UNIVERSITY OF ROCHESTER AND RELATED ENTITIES

Consolidated Financial Statements

June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 25, 2024

UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES
Consolidated Balance Sheets
June 30, 2024 and 2023
(dollars in thousands)

	2024	2023
Assets		
Cash and cash equivalents	$ 733,936	$ 749,384
Short-term investments	927,905	860,899
Accounts receivable, net	739,396	602,133
Supplies, prepaid expenses, and deferred charges	124,683	112,373
Contributions receivable, net	119,612	87,108
Notes receivable, net	15,224	13,571
Other assets	96,242	83,517
Investments held for long-term purposes	3,841,244	3,241,631
Property, plant, and equipment, net	3,040,067	2,629,455
Right of use assets	150,958	179,820
Investments in perpetual funds held in trusts by others	69,826	64,735
Total assets	$ 9,859,093	$ 8,624,626
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 915,724	$ 789,604
Deferred revenue	81,016	83,049
Third-party settlements payable, net and other	315,945	269,641
Accrued pension, post-retirement, and post-employment	612,546	565,865
Long-term debt	2,028,438	1,596,149
Operating lease liabilities	151,467	180,254
Asset retirement obligation	38,895	38,407
Refundable U.S. Government grants for student loans	1,541	2,768
Total liabilities	4,145,572	3,525,737
Net Assets:		
Without donor restrictions	3,798,197	3,355,827
With donor restrictions	1,915,324	1,743,062
Total net assets	5,713,521	5,098,889
Total liabilities and net assets	$ 9,859,093	$ 8,624,626

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, 2024
(dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support:			
Tuition and fees	$ 346,780	$ -	$ 346,780
Grants and contracts	532,875	-	532,875
Gifts and pledges	40,762	85,412	126,174
Hospital and faculty practice patient care	5,439,501	-	5,439,501
Auxiliary enterprises	129,407	-	129,407
Interest income and appreciation of short-term investments	102,069	-	102,069
Educational activities	22,140	-	22,140
Other sources	103,317	-	103,317
Long-term investment income and gains allocated to operations	127,178	-	127,178
Net assets released from restriction	108,178	(108,178)	-
Total operating revenue and other support	6,952,207	(22,766)	6,929,441
Operating expenses:			
Salaries and wages	3,150,376	-	3,150,376
Fringe benefits	856,736	-	856,736
Total compensation	4,007,112	-	4,007,112
Supplies	1,377,206	-	1,377,206
Business and professional	620,497	-	620,497
Utilities	81,924	-	81,924
Maintenance and facilities costs	239,396	-	239,396
Depreciation	313,419	-	313,419
Interest	59,309	-	59,309
Other	116,246	-	116,246
Total operating expenses	6,815,109	-	6,815,109
Change in net assets from operating activities	137,098	(22,766)	114,332
Non-operating activities:			
Long-term investment activities:			
Investment income	8,063	6,074	14,137
Net appreciation	116,943	152,176	269,119
Total long-term investment activities	125,006	158,250	283,256
Long-term investment income and gains allocated for operations	(127,178)	-	(127,178)
Other changes, net	24,319	(1,092)	23,227
Change in valuation of split-interest agreements	-	578	578
Change in net assets from non-operating activities	22,147	157,736	179,883
Change in net assets before affiliation	159,245	134,970	294,215
Excess of assets acquired over liabilities assumed in affiliation	283,125	37,292	320,417
Change in net assets	442,370	172,262	614,632
Beginning net assets	3,355,827	1,743,062	5,098,889
Ending net assets	$ 3,798,197	$ 1,915,324	$ 5,713,521

