# UNIVERSITY OF ROCHESTER
# AND RELATED ENTITIES

**Consolidated Financial Statements**

June 30, 2023 and 2022

# UNIVERSITY OF ROCHESTER AND RELATED ENTITIES
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## June 30, 2023 and 2022


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## Report of Independent Auditors

To the Board of Trustees of the University of Rochester

### *Opinion*

We have audited the accompanying consolidated financial statements of the University of Rochester and its related entities (the "University"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

In performing an audit in accordance with US GAAS, we:

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

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

PricewaterhouseCoopers LLP

Fairport, New York
October 16, 2023

# UNIVERSITY OF ROCHESTER
# AND RELATED ENTITIES
## Consolidated Balance Sheets
## June 30, 2023 and 2022
## (dollars in thousands)

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 749,384 | $ 836,577 |
| Short-term investments | 860,899 | 868,278 |
| Accounts receivable, net | 602,133 | 558,452 |
| Supplies, prepaid expenses, and deferred charges | 112,373 | 108,420 |
| Contributions receivable, net | 87,108 | 79,094 |
| Notes receivable, net | 13,571 | 13,899 |
| Other assets | 83,517 | 79,513 |
| Investments held for long-term purposes | 3,241,631 | 3,218,567 |
| Property, plant, and equipment, net | 2,629,455 | 2,439,597 |
| Right of use assets | 179,820 | 184,425 |
| Investments in perpetual funds held in trusts by others | 64,735 | 61,002 |
| **Total assets** | $ 8,624,626 | $ 8,447,824 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 789,604 | $ 785,624 |
| Deferred revenue | 83,049 | 86,002 |
| Third-party settlements payable, net and other | 269,641 | 297,108 |
| Accrued pension, post-retirement, and post-employment | 565,865 | 574,700 |
| Long-term debt | 1,596,149 | 1,565,561 |
| Operating lease liabilities | 180,254 | 184,320 |
| Asset retirement obligation | 38,407 | 38,615 |
| Refundable U.S. Government grants for student loans | 2,768 | 5,282 |
| **Total liabilities** | 3,525,737 | 3,537,212 |
| Net Assets: | | |
| Without donor restrictions | 3,355,827 | 3,253,796 |
| With donor restrictions | 1,743,062 | 1,656,816 |
| **Total net assets** | 5,098,889 | 4,910,612 |
| **Total liabilities and net assets** | $ 8,624,626 | $ 8,447,824 |

The accompanying notes are an integral part of these consolidated financial statements.

# UNIVERSITY OF ROCHESTER
# AND RELATED ENTITIES
## Consolidated Statement of Activities
## For The Year Ended June 30, 2023
## (dollars in thousands)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Operating revenues and other support:** | | | |
| Tuition and fees | $ 337,023 | $ - | $ 337,023 |
| Grants and contracts | 518,596 | - | 518,596 |
| Gifts and pledges | 33,082 | 63,463 | 96,545 |
| Hospital and faculty practice patient care | 4,742,465 | - | 4,742,465 |
| Auxiliary enterprises | 128,914 | - | 128,914 |
| Interest income and appreciation of short-term investments | 67,565 | - | 67,565 |
| Educational activities | 21,637 | - | 21,637 |
| Other sources | 68,173 | - | 68,173 |
| Long-term investment income and gains allocated to operations | 117,535 | - | 117,535 |
| Net assets released from restriction | 75,273 | (75,273) | - |
| **Total operating revenue and other support** | 6,110,263 | (11,810) | 6,098,453 |
| **Operating expenses:** | | | |
| Salaries and wages | 2,798,668 | - | 2,798,668 |
| Fringe benefits | 737,954 | - | 737,954 |
| **Total compensation** | 3,536,622 | - | 3,536,622 |
| Supplies | 1,177,017 | - | 1,177,017 |
| Business and professional | 590,236 | - | 590,236 |
| Utilities | 70,091 | - | 70,091 |
| Maintenance and facilities costs | 200,754 | - | 200,754 |
| Depreciation | 274,499 | - | 274,499 |
| Interest | 48,035 | - | 48,035 |
| Other | 118,790 | - | 118,790 |
| **Total operating expenses** | 6,016,044 | - | 6,016,044 |
| **Change in net assets from operating activities** | 94,219 | (11,810) | 82,409 |
| **Non-operating activities:** | | | |
| Long-term investment activities: | | | |
| Investment income | 6,172 | 5,884 | 12,056 |
| Net appreciation | 84,697 | 92,304 | 177,001 |
| **Total long-term investment activities** | 90,869 | 98,188 | 189,057 |
| Long-term investment income and gains allocated for operations | (117,535) | - | (117,535) |
| Other changes, net | 34,478 | (1,129) | 33,349 |
| Change in valuation of split-interest agreements | - | 997 | 997 |
| **Change in net assets from non-operating activities** | 7,812 | 98,056 | 105,868 |
| **Change in net assets** | 102,031 | 86,246 | 188,277 |
| **Beginning net assets** | 3,253,796 | 1,656,816 | 4,910,612 |
| **Ending net assets** | $ 3,355,827 | $ 1,743,062 | $ 5,098,889 |

The accompanying notes are an integral part of these consolidated financial statements.

# UNIVERSITY OF ROCHESTER
# AND RELATED ENTITIES
## Consolidated Statement of Activities
## For The Year Ended June 30, 2022
## (dollars in thousands)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Operating revenues and other support:** | | | |
| Tuition and fees | $ 318,113 | $ - | $ 318,113 |
| Grants and contracts | 512,416 | - | 512,416 |
| Gifts and pledges | 31,429 | 72,372 | 103,801 |
| Hospital and faculty practice patient care | 4,279,153 | - | 4,279,153 |
| Auxiliary enterprises | 118,037 | - | 118,037 |
| Interest income and depreciation of short-term investments | (63,912) | - | (63,912) |
| Educational activities | 18,439 | - | 18,439 |
| Other sources | 68,967 | - | 68,967 |
| Long-term investment income and gains allocated to operations | 118,928 | - | 118,928 |
| Net assets released from restriction | 77,404 | (77,404) | - |
| **Total operating revenue and other support** | 5,478,974 | (5,032) | 5,473,942 |
| **Operating expenses:** | | | |
| Salaries and wages | 2,601,548 | - | 2,601,548 |
| Fringe benefits | 686,737 | - | 686,737 |
| **Total compensation** | 3,288,285 | - | 3,288,285 |
| Supplies | 1,041,116 | - | 1,041,116 |
| Business and professional | 396,775 | - | 396,775 |
| Utilities | 67,517 | - | 67,517 |
| Maintenance and facilities costs | 186,717 | - | 186,717 |
| Depreciation | 268,244 | - | 268,244 |
| Interest | 43,670 | - | 43,670 |
| Other | 140,241 | - | 140,241 |
| **Total operating expenses** | 5,432,565 | - | 5,432,565 |
| **Change in net assets from operating activities** | 46,409 | (5,032) | 41,377 |
| **Non-operating activities:** | | | |
| Long-term investment activities: | | | |
| Investment income | 7,832 | 7,627 | 15,459 |
| Net depreciation | (167,583) | (244,754) | (412,337) |
| **Total long-term investment activities** | (159,751) | (237,127) | (396,878) |
| Long-term investment income and gains allocated for operations | (118,928) | - | (118,928) |
| Other changes, net | 94,185 | (3,343) | 90,842 |
| Change in valuation of split-interest agreements | - | 5,524 | 5,524 |
| **Change in net assets from non-operating activities** | (184,494) | (234,946) | (419,440) |
| **Change in net assets** | (138,085) | (239,978) | (378,063) |
| **Beginning net assets** | 3,391,881 | 1,896,794 | 5,288,675 |
| **Ending net assets** | $ 3,253,796 | $ 1,656,816 | $ 4,910,612 |

The accompanying notes are an integral part of these consolidated financial statements.

# UNIVERSITY OF ROCHESTER
# AND RELATED ENTITIES
## Consolidated Statements of Cash Flows
## For The Year Ended June 30, 2023 and 2022
## (dollars in thousands)

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 188,277 | $ (378,063) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 274,499 | 268,244 |
| Net (appreciation)/depreciation on investment activities | (202,995) | 466,235 |
| Gifts of property, plant, equipment and other | (228) | (1,760) |
| Deferred financing costs | 817 | 368 |
| Bond premium amortization | (8,268) | (9,577) |
| Loss on disposals of property, plant, and equipment | 2,297 | 7,745 |
| Change in funded status of pension plan | (38,244) | (98,505) |
| (Increase)/decrease in investments in perpetual trusts held by others | (245) | 671 |
| Contributions for long-term investment, net | (55,449) | (75,052) |
| (Increases)/decreases in: | | |
| Accounts receivable, net | (43,681) | (3,812) |
| Supplies, prepaid expenses, and deferred charges | (2,267) | 256 |
| Contributions receivable, net | (6,301) | 6,406 |
| Other assets | (2,650) | (1,440) |
| Increases/(decreases) in: | | |
| Accounts payable and accrued expenses | 871 | (39,116) |
| Deferred revenues | (2,953) | 13,978 |
| Third-party settlements payable, net and other | (27,467) | (102,744) |
| Accrued pension, post-retirement, and post-employment | 29,409 | (28,466) |
| **Net cash provided by operating activities** | 105,422 | 25,368 |
| **Cash flows from investing activities:** | | |
| Purchases of property, plant, and equipment | (462,041) | (373,680) |
| Purchases of investments | (1,499,950) | (694,883) |
| Proceeds from the sale of investments | 1,680,590 | 868,627 |
| Decrease in notes receivable, net | 328 | 1,478 |
| **Net cash used in investing activities** | (281,073) | (198,458) |
| **Cash flows from financing activities:** | | |
| Borrowings on lines of credit | 21,176 | 7,913 |
| Payments on lines of credit | (17,417) | (4,937) |
| Payments of long-term debt | (69,237) | (66,208) |
| Proceeds from issuance of long-term debt | 101,001 | 110,589 |
| Decrease in refundable U.S. Government grants for student loans | (2,514) | (1,878) |
| Contributions for long-term investment, net | 55,449 | 75,052 |
| **Net cash provided by financing activities** | 88,458 | 120,531 |
| **Net decrease in cash and cash equivalents** | (87,193) | (52,559) |
| **Cash and cash equivalents, beginning of year** | 836,577 | 889,136 |
| **Cash and cash equivalents, end of year** | $ 749,384 | $ 836,577 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid during the year for interest on long-term debt | $ 42,076 | $ 37,795 |
| Operating cash flows from lease liabilities | 51,953 | 47,929 |
| (Decrease)/increase in construction related payables | (319) | 29,905 |
| Right of use assets obtained in exchange for operating leases | 68,302 | 56,450 |
| Right of use assets obtained in exchange for finance leases | 6,275 | 3,696 |

The accompanying notes are an integral part of these consolidated financial statements.

