,139	$ 35,483	$ 34,753	$ 33,473	$ 34,200
Contributions in relation to required contribution	40,550	38,900	36,359	37,139	35,483	34,753	33,473	34,200
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
University's covered payroll	$ 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%	1.61%	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, 2020.

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

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

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

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

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

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

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

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

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

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2021
(In thousands)

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

Measurement Date:	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportionate percentage of the collective total OPEB liability	2.60%	2.90%	2.89%	3.18%
Proportionate share of the collective total OPEB liability	$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	$6,881,615	$7,564,028	$7,052,321	$10,142,951
Total OPEB liability associated with the University	$7,981,934	$8,835,014	$8,212,860	$11,457,711
Covered employee payroll	$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	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 error as described in Note 1(v).

UNIVERSITY OF ILLINOIS

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

TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2021
(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	877,695	120,274	(1,964)	8,201	1,004,206	124,496	25,272	600,212	749,980	1,754,186	112,736	1,866,922
Research	411,825	178,044	(11,245)	19,443	598,067	18,669	3,790	94,498	116,957	715,024	288,915	1,003,939
Public service	229,709	34,557	(6,765)	10,733	268,234	12,077	2,452	61,802	76,331	344,565	194,883	539,448
Academic support	290,244	15,858	(1,516)	3,443	308,029	40,334	8,188	207,659	256,181	564,210	188,335	752,545
Student services	100,980	11,501	(54)	540	112,967	14,794	3,002	71,130	88,926	201,893	57,050	258,943
Institutional support	162,916	4,476	(99)	960	168,253	23,782	4,828	121,721	150,331	318,584	20,285	338,869
Operation and maintenance of plant	52,646	2,697	(5)	19	55,357	5,692	1,156	29,427	36,275	91,632	217,463	309,095
Scholarships and fellowships	1,940	3,621	(30)	42	5,573	13	3	65	81	5,654	123,197	128,851
Auxiliary enterprises	100,749	5,349	-	35	106,133	12,661	2,570	66,001	81,232	187,365	168,898	356,263
Hospital and medical activities	389,972	1,830	-	518	392,320	58,909	11,958	303,190	374,057	766,377	504,890	1,271,267
Independent operations	71	(52)	9	260	288	71	14	370	455	743	5,974	6,717
Depreciation	-	-	-		-	-	-	-	-	-	270,124	270,124
Total	2,618,747	378,155	(21,669)	44,194	3,019,427	311,498	63,233	1,556,075	1,930,806	4,950,233	2,152,750	7,102,983

[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.