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 Statements of Cash Flows
For The Year Ended June 30, 2024 and 2023
(dollars in thousands)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 614,632	$ 188,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	313,419	274,499
Net appreciation on investment activities	(308,251)	(202,995)
Gifts of property, plant, equipment and other	(260)	(228)
Deferred financing costs	891	817
Amortization of bond premiums	(8,970)	(8,268)
Loss on disposals of property, plant, and equipment	1,462	2,297
Acquisition of affiliate	(320,417)	-
Change in funded status of pension plan	(16,973)	(38,244)
Decrease in investments in perpetual trusts held by others	-	(245)
Contributions for long-term investment, net	(52,908)	(55,449)
(Increases)/decreases in:		
Accounts receivable, net	(115,442)	(43,681)
Supplies, prepaid expenses, and deferred charges	(4,164)	(2,267)
Contributions receivable, net	(29,927)	(6,301)
Other assets	4,029	(2,650)
Increases/(decreases) in:		
Accounts payable and accrued expenses	95,483	871
Deferred revenues	(2,033)	(2,953)
Third-party settlements payable, net and other	31,516	(27,467)
Accrued pension, post-retirement, and post-employment	51,936	29,409
Net cash provided by operating activities	254,023	105,422
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(526,542)	(462,041)
Purchases of investments	(1,695,707)	(1,499,950)
Proceeds from the sale of investments	1,485,083	1,680,590
(Decrease)/increase in notes receivable, net	(1,653)	328
Cash received in affiliation	7,219	-
Net cash used in investing activities	(731,600)	(281,073)
Cash flows from financing activities:		
Borrowings on lines of credit	18,013	21,176
Payments on lines of credit	(19,185)	(17,417)
Payments of long-term debt	(20,139)	(69,237)
Proceeds from issuance of long-term debt	431,759	101,001
Decrease in refundable U.S. Government grants for student loans	(1,227)	(2,514)
Contributions for long-term investment, net	52,908	55,449
Net cash provided by financing activities	462,129	88,458
Net decrease in cash and cash equivalents	(15,448)	(87,193)
Cash and cash equivalents, beginning of year	749,384	836,577
Cash and cash equivalents, end of year	$ 733,936	$ 749,384
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest on long-term debt	$ 31,592	$ 42,076
Operating cash flows from lease liabilities	$ 49,592	$ 51,953
Decrease in construction related payables	$ (8,144)	$ (319)
Right of use assets obtained in exchange for operating leases	$ 65,083	$ 68,302
Right of use assets obtained in exchange for finance leases	$ 4,720	$ 6,275
Long-tem debt acquired in acquisition	$ 11,990	$ -

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., St. James Hospital, and Finger Lakes Regional Health System, Inc.

(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, University of Rochester Medical Faculty Group, Meliora Development Corporation LLC, EEG Parking LLC, and Meliora Risk Solutions LLC.

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., St. James Hospital, and Finger Lakes Regional Health System, Inc. 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.

On July 25, 2023, the University purchased Meliora Development Company, LLC, which was formed to hold the leasehold title for the College Town mixed use development.

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 alignment was accounted for as an acquisition under the merger and acquisition guidance in accordance with Accounting Standards Codification (ASC), Topic 805, Business Combinations, and ASC 958-805-05, Acquisition by a Not-for-Profit Entity. In connection with the affiliation, the University recorded approximately $320,417 related to the excess of assets acquired over liabilities assumed in affiliation within the consolidated statements of activities and as non-cash transactions within the statements of cash flows as of June 30, 2024, which includes the fair value adjustment for property, plant, and equipment of $103,436 as of the affiliation date.

The fair value of the assets and liabilities as of the affiliation date were $401,228 and $80,811, respectively. Total revenues of approximately $185,137 and total expenses of $202,185 were included within the consolidated statements of activities for the period ended June 30, 2024.

On December 19, 2023, the University purchased EEG Parking, LLC, which was formed to own and operate the East End Garage in Rochester, New York.

On March 15, 2024, the University became the sole corporate member of Meliora Risk Solutions, LLC, which was formed as a captive insurance company.

(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.

Transactions with related parties occur in the ordinary course of the University's activities which do not have a material impact on the University's financial position. The University's related parties may include affiliates, trusts, and investment holders. Related parties may also include members of the Board of Trustees, senior administration and their family members, and any entities the related parties are associated with that may have business transactions with the University. Members of the Board of Trustees and senior administration are subject to the University's conflict of interest policies, under which business and financial relationships must be disclosed and are subject to review and approval.

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 credit losses, 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 3,000 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 2024, the Board of Trustees authorized the use of total return (income and appreciation) from its endowment resources at an aggregate rate of 5.4% (5.5% during fiscal year 2023) 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 within 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 2024 and 2023, the fair values for split-interest agreements assets are $155,519 and $153,347, 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 2024 and 2023, deferred gift liabilities of $79,784 and $81,567, 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 non research 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 net appreciation within 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 is 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 $279,662 in 2024 and $265,464 in 2023.

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 it is 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, 2024, 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 $410,855 and $377,815 as of June 30, 2024 and 2023, 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 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.

(dollars in thousands)

Nonexchange agreements are considered conditional if the terms of the agreement include both a right of return of assets received and/or 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 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.

(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:

	2024	2023
Hospital services	$ 3,891,947	$ 3,309,921
Faculty practice patient care	593,475	548,177
Long-term care	91,129	58,272
Home health services	35,808	39,131
Ancillary and other services	827,142	786,964
Total	$ 5,439,501	$ 4,742,465

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 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., St. James Hospital, and Finger Lakes Regional Health System, Inc. (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, 2010.