## (1) Summary of Significant Accounting Policies

### (a) General

The University of Rochester and related entities (the University) is a private not-for-profit institution of higher education based in Rochester, New York. The University provides education and training, primarily for students at the undergraduate, graduate, and postdoctoral levels. It also performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States Government; and provides health care services through Strong Memorial Hospital, UR Medicine Home Care, Inc., the various entities included in Strong Partners Health System, Inc. (SPHS), F.F. Thompson Health System, Inc., Livingston Health Care System, Inc., The Memorial Hospital of William F. and Gertrude F. Jones, Inc. and St. James Hospital.

### (b) Basis of Presentation

The accompanying consolidated financial statements include all of the integrated divisions of the University – Arts, Sciences and Engineering (including the Hajim School of Engineering and Applied Sciences), Margaret Warner Graduate School of Education and Human Development, William E. Simon Graduate School of Business Administration, Eastman School of Music, Memorial Art Gallery, School of Medicine and Dentistry, Strong Memorial Hospital, School of Nursing, Eastman Institute for Oral Health, Health Sciences, and University of Rochester Medical Faculty Group. Included also are SPHS, Eastman Dental Center Foundation, Inc., UR Medicine Home Care, Inc., Excell Partners, Inc., Rochester BioVenture Center, Inc., NextCorps, F.F. Thompson Health System, Inc., Accountable Health Partners, LLC, Livingston Health Care System, Inc., The Memorial Hospital of William F. and Gertrude F. Jones, Inc. and St. James Hospital. All interorganizational balances and transactions have been eliminated.

The University is the sole member of SPHS, which is the sole member of Highland Hospital of Rochester (including its subsidiaries: The Highland Foundation, Inc., Highland Facilities Development Corp., and Medical Administrative Associates, Inc.); The Highlands Living Center, Inc.; Highland Community Development Corporation; and The Meadows at Westfall, Inc. Highland Hospital and its subsidiaries have debt outstanding which has been included in the University's consolidated financial statements; however, under the terms of the affiliation agreement with SPHS, the University has no legal obligation for the debt of Highland Hospital of Rochester and its subsidiaries.

The Eastman Dental Center Foundation, Inc. was formed to hold and manage the investment assets of the former Eastman Dental Center. Income and assets of the Foundation are used to support oral health, education, and research projects at the University.

The University is the sole corporate member of UR Medicine Home Care, Inc. (URMHC), which is the sole corporate member of UR Medicine Home Care, Certified Services, Inc. (URMHCCS) (which is in turn the sole corporate member of Finger Lakes Home Care, Inc.), UR Medicine Home Care, Licensed Services, Inc., UR Medicine Home Care, Community Services, Inc, and UR Medicine Home Care Foundation, Inc. In August 2018, the Board of Directors of URMHC voted to transfer the assets held by URMHC for the benefit of the URMHC affiliates to UR Medicine Home Care Foundation, Inc. This transfer occurred in January 2023.

The University is the sole corporate member of Excell Partners, Inc., which was formed to support early stage commercial development utilizing technologies created at the University of Rochester and other regional colleges and universities.

The University is the sole corporate member of Rochester BioVenture Center, Inc. (including its subsidiary Excell Technology Ventures, Inc.), which was formed to support the development of new businesses utilizing technologies created at the University and other regional colleges and universities, through the operation of incubator/research facilities in Monroe County, New York.

The University is the sole corporate member of NextCorps, Inc., which is a not-for-profit economic development organization that promotes the creation and growth of technology companies through support services and incubation facilities and provides consulting services for manufacturers.

The University is the sole corporate member of F.F. Thompson Health System, Inc. (THS) (including its subsidiaries The Frederick Ferris Thompson Hospital (FFT Hospital), M.M. Ewing Continuing Care Center (CCC), F.F.T. Senior Communities, Inc. (FFTSC), FFTH Properties and Services, Inc. (FFTH Properties), and The F.F. Thompson Foundation, Inc. (FFTF). THS remains the sole member of FFT Hospital, CCC, FFTSC, and FFTF and the sole shareholder of FFTH Properties. The University, THS and THS's subsidiaries continue as separate and distinct corporations.

Accountable Health Partners, LLC (AHP), a New York State limited liability company, was formed in January 2013, partly in response to the Patient Protection and Affordable Care Act of 2010. Through AHP, the members hope to harness the collective expertise of physicians and hospitals to work with third-party payors to provide quality comprehensive and cost-effective patient care to the Greater Rochester New York community. The University has a controlling financial interest through direct and indirect ownership of a majority voting interest in AHP.

The University is the sole corporate member of Livingston Health Care System, Inc. (including Noyes Memorial Hospital and subsidiaries); The Memorial Hospital of William F. and Gertrude F. Jones, Inc., and subsidiaries; and St. James Hospital and subsidiaries.

The University is the sole corporate member of Meliora Development Company, LLC (MDC), which was formed in April 2023 to hold the leasehold title for the College Town mixed use development. As of June 30, 2023, MDC was inactive.

### (c) Basis of Accounting and Use of Estimates

The consolidated financial statements of the University are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, the University classifies resources into two categories based on the existence or absence of donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions are free of explicit donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All operating expenses are reported as decreases in net assets without donor restrictions.

Net Assets With Donor Restrictions are subject to explicit donor-imposed restrictions that will be met either by actions of the University or the passage of time. These net assets include donor restricted endowments, unconditional pledges, split-interest agreements, and investments in perpetual trusts held by others. Generally, the donor-imposed restrictions of these assets permit the University to use all or part of the income earned on related investments only for certain general or specific purposes.

Expirations of donor restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities.

Measure of Operations - The University's measure of operations as presented in the consolidated statements of activities includes revenue and expenses related primarily to educational and training programs, research activities, hospital and patient care activities provided by the University and its related entities, unconditional gifts and pledges, the allocation of endowment spending for operations and other revenues.

Nonoperating activities consist primarily of investment income and appreciation (depreciation) from long-term investments in excess of amounts utilized for operations. Other changes, net consists primarily of adjustments in pension, post-retirement, and post-employment obligations based on actuarially determined liabilities.

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingencies at the dates of the consolidated financial statements and revenues and expenses during the reporting periods. Management's assumptions are primarily related to the appropriate discount rate for the purposes of retirement and post-retirement plan valuations, the inputs utilized in determining the fair value of investments, allowances for doubtful accounts, self-insured risks, and third-party payor contractual adjustments and allowances. Actual results may differ from those estimates.

**(d) Income Taxes**

The University and the majority of its affiliates are not-for-profit organizations as described in section 501(c)(3) of the Internal Revenue Code and are generally exempt from income taxes on related income pursuant to section 501(a) of the Code. Unrelated activities and income, including certain laboratory and facility rentals and income from limited partnerships in the long-term investment pool, are subject to federal and state unrelated business income tax.

The University regularly evaluates its tax position and does not believe it has any uncertain tax positions that require disclosure or adjustment to the consolidated financial statements based on currently available regulatory guidance.

**(e) Fair Value Measurements**

Fair value measurements reflected in the consolidated financial statements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are described briefly as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at the measurement date.

Level 3 - Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement date.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability. In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer of the fair value measurement to a different categorization (e.g., from Level 3 to Level 2), such transfers between fair value categories are recognized at the end of the reporting period.

The requirement to disclose the hierarchy level does not apply to alternative investments measured at net asset value (NAV). As a practical expedient, the University uses its ownership interest in the NAV to determine the fair value of all alternative investments that do not have a readily determinable fair value, and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The NAV of these investments is determined by the general partner and is based upon appraisal or other estimates that require judgment. If no public market exists for the investment securities, the general partner will take into consideration, among other things, prices of recent significant transactions of similar securities, and subsequent developments concerning the companies to which the securities relate. The University performs significant due diligence around these investments to ensure that NAV is an appropriate measure of fair value.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents include amounts on deposit with financial institutions; cash equivalents are short-term investments with maturities of three months or less at the time of purchase and other highly liquid investments, primarily cash management funds. Short-term highly liquid investments held within the endowment and similar investment pools are classified as investments rather than cash equivalents and restricted cash is defined as that which is legally restricted to withdrawal and usage. The fair value of cash equivalents has been classified as Level 1 in accordance with the fair value hierarchy.

**(g) Short-Term Investments**

Short-term investments include all other current investments with original maturities greater than three months and are used to support operations. These current investments include obligations of the U.S. Treasury, U.S. Government and other government agencies, and corporate and foreign bonds. Also included are internal operating funds invested in the University's long-term investment pool that may be liquidated upon demand at any time.

**(h) Supplies**

Supplies, primarily pharmaceutical and medical supplies, are valued at the lower of cost or net realizable value, which is determined by the first-in, first-out method, or market.

**(i) Investments Held for Long-Term Purposes**

The University's investments are comprised of the assets of the University's endowment and other investments held for general operating purposes. The University reports investments at fair value as described further in Note 6. Investment expenses are netted against investment return and reported in the same net asset category as investment return.

Investment securities are exposed to various risks, such as interest rates, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in value could occur in the near term and such changes could materially affect the amounts reported in the investments and investment activity of the University.

**(j) Endowment**

The University's endowment consists of approximately 2,930 individual endowments established for a variety of purposes including donor-restricted endowment funds and funds designated by the Board of Trustees (Board) to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board interprets the New York Prudent Management of Institutional Funds Act (NYPMIFA) to allow for the spending of income and gains on investments of donor restricted endowments in a manner that is prudent, considering such factors as the duration and preservation of the endowment fund, the purposes of the institution and the endowment fund, general economic conditions including the potential effect of inflation or deflation, the expected total return of the fund, other resources of the University, the needs of the University and the fund to make distributions and preserve capital, and the University's investment policy.

Investment of the University's net assets held for endowment and similar purposes is based upon a total return policy, and the utilization of its endowment resources for current operating and capital needs is related to this policy. Although NYPMIFA does not preclude the University from spending below the original gift value of donor restricted endowment funds, the University's policy is to spend no more than a stated percentage of fair value of its investment portfolio over time. Accordingly, during fiscal year 2023, the Board of Trustees authorized the use of total return (income and appreciation) from its endowment resources at an aggregate rate of 5.5% (5.7% during fiscal year 2022) of the average fair value of its consolidated investment portfolio for the most recent five years. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the University utilizes the appreciation of its endowment net assets for operating purposes. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the University reinvests the excess in its net assets held for endowment.

### (k) Split-Interest Agreements and Perpetual Trusts

The University's split-interest agreements with donors consist primarily of gift annuities, unitrusts, charitable remainder annuity trusts, and life income agreements. Assets held under these agreements are included in investments held for long-term purposes, and the carrying value of the assets is adjusted for changes in the fair value of the trust assets. For fiscal years 2023 and 2022, the fair values for split-interest agreements assets are $153,347 and $154,694, respectively. Contribution revenue is recognized at the dates the agreements are established. A liability for split-interest obligations is recorded when the agreement is established at the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments to the beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. Interest rates in subsequent periods remain unchanged. For fiscal years 2023 and 2022, deferred gift liabilities of $81,567 and $85,408, respectively, are included in accounts payable and accrued expenses.

