UNIVERSITY
OF MIAMI

FINANCIAL STATEMENTS

Fiscal years ended MAY 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

Board of Trustees
University of Miami

Report on the Financial Statements
We have audited the accompanying financial statements of the University of Miami, which comprise the statements of financial position as of May 31, 2020 and 2019, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Miami as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Fort Lauderdale, Florida
September 18, 2020

UNIVERSITY OF MIAMI
STATEMENTS OF FINANCIAL POSITION
May 31, 2020 and 2019
(in millions)

Assets	**2020**	**2019**
Cash and cash equivalents	$ 978.3	$ 264.2
Deposit with bond trustee	14.9	116.3
Accounts and loans receivable, net	495.1	587.2
Contributions receivable, net	211.2	261.1
Other assets	131.4	94.7
Investments	1,506.8	1,294.0
Property and equipment, net	2,151.6	1,973.7
Trusts held by others	50.3	52.1
Total Assets	$ 5,539.6	$ 4,643.3
Liabilities		
Accounts payable and accrued expenses	$ 321.6	$ 298.0
Deferred revenues and other deposits	236.9	117.2
Accrued pension and postretirement benefit costs	124.1	147.1
Other liabilities	223.2	212.7
Actuarial liability of annuities payable	4.2	5.4
Liability for medical self-insurance	81.4	87.3
Government advances for student loans	25.2	24.8
Bonds and notes payable	2,032.6	1,359.2
Total Liabilities	3,049.2	2,251.7
Net Assets		
Without donor restrictions	1,074.4	1,007.3
With donor restrictions	1,416.0	1,384.3
Total Net Assets	2,490.4	2,391.6
Total Liabilities and Net Assets	$ 5,539.6	$ 4,643.3

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF ACTIVITIES
Years Ended May 31, 2020 and 2019
(in millions)

	2020	2019
Changes in net assets without donor restrictions		
Operating activities		
Operating revenues		
Tuition and fees, net	$ 587.6	$ 560.4
Grants and contracts, net	578.6	526.6
Net patient revenue - medical professional practice	503.7	525.6
Net patient revenue - hospitals and clinics	1,573.4	1,580.0
Gifts and trusts, net	48.8	63.2
Net assets released from restrictions	14.4	23.7
Endowment spending distribution	41.9	41.5
Investment return	11.1	20.1
Auxiliary enterprises, net	153.2	157.1
Other sources	171.5	76.2
Total operating revenues	3,684.2	3,574.4
Operating expenses		
Compensation and benefits	2,123.1	2,009.8
Supplies and services	977.3	920.9
Depreciation and amortization	158.1	155.9
Utilities and maintenance	78.8	88.2
Interest	46.0	48.9
Other	275.9	275.2
Total operating expenses	3,659.2	3,498.9
Change in net assets without donor restrictions from operating activities	25.0	75.5
Non-Operating activities		
Endowment, annuity and other investment return, net of distributions	(2.0)	(5.6)
Gifts and trusts, net	0.6	0.3
Net loss on disposal of long-lived assets	(0.7)	(0.6)
Other components of net periodic pension costs	(11.2)	(9.8)
Net assets released from restrictions for property and equipment	15.5	-
Change in unrestricted net assets from non-operating activities	2.2	(15.7)
Postretirement benefits related changes other than net periodic benefit cost	39.9	(15.6)
Increase in net assets without donor restrictions	67.1	44.2
Changes in net assets with donor restrictions		
Endowment, annuity and other investment return, net of distributions	(12.0)	(37.2)
Gifts and trusts, net	73.3	205.3
Changes in value of annuities payable and trusts held by others	0.3	(2.0)
Net assets released from restrictions	(29.9)	(23.7)
Endowment spending distribution	-	1.9
Increase in net assets with donor restrictions	31.7	144.3
Increase in total net assets	98.8	188.5
Net Assets		
Net assets, beginning	2,391.6	2,203.1
End of year	$ 2,490.4	$ 2,391.6

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF CASH FLOWS
Years Ended May 31, 2020 and 2019
(in millions)