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, 2025. 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. 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.

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 25% and 2% and 26% and 3%, respectively, of the University's patient service revenue for the years ended June 30, 2024 and 2023. Revenue from Medicare and Medicaid programs (including Medicare Advantage and Medicaid Managed Care plans) accounted for approximately 32% and 12% and 29% and 12%, respectively, of the University's patient revenue for the years ended June 30, 2024 and 2023.

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

(dollars in thousands)

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:

	2024	2023
Medicare	$ 1,747,762	$ 1,382,504
Medicaid	658,209	590,050
Commercial third-party payors	1,963,340	1,769,770
Self-pay	74,858	60,249
Other	995,332	939,892
Total	$ 5,439,501	$ 4,742,465

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 $38,895 and $34,247 in 2024 and 2023, respectively. The University received reimbursements of approximately $8,928 and $19,374 from New York State in 2024 and 2023, respectively, related to providing charity care to patients.

(x) New Authoritative Pronouncements

<u>ASU 2016-13 Financial Instruments – Credit Losses (Topic 326)</u>

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326), which requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses, such that the net receivable represents the present value of expected cash collection. This pronouncement also requires that certain financial assets be measured at amortized cost reflecting an allowance for estimated credit losses that are expected to occur over the life of the assets. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. This standard is effective for fiscal years beginning after December 15, 2022, on either a retrospective or prospective basis. The adoption of ASU 2016-13 did not have a material impact on the University's financial statements for the fiscal years ended June 30, 2024 and 2023.

ASU 2022-04 Liabilities – Supplier Finance Programs (Subtopic 405-50) Disclosure of Supplier Finance Program Obligations

In September 2022, the FASB issued ASU 2022-04 – Supplier Finance Programs (Subtopic 405-50) Disclosure of Supplier Finance Program Obligations. This standard requires that a buyer in a supplier finance program disclose adequate information about the supplier finance program. The following disclosures are required annually: (1) the key terms of the programs, including the payment terms and assets pledged as security, (2) for obligations that buyer has confirmed as valid to the finance provider or intermediary (a) the amount outstanding that remains unpaid by the buyer; (b) a description of the disclosure of the obligations on the balance sheet; and (c) a roll forward of the obligations during the annual period. This standard is effective for fiscal years beginning after December 15, 2022, on a retrospective basis, except for the amended roll forward information, which should be applied prospectively. The adoption of ASU 2022-04 did not have a material impact on the University's financial statements for the fiscal years ended June 30, 2024 and 2023.

(dollars in thousands)

(2) Liquidity and Availability

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

	2024	2023
Financial Assets:		
Cash and cash equivalents	$ 733,936	$ 749,384
Short-term investments	927,905	860,899
Accounts receivable	649,465	507,391
Pledge payments available for operations	38,627	23,124
Other assets	3,412	3,304
Long-term investments appropriated for spending in the following year	137,515	133,239
Financial assets available within one year	2,490,860	2,277,341
Liquidity Resources:		
Bank lines and letters of credit (undrawn)	374,909	322,974
Financial assets and liquidity resources available within one year	$ 2,865,769	$ 2,600,315

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 $393,886 and $333,193 with several banks as of June 30, 2024 and 2023, respectively, that can be drawn upon as needed during the year to manage cash flows. Amounts outstanding under lines of credit amounted to $18,977 and $10,219 as of June 30, 2024 and 2023, respectively.

(dollars in thousands)

In addition, the University has funds functioning as endowment (FFAE) of $1,311,818 and $1,259,841 as of June 30, 2024 and 2023, 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.

(3) Accounts Receivable

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

	2024	2023
Patient accounts receivable	$ 413,449	$ 308,676
Governments, foundations and companies	109,231	114,806
Reinsurance recoveries	84,480	68,916
Retail pharmacy	55,964	49,258
Student receivables	6,933	6,461
Other	69,339	54,016
Total accounts receivable, net	$ 739,396	$ 602,133

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, 2024 and 2023 include approximately 48% from governmental payors, 43% from commercial third-party payors, and 9% from self-pay patients and other sources.

(4) Contributions

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

	2024	2023
Unconditional promises expected to be collected in:		
Less than one year	$ 50,689	$ 37,789
One year to five years	53,211	25,365
More than five years	49,363	52,895
	153,263	116,049
Unamortized discount and allowance for uncollectibles	(33,651)	(28,941)
Total contributions receivable, net	$ 119,612	$ 87,108

Discount rates used to calculate the present value of contributions receivable ranged from 2% to 6% at June 30, 2024 and 2023. At June 30, 2024, the University had also received $381,248 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.