The University is also the beneficiary of certain funds held in trust by others, which are administered by outside trustees. The present values of the estimated future cash receipts, which are measured by the fair value of the assets contributed to the trust, are recognized as assets and contribution revenues at the dates the trusts are established. The carrying value of the assets is adjusted for changes in the fair value of the trust assets. Inputs to the fair value estimate are classified in Level 3 of the fair value hierarchy.

### (l) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation and amortization. Buildings used for research activities are componentized as site improvements, buildings, building services, and fixed equipment. Construction in progress costs are capitalized if the costs increase the square footage and/or useful life of the asset. The University capitalizes interest during periods of construction. Expenses incurred to restore property, plant, and equipment to like new condition or extend the useful life of the asset are capitalized. Minor renovations are expensed as incurred and are recorded within the University's consolidated statements of activities. The University reviews property, plant, and equipment for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Depreciation of research building components is recorded using the straight-line method over the useful lives of the components ranging from 4 to 50 years. Depreciation of all other property, plant, and equipment is computed using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. Land is not subject to depreciation. Estimated useful lives for nonresearch property, plant, and equipment are as follows:

| | Years |
|---|---|
| New building construction | 40 |
| Building and leasehold improvements | 20 |
| Land improvements | 20 |
| Equipment | 4 to 15 |
| Library books | 10 |

The University reports gifts of property, plant, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**(m) Leases**

The University determines if an arrangement is or contains a lease at inception of the contract and classifies leases as either operating or finance depending upon the terms and conditions set forth in the contract. The University uses an incremental borrowing rate to determine the present value of lease payments when the implicit rate in the lease is not readily available. The current treasury rate and the University's current borrowing rate are factored into the incremental borrowing rate calculation.

The University recognizes operating lease expense within maintenance and facilities costs on the statements of activities on a straight-line basis over the lease term. On the consolidated balance sheets, right of use assets represent the University's right to use the underlying assets for the lease term and operating lease liabilities represent the University's obligation to make lease payments arising from the leases. Right of use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right of use assets are reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the operating lease liability utilizing the effective interest method.

Finance lease assets are amortized on a straight-line basis within depreciation expense on the statements of activities over the lease term. Interest expense associated with finance leases is recorded using the effective interest method and is included in interest expense within the statements of activities. The University recognizes variable expenses, other than those related to rates or indices, in operating expenses in the period in which the obligation is incurred.

### (n) Museum Collections

The University capitalizes museum collections. If purchased, collection items are capitalized at cost, and if donated, at their appraised or fair value on the accession date (the date on which the item is accepted by the Board of Trustees). There is no depreciation recorded on collection items.

### (o) Benefit Plans

The University provides certain health care and life insurance benefits to retired employees and spouses under a defined benefit plan. Benefits include basic medical and major medical coverage. Certain categories of retirees receive dental coverage and group life insurance. Such post-retirement benefits are accounted for as deferred compensation over the estimated service lives of employees.

Post-employment benefits include benefits provided to former or inactive employees after employment but before retirement. For the University, such benefits include workers' compensation benefits, disability benefits, and benefits provided under various other programs.

### (p) Derivative Instruments and Hedging Activities

Derivative instruments related to the University's long-term debt are included in accounts payable and accrued expenses on the consolidated balance sheets. The change in the fair value of the derivative instruments is included in the net appreciation/depreciation in the statements of activities. The University selected the combination of variable rate bond issues and interest rate swap agreements to obtain fixed rate financing at the lowest available cost at the time of the transactions. The University is exposed to credit loss in the event of nonperformance by the counterparty to its long-term rate swaps. The interest rate swaps do not qualify for cash flow hedge accounting.

### (q) Refundable U.S. Government Grants for Student Loans

Funds provided by the United States Government under the Federal Perkins, Nursing and Health Professions Student Loan programs were loaned to qualified students and were re-loaned after cash collections. These funds are ultimately refundable to the government and are recognized as a liability in the accompanying consolidated balance sheets. The Federal Perkins Loan Program ended June 30, 2018. Institutions receive guidance from the Department of Education on an annual basis with instructions for returning the federal portion of funding, based on the most recent Fiscal Operations Report and Application to Participate. Refer to Note 5 for further information.

**(r) Asset Retirement Obligations**

The University accounts for asset retirement obligations in accordance with asset retirement and environmental obligations guidance and is recorded as a liability on the balance sheets. This guidance primarily affects the way the University accounts for asbestos-related removal costs. The University accrues for asset retirement obligations in the period incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

**(s) Tuition and Fees**

Tuition and fees revenue are derived from degree programs as well as executive and continuing education programs. Tuition and fees are recognized as operating revenue in the period in which the University satisfies its performance obligations to provide education to students. Given the timing of each year's academic sessions, nearly all performance obligations on behalf of the University are completed within the fiscal year. The University recognizes tuition on a straight-line basis over each academic session based on published rates, net of explicit price concessions such as institutional aid. Institutional aid, in the form of grants and scholarships, includes amounts funded by endowment and gifts, and reduces the published price of tuition for students receiving such aid. Tuition and fees have been reduced by certain grants and scholarships in the amount of $265,464 in 2023 and $272,390 in 2022.

The timing of billings, cash collections and revenue recognition results in accounts receivable and deferred revenue on the consolidated balance sheets. Receivables are recognized only to the extent that is it probable that the University will collect substantially all of the consideration to which it is entitled in exchange for goods and services transferred to the student. Receipts received in advance of goods and services performed are recorded as deferred revenue.

**(t) Grants and Contracts**

The University receives sponsored program grant and contract revenue from governmental and other sources generally for research activities and training programs. The funding may represent a nonreciprocal, nonexchange transaction in which the resources provided are for the benefit of the University, the funding organization's mission or the public at large or it may be a reciprocal transaction in exchange for an equivalent benefit in return.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in some cases, mirrors the timing of when related costs are incurred. Revenues from nonexchange transactions may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments.) The University recognizes revenue earned from conditional nonexchange transactions and gifts when the barrier is satisfied, typically as related costs are incurred. At June 30, 2023, the University has grants or contracts for which it has not yet met all obligations to recognize revenue, or the right to recognize revenue is dependent on future events. These unrecorded conditional agreements totaled $377,815 and $362,230 as of June 30, 2023 and 2022, respectively. It is expected that revenue will be recognized as the University fulfills its obligations over several years.

Grants and contracts awarded to the University are subject to audit by the various sponsoring agencies. Indirect costs recovered on grants and contracts are recorded at rates established by the University with the federal government, or predetermined by the nonfederal sponsor. Indirect cost rates for government grants and contracts are subject to audit, and subsequent final settlements are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the consolidated financial statements.

### (u) Gifts and Pledges and Contributions Receivable

Gifts and pledges include revenues from unconditional nonexchange agreements with private sources and foundations. Unconditional gifts and pledges are recognized as revenue in the period received and reported as increases in the appropriate net asset category based on the presence or absence of donor-imposed restrictions. The University has elected the simultaneous release option for unconditional nonexchange transactions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted gifts and pledges whose purpose restrictions are met in the same reporting year as the revenue is recognized.

Nonexchange agreements are considered conditional if the terms of the agreement include both a right of return of assets received/promised and a barrier to entitlement. Conditional agreements are not recognized until the conditions and barriers on which they depend are met.

Contributions receivable after one year are discounted to their present value using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Subsequent years' accretion of the discount is included in contribution revenue and used in accordance with any donor-imposed restrictions on the contributions. Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

### (v) Auxiliary Enterprises

Auxiliary services exist to furnish goods or services to students, faculty, patients, staff, or incidentally to the general public. Auxiliary services revenue includes revenue from contracts with customers to provide student housing, food services, parking services and other miscellaneous activities and is recognized over the period during which the services are provided. Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as a self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

A major component of auxiliary services revenue is revenue from contracts with students for housing and dining services. Operating revenue is recognized in the academic period in which the University satisfies its performance obligations to provide housing and dining services. Given the timing of each year's academic sessions, nearly all performance obligations on behalf of the University are completed within the fiscal year. The University recognizes housing and dining revenue on a straight-line basis over each academic session based on published rates.

(dollars in thousands)

**(w) Hospital and Faculty Practice Patient Care**

Hospital and faculty practice patient care revenue consists of net patient service revenues derived from contracts with patients in which the University's performance obligation is to provide various health care services as follows:

| | 2023 | 2022 |
|---|---|---|
| Hospital services | $ 3,309,921 | $ 2,989,781 |
| Faculty practice patient care | 548,177 | 510,824 |
| Long-term care | 58,272 | 55,322 |
| Home health services | 39,131 | 51,441 |
| Ancillary and other services | 786,964 | 671,785 |
| **Total** | $ 4,742,465 | $ 4,279,153 |

The University recognizes patient service revenue in the period in which performance obligations under contracts are met by providing healthcare services to patients. The University determines its performance obligations based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. This method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or outpatient services. The performance obligation is measured from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. The transaction price represents the amount of consideration expected from patients, third-party payors and others in exchange for providing the health care services rendered. Estimated net realizable amounts represent amounts due, net of explicit and implicit price concessions. Explicit price concessions include estimates of contractual adjustments that are determined based on contractual agreements, discount policies and historical experience. Implicit price concessions, primarily consisting of self-insured and copayment balances, are based on management's assessment of expected collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators using a portfolio approach as a practical expedient to account for patients as a collective group rather than individually. After satisfaction of amounts due from insurance and reasonable efforts to collect from patients have been exhausted, the University follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by the University. Accounts receivable from patients are written off after collection efforts have been followed in accordance with University policy. Certain revenue received from third-party payors is subject to audit and retroactive adjustment. Any changes in estimates under these contracts are recorded in current year operations.

Since all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in ASC 606-10-50-14, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Strong Memorial Hospital, Highland Hospital, F.F. Thompson Health System, Inc., Noyes Memorial Hospital, The Memorial Hospital of William F. and Gertrude F. Jones, Inc., and St. James Hospital (collectively, the Hospitals) have agreements with third-party payors that provide for payments to the Hospitals at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare**

Under the Medicare program, the Hospitals receive reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. The Hospitals also receive reimbursement under a prospective payment system for certain medical outpatient services, based on service groups, called ambulatory payment classifications (APCs). Other outpatient services are based upon a fee schedule and/or actual costs. The Hospitals' Medicare cost reports are subject to audit by a fiscal intermediary. The largest hospital within the consolidated entity has been audited and final settled through December 31, 2009.

**Medicaid and Other Third-Party Payors**

The New York Health Care Reform Act of 1996 (HCRA), as amended, governs payments to hospitals in New York State (NYS) through March 31, 2024. Under HCRA, Medicaid, workers' compensation, and no-fault payors payment rates are promulgated by the NYS Department of Health (DOH). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. Payments for outpatient payments are connected to Ambulatory Payment Groups (APGs) which use outpatient service intensity weights based on types of service and resource consumption. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs) and other managed care plans, negotiate payment rates directly with the hospitals. Such arrangements vary from DRG-based payment systems, to per diems, case rates and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Hospitals' established charges.

In addition, under HCRA, all non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other health care initiatives. The percentage amounts of the surcharge vary by payor and apply to a broader array of health care services. Also, certain payors are required to provide additional funds through surcharges on payments to hospitals for inpatient services or through voluntary election to pay a covered lives assessment directly to the DOH.