(dollars in thousands)

The University expended $45,846 and $42,160 for University relations and development for the years ended June 30, 2024 and 2023, respectively.

(5) Notes Receivable

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

	2024		
	Gross Receivable	Allowance	Net Receivable
Federal student loans	$ 3,573	$ 243	$ 3,330
Institutional student loans	7,753	1,301	6,452
Other note receivable	5,442	-	5,442
Total	$ 16,768	$ 1,544	$ 15,224

	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

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 2024 and 2023, the University refunded $1,070 and $1,424, 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:

	2024	2023
Endowment and similar purposes	$ 3,051,955	$ 2,890,426
Property, plant, and equipment purposes:		
Debt service reserve held by trustees under debt agreements	33,277	27,592
Bond proceeds not yet expended	247,509	4,907
Other	21,162	1,402
Total property, plant, and equipment purposes	301,948	33,901
Other purposes	487,341	317,304
Total investments held for long-term purposes	3,841,244	3,241,631
Short-term investments	927,905	860,899
Total investments	$ 4,769,149	$ 4,102,530

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 percentage ownership of each fund in the pool. Income, realized and unrealized gains and losses are distributed based on the percentage 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, 2024 and 2023. 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.

UNIVERSITY OF ROCHESTER
AND RELATED ENTITIES
Notes to Consolidated Financial Statements
June 30, 2024 and 2023
(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)	2024 Total Fair Value
Short-term investments	$ 485,031	$ -	$ -	$ 485,031
Domestic bonds	273,192	366,780	-	639,972
Common equity:				
Domestic	32,523	-	-	32,523
Foreign	472	-	-	472
Equity:				
Absolute return	-	-	497,609	497,609
Global	156,483	-	-	156,483
Domestic	1,680	138,813	271,440	411,933
Foreign	-	274,633	488,943	763,576
Long/short	-	-	392,371	392,371
Private	-	-	1,072,059	1,072,059
Real estate	6,462	-	45,217	51,679
Real assets	8,286	-	86,038	94,324
Other	163,239	7,878	-	171,117
Total short and long term investments	$ 1,127,368	$ 788,104	$ 2,853,677	$ 4,769,149

	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	-	-	496,719	496,719
Global	87,119	-	-	87,119
Domestic	7,727	-	250,668	258,395
Foreign	287	-	364,300	364,587
Long/short	-	-	408,181	408,181
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

(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 on 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	2024 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Equity:				
Absolute return	$ 497,609	$ 12,800	Monthly, Quarterly, Annually, 1, 3, & 5 Year Rolling Lock-ups	30 - 180 Days
Domestic	271,440	-	Monthly, Quarterly, Annually, 1 to 3 Year Rolling Lock-ups	30 - 180 Days
Foreign	488,943	-	Quarterly, Annually, 1, 3, & 5 Year Rolling Lock-ups	30 - 180 Days
Long/short	392,371	3,167	Quarterly, Annually, 1 & 3 Year Rolling Lock-ups	30 - 180 Days
Private	1,072,059	331,524	1 to 12 years	NA
Real estate	45,217	44,387	1 to 12 years	NA
Real assets	86,038	21,146	1 to 12 years	NA
Total alternative investments	$ 2,853,677	$ 413,024		

Strategy	2023 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Equity:				
Absolute return	$ 496,719	$ 14,000	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
Long/short	408,181	3,167	Quarterly, Annually, 1 & 3 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
Total alternative investments	$ 2,703,584	$ 401,588		

(dollars in thousands)

(7) Property, Plant, and Equipment

As of June 30, 2024 and 2023, the University's investment in property, plant, and equipment is as follows:

	2024	2023
Buildings and improvements	$ 4,210,223	$ 3,658,612
Land improvements	103,428	85,103
Leasehold improvements	170,796	163,677
Equipment owned	1,905,223	1,809,928
Library books	274,765	262,390
Subtotal	6,664,435	5,979,710
Less accumulated depreciation	(4,066,826)	(3,831,051)
Subtotal	2,597,609	2,148,659
Land	19,612	18,564
Museum collections	44,986	43,932
Construction in progress	377,860	418,300
Total property, plant, and equipment, net	$ 3,040,067	$ 2,629,455

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(8) Long-Term Debt

The following is a summary of the University's long-term indebtedness as of June 30, including unamortized premiums of $135,469 and $108,777 and bond issuance costs of $11,604 and $9,558, for the years ended June 30, 2024 and 2023, respectively:

	Fiscal Year Maturity	Interest Rate	2024	2023
University of Rochester:				
Fixed Rate:				
MCIDC Series 2013; 2015; 2017; 2020; 2023	2025 - 2054	0.47% - 5.31%	$ 1,581,674	$ 1,159,299
Private Placement Notes	2048 - 2053	3.19% - 4.31%	184,897	187,883
Other Notes	2026 - 2044	2.85% - 4.86%	109,701	101,768
Obligations under finance leases	2025 - 2031	1.64% - 5.94%	16,071	19,545
Total University			1,892,343	1,468,495
Highland Hospital of Rochester:				
Fixed Rate:				
MCIDC Series 2015; 2020	2045 - 2050	3.00% - 5.00%	62,179	64,211
Variable rate:				
DASNY Series 1994B	2024	5.50%	-	1,001
Total Highland Hospital			62,179	65,212
F. F. Thompson Health System, Inc.:				
Fixed Rate:				
OCLDC Series 2017	2041	3.30%	28,328	28,255
Other Notes	2025 - 2033	4.43% - 7.71%	4,999	5,608
Obligations under finance leases	2024 - 2026	0.00% - 8.50%	1,314	2,331
Variable rate:				
DASNY Series 2012	2040	3.00%	10,060	10,545
Total F. F. Thompson Health System, Inc.			44,701	46,739
Livingston Health Care System, Inc.:				
Fixed Rate:				
LCIDA Series 2005	2031	5.00% - 6.00%	3,119	3,466
Obligations under finance leases	2025 - 2027	4.01% - 4.21%	46	137
Total Livingston Health Care System, Inc.			3,165	3,603
Memorial Hospital of William F. and Gertrude F. Jones, Inc.:				
Fixed Rate:				
Obligations under finance leases	2028 - 2029	8.54%	1,692	-
Total Memorial Hospital of William F. and Gertrude F. Jones, Inc.			1,692	-

(dollars in thousands)

	Fiscal Year Maturity	Interest Rate	2024	2023
St. James Hospital:				
Fixed Rate:				
New Market Tax Credit Loans	2042	1.05%	7,417	7,358
Other Notes	2028 - 2033	0.00% - 7.50%	5,197	4,742
Total St. James Hospital			12,614	12,100
Finger Lakes Regional Health System, Inc.:				
Fixed Rate:				
Other Notes	2025-2042	3.05% - 5.00%	5,345	-
Variable rate:				
Other Notes	2032	3.05%	6,399	-
Total Finger Lakes Regional Health System, Inc.			11,744	-
Total Long-term debt			$ 2,028,438	$ 1,596,149

(a) Fiscal Year 2024 Transactions

Pursuant to an agreement between the University and Monroe County Industrial Development Corporation (MCIDC) dated December 19, 2023, MCIDC issued and sold $397,625 of bonds known as the University of Rochester Revenue Bonds, Series 2023, consisting of $296,880 Series 2023A bonds and $100,745 Series 2023B bonds. The Series 2023 bonds were issued at a premium of $35.663, resulting in proceeds of $433,288.

Series 2023A tax-exempt bonds were issued to finance various improvements including the acquisition, construction, renovation and deferred maintenance of various buildings across the Medical Center campus, including the 175,000 square foot expansion of the nine-story inpatient tower for the emergency department.

Series 2023B taxable bonds were issued to finance the renovation of certain educational and infrastructure facilities across the University’s campuses.

Meliora Development Company, LLC assumed a note payable as part of the College Town mixed use complex purchase from CT Rochester LLC on July 26, 2023. This note is being repaid with an interest rate of 2.85% - 3.70%, maturing August 2033.

(b) Interest Rate Swaps

F. F. Thompson Health System, Inc. and Finger Lakes Regional Health System, Inc. executed interest rate swaps with third-parties. F. F. Thompson Health System, Inc.'s interest swaps have a notional amount of $11,915 and the contractual relationship under this agreement will last until November 1, 2025. Finger Lakes Regional Health System, Inc. interest swaps have a notational amount of $7,502 and the contractual relationship under this agreement will last until June 30, 2032.

(dollars in thousands)

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.

The effects of the interest rate swaps included in non-operating net (depreciation)/appreciation were $(3) and $162 for the years ended June 30, 2024 and 2023, respectively, and are included in nonoperating net appreciation within 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

F. F. Thompson Health System, Inc. has a letter of credit in place for DASNY Series 2012. Finger Lakes Regional Health System, Inc. has an investment account in place for a notes payable issued by KeyBank.

(d) Finance Leases

During fiscal year 2024, the University issued $4,720 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:

	2024	2023
Finance lease cost:		
Amortization of right-of-use assets	$ 7,041	$ 6,341
Interest on lease liabilities	1,204	756
Total lease cost	$ 8,245	$ 7,097

	2024	2023
Finance leases reported under:		
Property, plant, and equipment, net	$ 14,395	$ 17,456
Long-term debt	19,122	22,013
Weighted average remaining lease term - finance leases	2.45 years	3.01 years
Weighted average discount rate - finance leases	4.4 %	3.9 %

(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, 2029 and thereafter are as follows:

	Principal Portions of Lease Payments	Principal Portions of Debt	Total
2025	$ 7,452	$ 82,521	$ 89,973
2026	6,208	83,767	89,975
2027	3,815	82,113	85,928
2028	953	77,133	78,086
2029	468	71,551	72,019
Thereafter	226	1,612,231	1,612,457
Total	$ 19,122	$ 2,009,316	$ 2,028,438

The University incurred $59,309 and $48,035 of interest expense for the years ended June 30, 2024 and 2023, respectively, net of interest capitalization of $11,780 and $7,683 for the years ended June 30, 2024 and 2023, respectively.

(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 2049. 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:

	2024	2023
Operating lease cost	$ 49,585	$ 52,519
Variable lease cost	1,367	884
Total	$ 50,952	$ 53,403
Weighted Average Remaining Term		
Operating leases	6.85 years	6.54 years
Weighted Average Discount Rate		
Operating leases	4.4 %	2.9 %

(dollars in thousands)

Maturities of operating lease liabilities for each of the years in the five-year period ending June 30, 2029 and thereafter are as follows:

Year ending June 30,	University	Related Entities	Total
2025	$ 34,498	$ 6,133	$ 40,631
2026	25,823	5,107	30,930
2027	17,637	3,987	21,624
2028	14,595	3,063	17,658
2029	11,744	2,393	14,137
Thereafter	27,536	20,148	47,684
Total lease payments	131,833	40,831	172,664
Less: Imputed interest	(6,221)	(14,976)	(21,197)
Total	$ 125,612	$ 25,855	$ 151,467

(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, 2024 were discounted by 4.36% and amounted to $48,994 (3.81% and $53,437 in 2023) 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 $16,359 at June 30, 2024 ($16,717 at June 30, 2023). 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 $24,083 and $18,507 as of June 30, 2024 and 2023, 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, 2024 were discounted by 4% and amounted to $7,232 (3% and $7,526 in 2023). These liabilities are offset by receivables for the expected insurance direct payments against these claims of $980 at June 30, 2024 ($1,359 at June 30, 2023). 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 $104,067 and $100,793 at June 30, 2024 and 2023, 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 $6,413 and $7,686 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 includes the following components:

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	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 143,747	$ 165,261
Service cost	2,195	2,886
Interest cost	7,120	6,828
Plan participants' contributions	2,384	2,383
Actuarial gain	(9,367)	(24,842)
Benefits paid	(10,362)	(8,769)
Benefit obligation at end of year	$ 135,717	$ 143,747
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	7,978	6,387
Plan participants' contributions	2,384	2,382
Benefits paid	(10,362)	(8,769)
Fair value of plan assets at end of year	$ -	$ -
Components of accrued benefit:		
Funded status	$ (135,717)	$ (143,747)
Net actuarial gain	(34,876)	(26,383)
Prior service credit	(19,827)	(21,855)
Accrued benefits	$ (190,420)	$ (191,985)
Amounts recognized in the consolidated balance sheets consist of:		
Accrued post-retirement benefit cost	$ (191,985)	$ (190,686)
Net periodic benefit cost	(6,413)	(7,686)
Employer contributions	7,978	6,387
Accrued benefits	(190,420)	(191,985)
Amount recorded in unrestricted net assets	54,703	48,238
Net amount recognized in the consolidated balance sheets	$ (135,717)	$ (143,747)
Components of net periodic benefit cost:		
Service cost	$ 2,195	$ 2,886
Interest cost	7,120	6,829
Amortization of prior service credit	(2,028)	(2,029)
Amortization of net actuarial gain	(874)	-
Net periodic benefit cost	$ 6,413	$ 7,686
Amounts recorded in unrestricted net assets:		
Prior service credit	$ -	$ -
Net gain during period	(9,367)	(24,842)
Net actuarial gain amortization recognition	874	-
Prior service credit amortization recognition	2,028	2,029
Total amount recognized in other non-operating expense	$ (6,465)	$ (22,813)

(dollars in thousands)

Estimated future contributions and benefit payments are as follows:

	Estimated Contributions/ Benefit Payments
2025	$ 12,258
2026	11,857
2027	11,463
2028	11,121
2029	10,751
2030 to 2034	50,479

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

	2024	2023
Discount rate for obligation	5.50 %	5.25 %
Health care cost trend rate - initial	7.75 %	7.75 %
Health care cost trend rate - final	4.04 %	4.04 %
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 to 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 the 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, 2024 were as follows:

As of July 1, 2023, 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, 2023, 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. This change had a negligible impact on liabilities, but greater than expected increases in pre-65 premiums resulted in a net decrease in liabilities.