(dollars in thousands)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. The Hospitals believe that they are in compliance, in all material respects, with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties and exclusion from the Medicare and Medicaid programs.

Revenue from Blue Cross and MVP Health Care accounted for approximately 26% and 3% and 25% and 3%, respectively, of the University's patient service revenue for the years ended June 30, 2023 and 2022. Revenue from Medicare and Medicaid programs (including Medicare Advantage and Medicaid Managed Care plans) accounted for approximately 29% and 12% and 30% and 14%, respectively, of the University's patient revenue for the years ended June 30, 2023 and 2022.

Both federal and NYS regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. The Hospitals have established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors and amounts due from the indigent care pool for such adjustments. Those adjustments, which can be reasonably estimated, have been provided for in the accompanying financial statements. The Hospitals have estimated the potential impact of such adjustments based on the most recent information available. However, those which are either (a) without current specific regulations to implement such adjustments, or (b) are dependent upon certain future events and cannot be reasonably estimated, have not been provided for in the accompanying financial statements. Management believes the amounts recorded in the accompanying financial statements will not be materially affected upon the implementation of such adjustments.

There are various other proposals at the federal and NYS levels relating to Medicare and Medicaid, that could, among other things, reduce reimbursement rates, modify reimbursement methods or increase managed care penetration. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Health care revenue by major payor source is as follows:

| | 2023 | 2022 |
|---|---|---|
| Medicare | $ 1,382,504 | $ 1,294,777 |
| Medicaid | 590,050 | 579,212 |
| Commercial third-party payors | 1,769,770 | 1,512,030 |
| Self-pay | 60,249 | 55,107 |
| Other | 939,892 | 838,027 |
| **Total** | $ 4,742,465 | $ 4,279,153 |

**Charity Care**

The University provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the University does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The University calculates the cost of charity care by applying the ratio of cost to gross charges to the gross uncompensated charges under the charity care policy. The University maintains records to identify and monitor the level of charity care it provides. The cost of services and supplies furnished under the University's charity care policy were approximately $34,247 and $26,784 in 2023 and 2022, respectively. The University received reimbursements of approximately $19,374 and $18,277 from New York State in 2023 and 2022, respectively, related to providing charity care to patients.

**(x) New Authoritative Pronouncements**

ASU 2020-01 Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)

In January 2020, the FASB issued ASU 2020-01 – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815). This amendment clarifies the interaction of the accounting for equity securities under Topic 321, investments accounted for under the equity method of accounting in Topic 323, and the accounting for certain forward contracts and purchased options accounted for under Topic 815. This standard is effective for fiscal years beginning after December 15, 2021 on a prospective basis. The adoption of ASU 2020-01 did not have a material impact on the University's financial statements for the fiscal year ended June 30, 2023.

ASU 2021-05 Leases (Topic 842) – Lessors – Certain Leases with Variable Lease Payments

In July 2021, the FASB issued ASU 2021-05 – Leases (Topic 842) – Lessors – Certain Leases with Variable Lease Payments. This standard amends the lease classification requirements for lessors to classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if both of the following criteria are met: (1) the lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria and (2) the lessor would have recognized a day-one loss. This standard is effective for fiscal years beginning after December 15, 2021 on either a retrospective or prospective basis. The adoption of ASU 2021-05 did not have a material impact on the University's financial statements for the fiscal year ended June 30, 2023.

(dollars in thousands)

## (2) Liquidity and Availability

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The following resources could be available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt as of June 30:

| | 2023 | 2022 |
|---|---|---|
| **Financial Assets:** | | |
| Cash and cash equivalents | $ 749,384 | $ 836,577 |
| Short-term investments | 860,899 | 868,278 |
| Accounts receivable | 507,391 | 481,730 |
| Pledge payments available for operations | 23,124 | 22,832 |
| Other assets | 3,304 | 1,305 |
| Long-term investments appropriated for spending in the following year | 133,239 | 131,830 |
| **Financial assets available within one year** | 2,277,341 | 2,342,552 |
| **Liquidity Resources:** | | |
| Bank lines and letters of credit (undrawn) | 322,974 | 400,483 |
| **Financial assets and liquidity resources available within one year** | $ 2,600,315 | $ 2,743,035 |

The University's cash flows have seasonal variations during the year attributable to tuition billings, patient service billings, and concentration of contributions received at calendar and fiscal year ends. Based on historical experience, only the portion of contributions receivable for operations expected to be received within one year is considered liquid. The University invests cash in excess of daily requirements in short-term investments. Cash withdrawals from long-term investments generally coincide with the endowment spending distribution, but may be adjusted higher or lower based on the timing of gift receipts, capital calls, income and capital distributions, operating expenses and other factors affecting available cash. Endowment funds appropriated for spending are distributed to University department and program budgets for spending, subject to donor restrictions where applicable.

To help manage unanticipated liquidity needs, the University has committed bank lines and letters of credit in the amount of $333,193 and $406,943 with several banks as of June 30, 2023 and 2022, respectively, that can be drawn upon as needed during the year to manage cash flows. Amounts outstanding under lines of credit amounted to $10,219 and $6,460 as of June 30, 2023 and 2022, respectively.

In addition, the University has funds functioning as endowment (FFAE) of $1,259,841 and $1,242,720 as of June 30, 2023 and 2022, respectively. Although the University does not intend to spend from FFAE funds other than amounts appropriated for expenditure as part of the annual budget approval process, these funds could be made available if necessary, subject to certain investment lock-up provisions as discussed in Note 6.

(dollars in thousands)

## (3) Accounts Receivable

Accounts receivable, net at June 30 consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Patient accounts receivable | $ 308,676 | $ 302,716 |
| Governments, foundations and companies | 114,806 | 93,198 |
| Reinsurance recoveries | 68,916 | 66,755 |
| Retail pharmacy | 49,258 | 41,744 |
| Student receivables | 6,461 | 6,737 |
| Other | 54,016 | 47,302 |
| **Total accounts receivable, net** | $ 602,133 | $ 558,452 |

The University grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The related receivables at June 30, 2023 and 2022 include approximately 49% from governmental payors, 40% from commercial third-party payors, and 11% from self-pay patients and other sources.

(dollars in thousands)

## (4) Contributions

Contributions receivable, net, are summarized as follows at June 30:

| | 2023 | 2022 |
|---|---|---|
| **Unconditional promises expected to be collected in:** | | |
| Less than one year | $ 37,789 | $ 36,008 |
| One year to five years | 25,365 | 17,895 |
| More than five years | 52,895 | 52,818 |
| | 116,049 | 106,721 |
| Unamortized discount and allowance for uncollectibles | (28,941) | (27,627) |
| **Total contributions receivable, net** | $ 87,108 | $ 79,094 |

Discount rates used to calculate the present value of contributions receivable ranged from 2% to 6% at June 30, 2023 and 2022. At June 30, 2023, the University had also received $368,716 in bequest intentions and certain other conditional promises to give. These intentions and conditional promises to give are not recognized as assets. If they are received, they generally will be restricted for specific purposes stipulated by the donor, primarily endowments for faculty support, scholarships or general operating support of a particular department or division of the University.

The University expended $42,160 and $38,400 for University relations and development for the years ended June 30, 2023 and 2022, respectively.

(dollars in thousands)

## (5) Notes Receivable

Notes receivable, net, are summarized as follows at June 30:

| | 2023 | | |
|---|---|---|---|
| | Gross Receivable | Allowance | Net Receivable |
| Federal student loans | $ 4,670 | $ 299 | $ 4,371 |
| Institutional student loans | 5,002 | 1,244 | 3,758 |
| Other note receivable | 5,442 | - | 5,442 |
| **Total** | $ 15,114 | $ 1,543 | $ 13,571 |

| | 2022 | | |
|---|---|---|---|
| | Gross Receivable | Allowance | Net Receivable |
| Federal student loans | $ 6,136 | $ 620 | $ 5,516 |
| Institutional student loans | 3,988 | 1,047 | 2,941 |
| Other note receivable | 5,442 | - | 5,442 |
| **Total** | $ 15,566 | $ 1,667 | $ 13,899 |

Student loan programs are funded by donor contributions, other institutional sources and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government's portion of the Perkins program are ultimately refundable to the federal government and are reported as a liability on the University's consolidated balance sheets as refundable U.S. Government grants for student loans. The Federal Perkins Loan Program ended June 30, 2018. The Department of Education provides instructions for unwinding the Federal Perkins Loan program and returning the federal portion of funding. For fiscal years 2023 and 2022, the University refunded $1,424 and $1,792, respectively, to the U.S. Department of Education to reduce the Perkins Loan Program.

Student loans are often subject to unique restrictions and conditions; therefore, it is not practical to determine fair values. The allowance is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers are still in school or in the grace period following graduation), that may not be collected.

(dollars in thousands)

## (6) Investments

Investments were held for the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Endowment and similar purposes | $ 2,890,426 | $ 2,813,463 |
| Property, plant, and equipment purposes: | | |
| Debt service reserve held by trustees under debt agreements | 27,592 | 29,847 |
| Bond proceeds not yet expended | 4,907 | 91,216 |
| Other | 1,402 | 1,190 |
| **Total property, plant, and equipment purposes** | 33,901 | 122,253 |
| Other purposes | 317,304 | 282,851 |
| **Total investments held for long-term purposes** | 3,241,631 | 3,218,567 |
| **Short-term investments** | 860,899 | 868,278 |
| **Total investments** | $ 4,102,530 | $ 4,086,845 |

For investment purposes, substantially all investments held for endowment and similar purposes participate in one of several pools, each with its own investment policy and objectives. The investment pool assets are owned by the separate endowment and similar funds within each pool based on the percent ownership of each fund to the pool. Income, realized and unrealized gains and losses are distributed based on the percent ownership of the pooled assets measured at fair value.

The University permits several of its investment managers to utilize forward contracts, currency options and futures with the specific authorization of the investment committee of the Board of Trustees. However, the University was not directly engaged in any of the above-mentioned derivative transactions as of June 30, 2023 and 2022. Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the consolidated financial position of the University.