As of July 1, 2023, the following election assumptions were revised to better reflect actual experience and future expectations: pre-65 retiree election assumption updated from 50% for Grandfathered Group 4 and 40% for Grandfathered Group 5 to 40% for Grandfathered Group 4 and 30% for Grandfathered Group 5; pre-65 retiree plan election assumption updated from 50% YOUR PPO and 50% YOUR HSA-Eligible to 45% YOUR PPO and 55% YOUR HSA-Eligible; assumption for pre-65 retirees waiving who opt back into coverage upon Medicare-eligibility updated from 15% for Grandfathered Group 4 and 5 to 20% for both Grandfathered Groups 4 and 5; The net impact of these changes was a decrease in liabilities.

As of July 1, 2023, the HRA balance usage assumption for retirees or spouses with an unused HRA balance was updated from an additional two thousand dollars to an additional one thousand dollars to be spent down 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 available experience and the provisions of the University's plan. This change resulted in a decrease 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 $153,739 and $140,011 in 2024 and 2023, 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 $4,589 and $6,133 was incurred for fiscal years ended June 30, 2024 and 2023, respectively. In addition, a pension related benefit other than net periodic pension cost of $9,247 and $12,908 for the fiscal years ended June 30, 2024 and 2023, respectively, was recorded in other changes on the consolidated statements of activities.

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, 2024 and 2023.

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	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 173,255	$ 179,233
Service cost	3,577	3,975
Interest cost	9,073	8,034
Actuarial gain	(5,722)	(8,762)
Benefits and expenses paid	(9,923)	(9,225)
Benefit obligation at end of year	$ 170,260	$ 173,255
Accumulated benefit obligation	$ 163,503	$ 165,261

	2024	2023
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 129,554	$ 123,121
Actual return on plan assets	11,586	10,022
Employer contribution	7,047	5,636
Benefits and expenses paid	(9,923)	(9,225)
Fair value of plan assets at end of year	$ 138,264	$ 129,554
Amounts recognized in the balance sheets consists of:		
Accrued benefit cost (accrued pension, post-retirement, and post-employment)	$ (19,619)	$ (22,077)
Amount recognized in unrestricted net assets (other non-operating expense)	(12,377)	(21,624)
Funded status	$ (31,996)	$ (43,701)
Components of net periodic benefit cost:		
Service cost	$ 3,577	$ 3,975
Interest cost	9,073	8,034
Expected return on plan assets	(8,668)	(8,202)
Amortization of unrecognized loss	607	2,326
Net periodic benefit cost	$ 4,589	$ 6,133

(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:

	2024	2023
Discount rate for obligation	5.63 %	5.32 %
Effective discount rate for service cost	5.28 %	4.73 %
Effective rate of interest on service cost	5.31 %	4.73 %
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, 2024, 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:

	2024		
	Level 1	**NAV**	**Total Fair Value**
Cash and cash equivalents	$ 842	$ -	$ 842
Mutual and exchange traded funds	2,557	-	2,557
Collective investment trusts	-	116,621	116,621
Other pooled investment funds	-	5,280	5,280
Limited partnerships	-	12,964	12,964
Total	$ 3,399	$ 134,865	$ 138,264

	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

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 $8,570 to the Plan in fiscal year 2025.

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

	Pension Benefits
2025	$ 15,713
2026	10,317
2027	10,838
2028	11,307
2029	11,676
2030 to 2034	61,542
Total estimated future payments	$ 121,393

In addition, Highland Hospital has a 403(b) defined contribution plan and the cost was $6,720 and $5,600 for fiscal years ending June 30, 2024 and 2023, 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, 2023 and 2022 was $(6,605) and $(7,194), 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.

The annual measurement date for the Plan is June 30. The funded status of this plan as of June 30, 2024 and June 30, 2023 was $(1,815) and $(1,543), 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, 2024 and 2023 was $(1,608) and $(1,503), 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. The annual measurement date for the Plan is June 30. The funded status of this plan as of June 30, 2024 and 2023 was $(792) and $(931), respectively.