## (dollars in thousands)

The following tables present the fair value of investments recorded on the consolidated balance sheets as of June 30:

| | Quoted Market Prices (Level 1) | Significant Observable Inputs (Level 2) | NAV as Practical Expedient (NAV) | 2023 Total Fair Value |
|---|---|---|---|---|
| Short-term investments | $ 219,188 | $ - | $ - | $ 219,188 |
| Domestic bonds | 364,421 | 186,008 | - | 550,429 |
| Common equity: | | | | |
| Domestic | 133,218 | 1,723 | - | 134,941 |
| Foreign | - | 266,399 | - | 266,399 |
| Equity: | | | | |
| Absolute return | - | - | 904,900 | 904,900 |
| Global | 87,119 | - | - | 87,119 |
| Domestic | 7,727 | - | 250,668 | 258,395 |
| Foreign | 287 | - | 364,300 | 364,587 |
| Private | 740 | - | 1,045,152 | 1,045,892 |
| Real estate | 561 | - | 49,209 | 49,770 |
| Real assets | - | - | 89,355 | 89,355 |
| Other | 123,515 | 8,040 | - | 131,555 |
| **Total short and long term investments** | $ 936,776 | $ 462,170 | $ 2,703,584 | $ 4,102,530 |

| | Quoted Market Prices (Level 1) | Significant Observable Inputs (Level 2) | NAV as Practical Expedient (NAV) | 2022 Total Fair Value |
|---|---|---|---|---|
| Short-term investments | $ 288,076 | $ - | $ - | $ 288,076 |
| Domestic bonds | 383,586 | 208,495 | - | 592,081 |
| Common equity: | | | | |
| Domestic | 108,966 | 33,462 | 199 | 142,627 |
| Foreign | 18,606 | 239,550 | - | 258,156 |
| Equity: | | | | |
| Absolute return | - | - | 751,437 | 751,437 |
| Global | 70,525 | - | - | 70,525 |
| Domestic | 6,424 | - | 224,213 | 230,637 |
| Foreign | 769 | - | 330,363 | 331,132 |
| Private | - | - | 1,067,556 | 1,067,556 |
| Real estate | 539 | - | 71,347 | 71,886 |
| Real assets | 52,968 | - | 115,782 | 168,750 |
| Other | 103,581 | 10,401 | - | 113,982 |
| **Total short and long term investments** | $ 1,034,040 | $ 491,908 | $ 2,560,897 | $ 4,086,845 |

## (dollars in thousands)

### (a) Fair Value Level 1

Level 1 investments consist of cash and cash equivalents, equity, and fixed-income securities with observable market prices. Fair value for Level 1 is based upon quoted market prices in active markets.

### (b) Fair Value Level 2

Investments that are classified as Level 2 include domestic and foreign equities, as well as fixed-income securities that trade in markets that are not considered to be active. Fair value is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

### (c) Net Asset Value

The net asset value (NAV) represents the University's ownership interest in certain alternative investments. The University has performed significant due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30.

The following tables provide information about alternative investments at NAV.

| Strategy | 2023 Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|
| Equity: | | | | |
| Absolute return | $ 904,900 | $ 17,167 | Monthly, Quarterly, Annually, 1, 3 & 5 Year Rolling Lock-ups | 30 - 180 Days |
| Domestic | 250,668 | - | Monthly, Quarterly, 1 to 3 Year Rolling Lock-ups | 30 - 180 Days |
| Foreign | 364,300 | - | Quarterly, Annually, 1, 3, & 5 Year Rolling Lock-ups | 30 - 180 Days |
| Private | 1,045,152 | 302,483 | 1 to 12 years | NA |
| Real estate | 49,209 | 58,197 | 1 to 12 years | NA |
| Real assets | 89,355 | 23,741 | 1 to 12 years | NA |
| Common equity (Domestic) | - | - | NA - held to maturity | NA |
| **Total alternative investments** | $ 2,703,584 | $ 401,588 | | |

| Strategy | 2022 Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|
| Equity: | | | | |
| Absolute return | $ 751,437 | $ 41,821 | Quarterly, Annually, 1, 3, & 5 Year Rolling Lock-ups | 45 - 180 Days |
| Domestic | 224,213 | - | Monthly, Quarterly, 1 to 3 Year Rolling Lock-ups | 45 - 180 Days |
| Foreign | 330,363 | - | Quarterly, Annually, 1, 3, & 5 Year Rolling Lock-ups | 45 - 180 Days |
| Private | 1,067,556 | 286,168 | 1 to 12 years | NA |
| Real estate | 71,347 | 43,077 | 1 to 12 years | NA |
| Real assets | 115,782 | 25,043 | 1 to 12 years | NA |
| Common equity (Domestic) | 199 | - | NA - held to maturity | NA |
| **Total alternative investments** | $ 2,560,897 | $ 396,109 | | |

**(dollars in thousands)**

## (7) Property, Plant, and Equipment

As of June 30, 2023 and 2022, the University's investment in property, plant, and equipment is as follows:

| | 2023 | 2022 |
|---|---|---|
| Buildings and improvements | $ 3,658,612 | $ 3,530,734 |
| Land improvements | 85,103 | 78,939 |
| Leasehold improvements | 163,677 | 157,508 |
| Equipment owned | 1,809,928 | 1,713,640 |
| Library books | 262,390 | 250,142 |
| **Subtotal** | 5,979,710 | 5,730,963 |
| Less accumulated depreciation | (3,831,051) | (3,647,937) |
| **Subtotal** | 2,148,659 | 2,083,026 |
| Land | 18,564 | 20,635 |
| Museum collections | 43,932 | 43,048 |
| Construction in progress | 418,300 | 292,888 |
| **Total property, plant, and equipment, net** | $ 2,629,455 | $ 2,439,597 |

(dollars in thousands)

## (8) Long-Term Debt

The following is a summary of the University's long-term indebtedness as of June 30, including unamortized premiums of $108,777 and $117,045 and bond issuance costs of $9,558 and $10,375, for the years ended June 30, 2023 and 2022, respectively:

| | Fiscal Year Maturity | Interest Rate | 2023 | 2022 |
|---|---|---|---|---|
| **University of Rochester:** | | | | |
| Fixed Rate: | | | | |
| MCIDC Series 2013; 2015; 2017; 2020 | 2024 - 2050 | 0.47% - 5.31% | $ 1,159,299 | $ 1,212,447 |
| Private Placement Notes | 2047 - 2052 | 3.26% - 4.31% | 187,883 | 196,080 |
| Other Notes | 2026 - 2043 | 3.26% - 4.86% | 101,768 | 2,411 |
| Obligations under finance leases | 2024 - 2031 | 1.64% - 4.85% | 19,545 | 20,153 |
| **Total University** | | | 1,468,495 | 1,431,091 |
| **Highland Hospital of Rochester:** | | | | |
| Fixed Rate: | | | | |
| MCIDC Series 2015; 2020 | 2045 - 2050 | 3.00% - 5.00% | 64,211 | 66,153 |
| Variable rate: | | | | |
| DASNY Series 1994B | 2024 | 5.50% | 1,001 | 1,933 |
| **Total Highland Hospital** | | | 65,212 | 68,086 |
| **F. F. Thompson Health System, Inc.:** | | | | |
| Fixed Rate: | | | | |
| OCLDC Series 2017 | 2040 | 2.79% - 3.30% | 28,255 | 30,683 |
| Other Notes | 2025 - 2033 | 3.55% - 7.71% | 5,608 | 5,200 |
| Obligations under finance leases | 2024 - 2026 | 0.00% - 8.50% | 2,331 | 3,163 |
| Variable rate: | | | | |
| DASNY Series 2012 | 2039 | 3.00% | 10,545 | 11,015 |
| **Total F. F. Thompson Health System, Inc.** | | | 46,739 | 50,061 |
| **Livingston Health Care System, Inc.:** | | | | |
| Fixed Rate: | | | | |
| LCIDA Series 2005 | 2030 | 5.00% - 6.00% | 3,466 | 3,792 |
| Obligations under finance leases | 2025 - 2027 | 3.21% - 5.00% | 137 | 269 |
| **Total Livingston Health Care System, Inc.** | | | 3,603 | 4,061 |
| **Memorial Hospital of William F. and Gertrude F. Jones, Inc.:** | | | | |
| Fixed Rate: | | | | |
| Obligations under finance leases | 2023 | 5.60% | - | 46 |
| **Total Memorial Hospital of William F. and Gertrude F. Jones, Inc.** | | | - | 46 |
| **St. James Hospital:** | | | | |
| Fixed Rate: | | | | |
| New Market Tax Credit Loans | 2041 | 1.05% | 7,358 | 7,299 |
| Other Notes | 2028 | 0.00% - 3.85% | 4,742 | 4,917 |
| **Total St. James Hospital** | | | 12,100 | 12,216 |
| **Total Long-term debt** | | | $ 1,596,149 | $ 1,565,561 |

### (a) Fiscal Year 2023 Transactions

During fiscal year 2023, the University issued $100,000 in term notes, which are being repaid at a fixed rate of 4.86%, maturing June 2043. The term notes were issued to finance the following: (1) the replacement of the University's human resources software system; (2) purchase of the College Town mixed use complex; and (3) renovation of certain educational and infrastructure facilities throughout the River Campus.

F. F. Thompson Health System financed the purchase of a building for a medical group practice with a mortgage of $1,000. This mortgage note is being repaid at a fixed rate of 5.69%, maturing

February 2033. This building will be used for a primary care and an obstetrics and gynecology practice, along with an outpatient pharmacy.

**(b) Interest Rate Swaps**

F. F. Thompson Health System, Inc. executed interest rate swaps with third-parties. These swaps have a combined notional amount of $11,915 and the contractual relationship under this agreement will last until November 1, 2025.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The University's interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within Level 2.

Appreciation of interest rate swaps was $162 and $542 for the years ended June 30, 2023 and 2022, respectively, and are included in nonoperating net appreciation/depreciation on the consolidated statements of activities. Activity related to interest rate swaps affect net assets without donor restrictions and, in the consolidated statements of cash flows, are included in changes in accounts payable and accrued expenses in the operating activities section.

**(c) Collateral**

Highland Hospital of Rochester has a letter of credit in place which expires July 2023 for DASNY Series 1994B. F. F. Thompson Health System, Inc. has a letter of credit in place which expires April 2026 for DASNY Series 2012.

## (dollars in thousands)

### (d) Finance Leases

During fiscal year 2023, the University issued $6,275 in finance lease obligations for various equipment. The leases are being repaid at various rates with maturity dates through September 2030.

The University's finance leases include equipment for educational, research, and patient care purposes.

Lease cost recognized in the consolidated statements of activities is summarized as follows:

| | 2023 | 2022 |
|---|---|---|
| **Finance lease cost:** | | |
| Amortization of right-of-use assets | $ 6,341 | $ 8,305 |
| Interest on lease liabilities | 756 | 1,523 |
| **Total lease cost** | $ 7,097 | $ 9,828 |

| | 2023 | 2022 |
|---|---|---|
| **Finance leases reported under:** | | |
| Property, plant, and equipment, net | $ 17,456 | $ 20,945 |
| Long-term debt | 22,013 | 23,631 |
| Weighted average remaining lease term - finance leases | 3.01 years | 3.61 years |
| Weighted average discount rate - finance leases | 3.9% | 3.7% |

(dollars in thousands)

**(e) Required Principal Payments**

Required composite principal payments for long-term debt, net of unamortized discount or premium and bond issuance costs, for each of the years in the five-year period ending June 30, 2028 and thereafter are as follows:

| | Principal Portions of Lease Payments | Principal Portions of Debt | Total |
|---|---|---|---|
| 2024 | $ 6,916 | $ 80,508 | $ 87,424 |
| 2025 | 6,399 | 80,053 | 86,452 |
| 2026 | 5,209 | 75,792 | 81,001 |
| 2027 | 2,716 | 79,077 | 81,793 |
| 2028 | 333 | 66,101 | 66,434 |
| Thereafter | 440 | 1,192,605 | 1,193,045 |
| **Total** | $ 22,013 | $ 1,574,136 | $ 1,596,149 |

The University incurred $48,035 and $43,670 of interest expense for the years ended June 30, 2023 and 2022, respectively, net of interest capitalization of $7,683 and $8,407 for the years ended June 30, 2023 and 2022, respectively.

(dollars in thousands)

## (9) Operating Leases

The University has operating leases for laboratories, office space, medical offices, and equipment for educational, research, and patient care purposes expiring through 2043. The real estate lease agreements typically have initial terms of five to twenty years and may include one or more options to renew, which can extend the lease term five to ten years. The exercise of lease renewal options is at the University's sole discretion. When determining the lease term, the University includes options to extend or terminate the lease when the option to exercise is certain.

The components of lease expense included in maintenance and facilities costs in the consolidated statements of activities for the year ended June 30 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Operating lease cost | $ 52,519 | $ 51,132 |
| Variable lease cost | 884 | 506 |
| **Total** | $ 53,403 | $ 51,638 |
| **Weighted Average Remaining Term** | | |
| Operating leases | 6.54 years | 7.33 years |
| **Weighted Average Discount Rate** | | |
| Operating leases | 2.9 % | 4.3 % |

Maturities of operating lease liabilities for each of the years in the five-year period ending June 30, 2028 and thereafter are as follows:

| Year ending June 30, | University | Related Entities | Total |
|---|---|---|---|
| 2024 | $ 39,569 | $ 5,231 | $ 44,800 |
| 2025 | 32,882 | 4,259 | 37,141 |
| 2026 | 25,102 | 3,304 | 28,406 |
| 2027 | 17,663 | 2,546 | 20,209 |
| 2028 | 14,612 | 2,021 | 16,633 |
| Thereafter | 41,075 | 12,042 | 53,117 |
| **Total lease payments** | 170,903 | 29,403 | 200,306 |
| Less: Imputed interest | (11,600) | (8,452) | (20,052) |
| **Total** | $ 159,303 | $ 20,951 | $ 180,254 |

## (10) Benefit Plans

### (a) Self-insurance Plans – University

The University is self-insured for workers' compensation. Liabilities for asserted and unasserted claims under the workers' compensation program at June 30, 2023 were discounted by 3.81% and amounted to $53,437 (2.98% and $57,754 in 2022) based on management review of estimates provided by actuaries. These liabilities are offset by receivables for the expected insurance direct payments against these claims of $16,717 at June 30, 2023 ($17,014 at June 30, 2022). The liabilities are included in accrued pension, post-retirement, and post-employment liabilities, and the receivables are included in other assets on the consolidated balance sheets. The University has a surety bond with Liberty Mutual Insurance Company to cover potential liabilities under the University's self-insured workers' compensation program.

The University is self-insured for health care benefits. Based on management review of estimates provided by actuaries, the University's obligation for incurred but not reported claims was $18,507 and $16,311 as of June 30, 2023 and 2022, respectively. These amounts are included in accounts payable and accrued expenses on the consolidated balance sheets and have not been discounted.

**(b) Self-insurance Plans – Highland Hospital and its Subsidiaries**

Highland Hospital and its subsidiaries are self-insured for workers' compensation claim losses and expenses. Effective May 7, 2021, the entity and its subsidiaries entered into a surety bond arrangement in the amount of $8,884 and is maintained as security for workers' compensation claims. Based on management review of estimates provided by actuaries, liabilities for asserted and unasserted claims under the workers' compensation program at June 30, 2023 were discounted by 3% and amounted to $7,526 (3% and $7,241 in 2022). These liabilities are offset by receivables for the expected insurance direct payments against these claims of $1,359 at June 30, 2023 ($1,465 at June 30, 2022). The liabilities are included in accrued pension, post-retirement, and post-employment liabilities, and the receivables are included in other assets on the consolidated balance sheets.

**(c) Post-employment Benefits – University**

The University's accrued post-employment benefits, inclusive mostly of workers' compensation and disability benefits, amounted to $100,793 and $105,466 at June 30, 2023 and 2022, respectively, and are recorded in accrued pension, post-retirement, and post-employment on the consolidated balance sheets.

**(d) Post-retirement Benefit Plan – University**

The University's post-retirement benefit plan includes basic medical, major medical, dental coverage, and life insurance. Benefit levels differ for current retirees, current employees eligible to retire, and current employees not eligible to retire. The University incurred post-retirement plan expense of $7,686 and $9,827 for the years ended June 30, 2023 and 2022, respectively. The service cost component of post-retirement plan expense is recorded in fringe benefits expense on the consolidated statements of activities. The remaining nonservice cost items are recorded in other changes, net as nonoperating activities. The benefit obligation for this plan for the years ended June 30, 2023 and 2022 includes the following components:

**(dollars in thousands)**

| | 2023 | 2022 |
|---|---|---|
| **Change in benefit obligation:** | | |
| Benefit obligation at beginning of year | $ 165,261 | $ 224,327 |
| Service cost | 2,886 | 5,252 |
| Interest cost | 6,828 | 5,408 |
| Plan participants' contributions | 2,383 | 2,263 |
| Amendments/curtailments/special termination | - | (1,106) |
| Actuarial gain | (24,842) | (62,672) |
| Benefits paid | (8,769) | (8,611) |
| Medicare Part D prescription drug federal subsidy | - | 400 |
| **Benefit obligation at end of year** | $ 143,747 | $ 165,261 |
| **Change in plan assets:** | | |
| Fair value of plan assets at beginning of year | $ - | $ - |
| Employer contributions | 6,387 | 5,948 |
| Plan participants' contributions | 2,382 | 2,263 |
| Medicare Part D prescription drug federal subsidy | - | 400 |
| Benefits paid | (8,769) | (8,611) |
| **Fair value of plan assets at end of year** | $ - | $ - |
| **Components of accrued benefit:** | | |
| Funded status | $ (143,747) | $ (165,261) |
| Net actuarial gain | (26,383) | (1,541) |
| Prior service credit | (21,855) | (23,884) |
| **Accrued benefits** | $ (191,985) | $ (190,686) |
| **Amounts recognized in the consolidated balance sheets consist of:** | | |
| Accrued post-retirement benefit cost | $ (190,686) | $ (186,807) |
| Net periodic benefit cost | (7,686) | (9,827) |
| Employer contributions | 6,387 | 5,948 |
| **Accrued benefits** | (191,985) | (190,686) |
| Amount recorded in unrestricted net assets | 48,238 | 25,425 |
| **Net amount recognized in the consolidated balance sheets** | $ (143,747) | $ (165,261) |
| **Components of net periodic benefit cost:** | | |
| Service cost | $ 2,886 | $ 5,252 |
| Interest cost | 6,829 | 5,408 |
| Amortization of prior service cost | (2,029) | (2,131) |
| Amortization of net actuarial loss | - | 1,298 |
| **Net periodic benefit cost** | $ 7,686 | $ 9,827 |
| **Amounts recorded in unrestricted net assets:** | | |
| Prior service credit | $ - | $ (1,106) |
| Net gain during period | (24,842) | (62,672) |
| Net actuarial loss amortization recognition | - | (1,298) |
| Prior service credit amortization recognition | 2,029 | 2,131 |
| **Total amount recognized in other non-operating expense** | $ (22,813) | $ (62,945) |

**(dollars in thousands)**

Estimated future contributions and benefit payments are as follows:

| | Estimated Contributions/ Benefit Payments |
|---|---|
| 2024 | $ 12,550 |
| 2025 | 10,966 |
| 2026 | 10,809 |
| 2027 | 10,754 |
| 2028 | 10,748 |
| 2029 to 2030 | 53,087 |

Benefits are valued based upon the projected unit cost method. The weighted average assumptions used at the measurement date, June 30, are as follows:

| | 2023 | 2022 |
|---|---|---|
| Discount rate for obligation | 5.25% | 4.50% |
| Health care cost trend rate - initial | 7.75% | 6.75% |
| Health care cost trend rate - final | 4.04% | 3.78% |
| Year final trend rate is reached | 2075 | 2075 |

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent in the government plan. Due to a Plan amendment effective January 1, 2021, the University no longer sponsors coverage for most Medicare-eligible retirees. Instead, those retirees are offered coverage through a benefits exchange. As such, the University is no longer eligible to apply for the Medicare Part D prescription drug federal subsidy for those retirees. The University does, however, offer a retiree drug program to Medicare-eligible retirees who are on long-term disability. The receipts for those retirees would be considered under post-employment, not post-retirement benefits.

Employers are required to recognize the over-funded or under-funded status of defined benefit pension and post-retirement plans as assets or liabilities in its consolidated balance sheets and to recognize changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions. In addition, employers are required to measure the funded status of the plan as of the consolidated balance sheet date.

Significant (gains)/losses occurring during the period ending June 30, 2023 were as follows:

As of July 1, 2022, the census data was refreshed to reflect changes in the population between the prior and current valuation dates. Demographic changes different from assumed resulted in an increase in liabilities.

As of July 1, 2022, the baseline gross claims used to project future pre-65 retiree healthcare costs were updated to reflect the updated actuarial models for the current valuation date. Less than expected increases in baseline claim costs resulted in a decrease in liabilities.

As of July 1, 2022, the following election assumptions were revised to better reflect actual experience and future expectations: pre-65 retiree election assumption updated from 60% for grandfathered group 4 and 50% for grandfathered group 5 to 50% for grandfathered group 4 and 40% for grandfathered group 5; pre-65 retiree plan election assumption updated from 60% PPO and 40% HSA to 50% PPO and 50% HSA; assumption for pre-65 retirees waiving who opt back into coverage upon Medicare-eligibility updated from 10% for grandfathered group 4 and 20% for grandfathered group 5 to 15% for both grandfathered groups 4 and 5; future retiree spouse election assumption updated from 45% for both grandfathered groups 4 and 5 to 50% for grandfathered group 4 and 40% for grandfathered group 5. The net impact of these changes was a decrease in liabilities.

As of July 1, 2022, retirees or spouses with an unused HRA balance were assumed to spend down an additional $2,000 each year until their balance is depleted. This assumption was based on industry studies on average out-of-pocket spending for Medicare Advantage participants, as well as the provisions of the University's plan. This change resulted in an increase in liabilities.

As of June 30, 2023, the discount rate was updated from 4.50% to 5.25%. The change in discount rate resulted in a decrease in liabilities.

As of June 30, 2023, the annual rate of increase in healthcare costs was revised to better reflect future expectations, including updating long-term rates based on the SOA Long Term Healthcare Cost Trends Model v2023_1f (the Getzen model). A review of published national trend survey data in relation to the retiree health plan offerings was the basis for this change. The revised assumption resulted in an increase in liabilities.

**(e) Retirement Plan – University**

The University provides a 403(b) defined contribution retirement plan to its employees. The University of Rochester's Retirement Program is administered and record kept by TIAA. Under this plan, the University made contributions of $140,011 and $129,873 in 2023 and 2022, respectively, which were vested for the benefit of the participants.