(k) Retirement Plan ‐ Finger Lakes Regional Health System, Inc. D/B/A Finger Lakes Health

The System maintains a defined contribution retirement plan established under Section 403(b) of the Internal Revenue Code, which is available to employees of the System that meet certain eligibility requirements. The amount charged to pension expense for the Plan was $1,425 in 2023. The System also sponsors voluntary 457(b) and 457(f) deferred compensation plans for eligible employees.

Participants in the 457(b) plan can elect to defer funds from their gross pay into the Plan. Participants in the 457(f) plan receive a defined annual contribution from the System and are subject to vesting conditions as defined by this plan. The System contributed $201 to this plan in 2023.

(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 2024 and 2023, the University has recorded $31,647 and $29,249, 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 $260,500 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 $84,480 and $68,916 as of June 30, 2024 and 2023, 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 $44,008 and $42,689 as of June 30, 2024 and 2023, 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, 2024, the University has entered into construction contracts and commitments aggregating $2,513,036 ($2,335,146 at June 30, 2023) of which $1,417,381 ($1,571,262 at June 30, 2023) 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, 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:

	2024				
	Academic Instruction	Research	Hospital and Patient Care	Admin and Other	Total
Compensation	$ 558,413	$ 240,377	$ 2,942,757	$ 265,565	$ 4,007,112
Supplies	29,250	29,823	1,315,089	3,044	1,377,206
Utilities and maintenance	55,162	64,448	157,087	44,623	321,320
Depreciation	94,221	24,829	192,965	1,404	313,419
Interest	16,042	10,882	23,553	8,832	59,309
Services and other	28,204	25,453	589,670	93,416	736,743
Total operating expenses	781,292	395,812	5,221,121	416,884	6,815,109
Other components of net periodic benefit pension costs	749	333	4,734	311	6,127
Total non-operating activities	749	333	4,734	311	6,127
Total functional expenses	$ 782,041	$ 396,145	$ 5,225,855	$ 417,195	$ 6,821,236

	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	85,557	22,811	164,998	1,133	274,499
Interest	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

(dollars in thousands)

(15) Net Assets

Net assets consist of the following at June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Instruction	$ 518,284	$ 798,490	$ 1,316,774
Student aid	95,332	446,424	541,756
Program support	698,202	339,704	1,037,906
Total endowment funds	1,311,818	1,584,618	2,896,436
Other invested funds			
Property, plant, and equipment, net	972,226	-	972,226
University designated	1,514,153	-	1,514,153
Purpose restrictions	-	63,983	63,983
Contributions receivable, net	-	119,612	119,612
Interests in perpetual funds held in trusts by others	-	69,826	69,826
Split-interest agreements	-	77,285	77,285
Total other invested funds	2,486,379	330,706	2,817,085
Total net assets	$ 3,798,197	$ 1,915,324	$ 5,713,521

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

(dollars in thousands)

Roll forward of endowment net assets from June 30, 2022 to June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Investment return, net	116,613	137,871	254,484
Gifts and transfers	(5,806)	37,857	32,051
Amounts appropriated for expenditure	(58,830)	(68,348)	(127,178)
Balance as of June 30, 2024	$ 1,311,818	$ 1,584,618	$ 2,896,436

(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)	2024 Fiscal Year Total	July 1 - July 31 (Prior Plan Year)	Aug 1 - June 30 (Current Plan Year)	2023 Fiscal Year Total
Income:						
Premium revenue	$ 1,598	$ 16,255	$ 17,853	$ 1,249	$ 16,022	$ 17,271
Interest income	-	126	126	-	79	79
Total Income	1,598	16,381	17,979	1,249	16,101	17,350
Expenses:						
Medical and prescription drug expense	732	12,586	13,318	1,140	12,712	13,852
Administrative fees	132	1,558	1,690	131	1,577	1,708
Contingency	-	-	-	700	-	700
Total Expenses	864	14,144	15,008	1,971	14,289	16,260
Net income from health plan operations	$ 734	$ 2,237	$ 2,971	$ (722)	$ 1,812	$ 1,090

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, 2024, 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, 2024 are presented below.

	Unearned Premiums	IBNR Reserve	Contingency Reserve
Balance as of July 1	$ 1,414	$ 2,150	$ 864
Balance as of June 30	1,366	2,180	893
Net Change	$ 48	$ (30)	$ (29)

(17) Subsequent Events

The University has performed an evaluation of subsequent events through October 25, 2024 the date on which the financial statements were issued and has concluded that there were no such events that require adjustments to the consolidated financial statements or disclosure in the notes to the consolidated financial statements.