**(f) Retirement Plans – Highland Hospital and Subsidiaries**

The defined benefit retirement plan of Highland Hospital covers employees of Highland Hospital, The Highlands Living Center, and Highland Community Development Corporation who have completed two years of continuous employment. The benefits for this plan are based primarily on years of service and employees' pay near retirement. The funding policy is to contribute, annually, an amount consistent with the requirement of the Employee Retirement Income Security Act. Effective August 3, 2010, participation in the plan was frozen.

Retirement plan expense of $6,133 and $11,890 was incurred for fiscal years ended June 30, 2023 and 2022, respectively. In addition, a pension related benefit other than net periodic pension cost of $12,908 and $26,544 for the fiscal years ended June 30, 2023 and 2022, respectively, was recorded in other changes on the consolidated statements of activities.

(dollars in thousands)**

The following tables present the changes in the plan benefit obligation, the fair value of the plan assets, and the funded status of the plan for the years ended June 30, 2023 and 2022.

| | 2023 | 2022 |
|---|---|---|
| **Change in benefit obligation:** | | |
| Benefit obligation at beginning of year | $ 179,233 | $ 259,251 |
| Service cost | 3,975 | 5,555 |
| Interest cost | 8,034 | 5,638 |
| Actuarial gain | (8,762) | (44,859) |
| Plan settlements | - | (35,982) |
| Benefits and expenses paid | (9,225) | (10,370) |
| **Benefit obligation at end of year** | $ 173,255 | $ 179,233 |
| **Accumulated benefit obligation** | $ 165,261 | $ 170,977 |

| | 2023 | 2022 |
|---|---|---|
| **Change in plan assets:** | | |
| Fair value of plan assets at beginning of year | $ 123,121 | $ 182,223 |
| Actual return on plan assets | 10,022 | (19,012) |
| Employer contribution | 5,636 | 6,261 |
| Plan settlements | - | (35,981) |
| Benefits and expenses paid | (9,225) | (10,370) |
| **Fair value of plan assets at end of year** | $ 129,554 | $ 123,121 |
| **Amounts recognized in the balance sheets consists of:** | | |
| Accrued benefit cost (accrued pension, post-retirement, and post-employment) | $ (22,077) | $ (21,580) |
| Amount recognized in unrestricted net assets (other non-operating expense) | (21,624) | (34,532) |
| **Funded status** | $ (43,701) | $ (56,112) |
| **Components of net periodic benefit cost:** | | |
| Service cost | $ 3,975 | $ 5,555 |
| Interest cost | 8,034 | 5,638 |
| Expected return on plan assets | (8,202) | (11,308) |
| Settlement loss recognized | - | 7,757 |
| Amortization of unrecognized loss | 2,326 | 4,248 |
| **Net periodic benefit cost** | $ 6,133 | $ 11,890 |

**(dollars in thousands)**

Benefits are valued based upon the projected unit credit cost method. The assumptions used for the plan at the measurement date are as follows:

| | **2023** | **2022** |
|---|---|---|
| Discount rate for obligation | 5.32% | 4.76% |
| Effective discount rate for service cost | 4.73% | 2.91% |
| Effective rate of interest on service cost | 4.73% | 2.68% |
| Future compensation increase rate | 3.00% | 3.00% |
| Long-term rate of return on plan assets | 6.75% | 6.75% |

Discount rates used to determine the benefit obligations are based on the yields on high-grade corporate bonds with maturities similar to the projected benefit payments.

To develop the expected long-term rate on assets assumption, the plan sponsor considered the current level of expected returns on risk free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption.

The Plan assets are managed by an investment manager. The investment manager monitors financial markets and adjusts strategy accordingly. The Plan's overall portfolio mix of fixed income and equity securities was based upon asset allocation modeling taking into consideration historical return patterns and risk factors. The Plan investment manager believes that the current mix of plan assets provides an appropriate level of return to achieve current assumed plan return assumptions. For the year ended June 30, 2023, the Plan had target asset allocation ranges of 50% - 75% public equity, 10% - 50% public debt, 0% - 20% private debt and 0% - 25% alternatives.

The asset allocation ranges established by this investment policy represent a long-term perspective, and as such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. These divergences should be of a short-term nature.

Risk mitigation is achieved by diversifying investments across multiple asset classes, by investment in high quality securities and by permitting flexibility in the balance of investments in the permitted asset classes. Market risk inheres in any portfolio but the investment policies and strategies are designed to avoid concentration of risk in one entity, industry, country, or commodity.

(dollars in thousands)

The following assets were recorded at fair value within the pension assets of the Hospital as of June 30:

| | 2023 | | |
|---|---|---|---|
| | **Level 1** | **NAV** | **Total Fair Value** |
| Cash and cash equivalents | $ 1,925 | $ - | $ 1,925 |
| Mutual and exchange traded funds | 4,549 | - | 4,549 |
| Collective investment trusts | - | 108,587 | 108,587 |
| Other pooled investment funds | - | 3,987 | 3,987 |
| Limited partnerships | - | 10,506 | 10,506 |
| **Total** | $ 6,474 | $ 123,080 | $ 129,554 |

| | 2022 | | |
|---|---|---|---|
| | **Level 1** | **NAV** | **Total Fair Value** |
| Cash and cash equivalents | $ 1,249 | $ - | $ 1,249 |
| Mutual and exchange traded funds | 13,365 | - | 13,365 |
| Collective investment trusts | - | 92,902 | 92,902 |
| Other pooled investment funds | - | 7,851 | 7,851 |
| Limited partnerships | - | 7,754 | 7,754 |
| **Total** | $ 14,614 | $ 108,507 | $ 123,121 |

Fair value for Level 1 is based upon quoted market prices. As a practical expedient, Highland Hospital uses its ownership interest in the NAV to determine the fair value of the investments.

Highland Hospital expects to contribute $7,049 to the Plan in fiscal year 2024.

(dollars in thousands)

Scheduled estimated future benefit payments for fiscal years ending June 30 are as follows:

| | Pension Benefits |
|---|---|
| 2024 | $ 9,407 |
| 2025 | 9,978 |
| 2026 | 10,540 |
| 2027 | 11,080 |
| 2028 | 11,588 |
| 2029 to 2033 | 62,320 |
| **Total estimated future payments** | $ 114,913 |

In addition, Highland Hospital has a 403(b) defined contribution plan and the cost was $5,600 and $4,884 for fiscal years ending June 30, 2023 and 2022, respectively, and is recorded in benefits expense on the consolidated statements of activities.

**(g) Retirement Plan – F.F. Thompson Health System, Inc.**

F.F. Thompson Health System, Inc. sponsors a noncontributory defined benefit pension plan, the Thompson Health Pension Plan (the FFT Plan), covering all eligible employees. Benefits under the FFT Plan are based on each participant's years of service and compensation, as defined by the FFT Plan document. As of January 1, 2018, the accrued benefits and participation of employees were frozen. As of that date, no new participants are eligible to participate in the FFT Plan after December 31, 2017, and benefit accruals for participants under the FFT Plan ceased. The funded status of the FFT Plan as of December 31, 2022 and 2021 was $(7,194) and $(9,536), respectively.

**(h) Retirement Plan – UR Medicine Home Care and Subsidiaries**

UR Medicine Home Care has a noncontributory defined benefit cash balance pension plan covering many of its employees, past and present. This plan was frozen in December 2002. There will be no new participants and no new annual contributions for existing participants. Accounts for existing participants will continue to be credited annually for interest earned. UR Medicine Home Care will have an ongoing requirement for funding of the plan.

Effective June 30, 2023, UR Medicine Home Care converted from a calendar to a June 30 fiscal year-end. The annual measurement date for the Plan changed from December 31 to June 30. The funded status of this plan as of June 30, 2023 and December 31, 2022 was $(1,543) and $(1,809), respectively.

**(i) Retirement Plan – The Memorial Hospital of William F. and Gertrude F. Jones, Inc.**

The Hospital sponsors a noncontributory defined benefit pension plan (plan) covering all eligible employees. The plan was amended to state that Hospital employees hired after December 31, 2006 were no longer eligible to participate in the plan. Additionally, the plan was amended to freeze benefit accruals effective March 31, 2011 for all participants. The annual measurement date for the

Plan is June 30. The funded status of this plan as of June 30, 2023 and 2022 was $(1,503) and $(3,102), respectively.

**(j) Retirement Plan – Livingston Health Care System, Inc. D/B/A Noyes Health**

The System has a noncontributory defined benefit pension plan that covers all eligible employees as of November 30, 2002. Effective November 2002, the Plan was amended to freeze participation and benefit accruals. Effective June 30, 2020, Noyes Health amended their year-end from December 31 to June 30. As such, the annual measurement date for the Plan is June 30. The funded status of this plan as of June 30, 2023 and 2022 was $(931) and $(1,165), respectively.

## (11) Investment in Captive Insurance Company

The University, together with other universities and teaching hospitals, has formed a captive insurance company (captive) to insure the professional liability risks of the shareholders. The dissolution provisions of the captive agreement indicate that the University's financial participation (based on the percentage of premiums paid) is approximately 7% of the financial results of the captive. The investment in the captive has been recorded under the equity method due to the University's significant influence. For fiscal years 2023 and 2022, the University has recorded $29,249 and $29,364, respectively, in investments held for long-term purposes.

The University's premiums are based on its professional liability experience and a shared risk factor with the other participants. Premiums are subject to retrospective adjustment based on, among other things, actual loss experience of the University.

## (12) Professional Liability Claims

The University's coverage for professional liability insurance is provided under insurance policies obtained jointly with other universities and teaching hospitals. The primary layer of coverage, as well as the buffer and self-insured layers of excess insurance, were written by MCIC Vermont, Inc. (a Risk Retention Group) formed and directed by the participating insured institutions. Multiple layers of excess insurance were purchased from several different insurance companies. The maximum coverage for the University is $250,000 per claim. The per claim coverage amount at each of the five participating institutions has been tailored to their own experience and exposures.

The insurance claims receivable, as calculated by the actuaries, was approximately $68,916 and $66,755 as of June 30, 2023 and 2022, respectively, and has been included in accounts receivable as shown in Note 3. A corresponding increase to the accrued professional liability cost has been included in accounts payable and accrued expenses.

Based on estimates provided by the actuaries retained by MCIC Vermont, Inc., the University's obligations for incurred but not reported claims were $42,689 and $41,079 as of June 30, 2023 and 2022, respectively. These amounts have not been discounted and are included in accounts payable and accrued expenses on the consolidated balance sheets.

## (13) Commitments and Contingencies

In the ordinary course of operations, the University is named as a defendant in various lawsuits, or events that occur which could lead to litigation, claims, or assessments. Although the outcome of such matters cannot be predicted with certainty, management believes that insurance coverage is sufficient to cover current or potential claims, or that the final outcomes of such matters will not have a material adverse effect on the consolidated financial position.

(dollars in thousands)

At June 30, 2023, the University has entered into construction contracts and commitments aggregating $2,335,146 ($2,298,799 at June 30, 2022) of which $1,571,262 ($1,404,485 at June 30, 2022) had been fulfilled.

## (14) Expenses by Functional and Natural Classification

Expenses are presented by functional classification in accordance with the overall service missions of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation and maintenance and facilities costs are allocated to functional categories based on square footage occupancy. Interest expense on external debt is allocated to the functional categories which benefited from the proceeds of the external debt.

Other components of net periodic benefit pension costs are a component of other changes, net on the statement of activities and is allocated based on the salaries that benefit the functional area.

Functional expenses for the years ended June 30 consisted of the following:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Academic Instruction | Research | Hospital and Patient Care | Admin and Other | Total |
| Compensation | $ 526,405 | $ 227,105 | $ 2,623,116 | $ 159,996 | $ 3,536,622 |
| Supplies | 28,809 | 27,476 | 1,117,202 | 3,530 | 1,177,017 |
| Utilities and maintenance | 50,917 | 57,245 | 127,550 | 35,133 | 270,845 |
| Depreciation expense | 85,557 | 22,811 | 164,998 | 1,133 | 274,499 |
| Interest expense | 14,856 | 10,702 | 18,481 | 3,996 | 48,035 |
| Services and other | 9,019 | 24,346 | 594,451 | 81,210 | 709,026 |
| **Total operating expenses** | 715,563 | 369,685 | 4,645,798 | 284,998 | 6,016,044 |
| Other components of net periodic benefit pension costs | 931 | 314 | 4,321 | 344 | 5,910 |
| **Total non-operating activities** | 931 | 314 | 4,321 | 344 | 5,910 |
| **Total functional expenses** | $ 716,494 | $ 369,999 | $ 4,650,119 | $ 285,342 | $ 6,021,954 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Academic Instruction | Research | Hospital and Patient Care | Admin and Other | Total |
| Compensation | $ 486,960 | $ 212,724 | $ 2,417,279 | $ 171,322 | $ 3,288,285 |
| Supplies | 26,316 | 26,461 | 984,903 | 3,436 | 1,041,116 |
| Utilities and maintenance | 50,347 | 56,312 | 116,780 | 30,795 | 254,234 |
| Depreciation expense | 86,800 | 24,989 | 155,331 | 1,124 | 268,244 |
| Interest expense | 14,159 | 8,932 | 16,324 | 4,255 | 43,670 |
| Services and other | 35,630 | 31,127 | 398,754 | 71,505 | 537,016 |
| **Total operating expenses** | 700,212 | 360,545 | 4,089,371 | 282,437 | 5,432,565 |
| Other components of net periodic benefit pension costs | 871 | 342 | 1,923 | 324 | 3,460 |
| **Total non-operating activities** | 871 | 342 | 1,923 | 324 | 3,460 |
| **Total functional expenses** | $ 701,083 | $ 360,887 | $ 4,091,294 | $ 282,761 | $ 5,436,025 |

(dollars in thousands)

## (15) Net Assets

Net assets consist of the following at June 30, 2023:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Endowment Funds** | | | |
| Instruction | $ 500,018 | $ 742,677 | $ 1,242,695 |
| Student aid | 91,160 | 413,953 | 505,113 |
| Program support | 668,663 | 320,608 | 989,271 |
| **Total endowment funds** | 1,259,841 | 1,477,238 | 2,737,079 |
| **Other Invested Funds** | | | |
| Property, plant and equipment, net | 994,467 | - | 994,467 |
| University designated | 1,101,519 | - | 1,101,519 |
| Purpose restrictions | - | 41,086 | 41,086 |
| Contributions receivable, net | - | 87,108 | 87,108 |
| Interests in perpetual funds held in trusts by others | - | 64,735 | 64,735 |
| Split-interest agreements | - | 72,895 | 72,895 |
| **Total other invested funds** | 2,095,986 | 265,824 | 2,361,810 |
| **Total net assets** | $ 3,355,827 | $ 1,743,062 | $ 5,098,889 |

Net assets consist of the following at June 30, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Endowment Funds** | | | |
| Instruction | $ 499,764 | $ 712,750 | $ 1,212,514 |
| Student aid | 89,841 | 392,663 | 482,504 |
| Program support | 653,115 | 310,636 | 963,751 |
| **Total endowment funds** | 1,242,720 | 1,416,049 | 2,658,769 |
| **Other Invested Funds** | | | |
| Property, plant and equipment, net | 835,438 | - | 835,438 |
| University designated | 1,175,638 | - | 1,175,638 |
| Purpose restrictions | - | 29,844 | 29,844 |
| Contributions receivable, net | - | 79,094 | 79,094 |
| Interests in perpetual funds held in trusts by others | - | 61,002 | 61,002 |
| Split-interest agreements | - | 70,827 | 70,827 |
| **Total other invested funds** | 2,011,076 | 240,767 | 2,251,843 |
| **Total net assets** | $ 3,253,796 | $ 1,656,816 | $ 4,910,612 |

(dollars in thousands)

Roll forward of endowment net assets from June 30, 2021 to June 30, 2023:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Balance as of June 30, 2021** | $ 1,474,070 | $ 1,624,802 | $ 3,098,872 |
| Investment return, net | (167,118) | (182,426) | (349,544) |
| Gifts and transfers | 1,322 | 27,047 | 28,369 |
| Amounts appropriated for expenditure | (65,554) | (53,374) | (118,928) |
| **Balance as of June 30, 2022** | 1,242,720 | 1,416,049 | 2,658,769 |
| Investment return, net | 84,864 | 97,510 | 182,374 |
| Gifts and transfers | (2,832) | 16,303 | 13,471 |
| Amounts appropriated for expenditure | (64,911) | (52,624) | (117,535) |
| **Balance as of June 30, 2023** | $ 1,259,841 | $ 1,477,238 | $ 2,737,079 |

## (16) Student Health Plan

During the fiscal year ended June 30, 2018, the University established a self-funded student health insurance plan under Section 1124 of the New York State Insurance Law (NYSIL). The Student Health Insurance Plan (SHIP) provides health insurance coverage to students at the University. SHIP was developed especially for students (and their dependents) to provide access to convenient and comprehensive care that complements the quality of health services offered on campus.

The table below presents a summary of SHIP operations occurring during the University's fiscal years ending June 30:

| | July 1 - July 31 (Prior Plan Year) | Aug 1 - June 30 (Current Plan Year) | 2023 Fiscal Year Total | July 1 - July 31 (Prior Plan Year) | Aug 1 - June 30 (Current Plan Year) | 2022 Fiscal Year Total |
|---|---|---|---|---|---|---|
| **Income:** | | | | | | |
| Premium revenue | $ 1,249 | $ 16,022 | $ 17,271 | $ 903 | $ 14,066 | $ 14,969 |
| Interest income | - | 79 | 79 | - | 2 | 2 |
| **Total Income** | 1,249 | 16,101 | 17,350 | 903 | 14,068 | 14,971 |
| **Expenses:** | | | | | | |
| Medical and prescription drug expense | 1,140 | 12,712 | 13,852 | 933 | 13,128 | 14,061 |
| Administrative fees | 131 | 1,577 | 1,708 | 115 | 1,550 | 1,665 |
| Contingency | 700 | - | 700 | - | - | - |
| **Total Expenses** | 1,971 | 14,289 | 16,260 | 1,048 | 14,678 | 15,726 |
| **Net loss from health plan operations** | $ (722) | $ 1,812 | $ 1,090 | $ (145) | $ (610) | $ (755) |

The University has established reserves with the amounts necessary to satisfy obligations of the plan. Based on an analysis and recommendation of a qualified actuary, and with the approval of New York State, the reserve for medical claims incurred but not reported (IBNR) is maintained at an amount not less than 18% of expected medical claims and 5% of expected pharmacy drug claims. In addition, a contingency reserve has been established for the purpose of satisfying unexpected obligations in the event of termination of the plan. During the current fiscal year, the contingency reserve was reclassed from a liability to reserve as part of net assets. The contingency reserve is maintained at an amount not less than 5% of the total current plan year premiums and is invested. New York State requires that the assets of the contingency reserve consist of certain investments of the types specified in Section 1404 of NYSIL. As of June 30, 2023, the contingency fund was invested in a money market fund, which is reported as cash and cash equivalents on the University's balance sheets and included within short-term investments in Note 6.

**(dollars in thousands)**

The changes in the unearned premiums and SHIP reserves during the fiscal year ended June 30, 2023 are presented below.

| | Unearned Premiums | IBNR Reserve | Contingency Reserve |
|---|---|---|---|
| Balance as of July 1 | $ 1,274 | $ 1,612 | $ 748 |
| Balance as of June 30 | 1,414 | 2,150 | 864 |
| **Net Change** | $ (140) | $ (538) | $ (116) |

## (17) COVID-19

In response to disruptions that the COVID-19 pandemic caused in operations for institutions of higher education and health care organizations, on March 27, 2020, the Federal Government passed the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) which made funds available to the University through various provisions of the legislation. The following table summarizes the related impact on the University's Consolidated Financial Statements as of June 30, 2023 and 2022, and for the years then ended:

| Consolidated Statements of Activities: | Line Item | 2023 | 2022 |
|---|---|---|---|
| CARES Act Provider Relief Funding (PRF) | Grant and contract revenue | $ 12,043 | $ 21,984 |
| CARES Act Higher Emergency Education Relief Funding (HEERF) | Grant and contract revenue | - | 20,074 |
| Federal Emergency Management Agency (FEMA) | Grant and contract revenue | 2,411 | 10 |

| Balance Sheets: | Line Item | 2023 | 2022 |
|---|---|---|---|
| Centers for Medicare and Medicaid Services (CMS) Accelerated and Advanced Payments Program | Accounts receivable | $ 25 | $ - |
| Deferral of Social Security taxes | Accounts payable and accrued expenses | - | 46,010 |
| CARES Act Provider Relief Funding (PRF) | Deferred revenue | - | 435 |
| Centers for Medicare and Medicaid Services (CMS) Accelerated and Advanced Payments Program | Third-party settlements payable, net and other | - | 17,126 |

## (18) Subsequent Events

### (a) Acquisition of College Town

On July 25, 2023, the University purchased the assets of the College Town mixed-use complex located within the City of Rochester from CT Rochester, LLC and CVS Rochester, LLC for

$51,500, via a wholly-owned affiliate, Meliora Development Company, LLC. The purchase of College Town will be included in the 2024 consolidated financial statements of the University.

**(b) Affiliation Agreement – Finger Lakes Regional Health System, Inc.**

On August 1, 2023, the University became the sole corporate member of Finger Lakes Regional Health System, Inc., and subsidiaries (Finger Lakes Health). Finger Lakes Health is a multi-institutional health system that provides acute and long-term healthcare, low-income housing and foundation support services in the Finger Lakes region of New York State. The system includes a 117-bed acute care hospital and a 25-bed acute care critical access hospital as well as three skilled nursing facilities (345 beds). The affiliation will be accounted for as an acquisition under the merger and acquisition guidance for not-for-profit entities. The University and Finger Lakes Health continue as separate and distinct corporations. Finger Lakes Health will be included in the 2024 consolidated financial statements of the University.