	2020	2019
Cash flows from operating activities		
Increase in total net assets	$ 98.8	$ 188.5
Adjustments to reconcile increase in total net assets to net cash provided by operating activities		
Net realized and unrealized (gains) losses on investments	(6.9)	13.7
Gifts for plant expansion and endowment	(58.9)	(99.1)
Depreciation and amortization	158.1	155.9
Provision for doubtful accounts	58.1	4.5
Net loss on sale and/or disposal of other assets and property and equipment	-	0.6
Present value adjustment on annuities payable and trusts held by others	(0.3)	2.0
Amortization of debt premiums, discounts and issue costs	(2.3)	(2.4)
Other components of net periodic pension costs	(39.9)	15.6
Change in operating assets and liabilities		
Decrease (increase) in		
Accounts and loans receivable	88.8	(81.2)
Contributions receivable	(25.3)	22.9
Other assets	(36.0)	4.0
Increase (decrease) in		
Accounts payable and accrued expenses	29.3	42.3
Deferred revenues, annuities payable and other liabilities	129.5	(0.7)
Accrued pension and postretirement benefit costs	16.9	25.1
Medical self-insurance	(5.9)	10.3
Government advances for student loans	0.4	0.5
Net cash provided by operating activities	404.4	302.5
Cash flows from investing activities		
Purchases of investments	(917.4)	(672.3)
Proceeds from the sales and maturities of investments	723.0	545.9
Capital expenditures for property and equipment	(340.2)	(293.6)
Student and shared appreciation mortgage loans		
New loans made	(0.2)	(0.1)
Principal collected	1.8	2.5
Net cash used in investing activities	(533.0)	(417.6)
Cash flows from financing activities		
Gifts for plant expansion and endowment	65.6	51.9
Proceeds from the issuance of debt	709.0	-
Payments to retire bonds and notes payable	(33.3)	(22.6)
Net cash provided by financing activities	741.3	29.3
Cash and cash equivalents		
Net increase (decrease)	612.7	(85.8)
Beginning of year	380.5	466.3
End of year	$ 993.2	$ 380.5

See accompanying notes to financial statements.

1. ORGANIZATION

The University of Miami (the University) is a private not-for-profit institution located in South Florida. Founded in 1925, the University owns and operates educational and research facilities as well as a health care system. Its mission is to educate and nurture students, to create knowledge through innovative research programs, to provide service to the community and beyond, and to pursue excellence in health care.

These financial statements include the accounts of the University's departments and facilities, including its hospitals and clinics. All significant intercompany accounts and transactions have been eliminated in the preparation of these statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit organizations.

The two net asset categories as reflected in the accompanying financial statements are as follows:

- **Net assets without donor restrictions** - Net assets are free of donor-imposed restrictions. It includes the University's investment in property and equipment and amounts designated by management for support of operations, programs, and facilities expansion. The University has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the University and, therefore, the University's policy is to record them as net assets without donor restrictions. This category includes all revenues, expenses, gains and losses that are not changes in net assets with donor restrictions.

- **Net assets with donor restrictions** - Net assets are those whose use by the University is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations. These net assets are available for program purposes, i.e., education, research, public service, and scholarships, as well as for buildings and equipment. This category also includes assets that are invested in perpetuity, the income from which is expended for program purposes, i.e., education, research, public service, and scholarships. Net assets with permanent donor restrictions cannot be removed by actions of the University.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Income Taxes

The University is generally exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC), except for unrelated business income and certain salaries and benefits which are insignificant. During the year, the Taxpayer Certainty and Disaster Tax Relief Act of 2019 retroactively repealed IRC section 512(a)(7), which increased unrelated business taxable income by amounts paid or incurred for qualified transportation fringe benefits. The University amended their 2018 federal and state income tax returns to increase their net operating loss carryforward as a result of this tax law change. Accordingly, no significant provision for income taxes is made in the financial statements. At May 31, 2020, there were no uncertain tax positions. The University files tax returns with U.S. federal and other tax authorities for which generally the statute of limitations may go back to the year ended May 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

Cash Equivalents and Deposit with Bond Trustee

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. At May 31, 2020 and 2019, the amounts held in escrow included $14.9 and $116.3 million, respectively for the 2018A bonds (see note 10). These amounts are reported as a separate financial statement line titled “Deposit with bond trustee” and are part of the cash and cash equivalents balance in the statements of cash flows.

Investments

Investments are reported at fair value. Fair value is 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. See note 5 for fair value measurements. Realized gains and losses are recognized at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Interest and dividend income is recognized when earned.

The University’s investments include various types of investment securities that are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Revenue Recognition

Revenue is recognized as performance obligations are satisfied, which are determined based on the nature of the services and goods provided.

Tuition and fees revenue is reported within the fiscal year in which educational services are provided. When classes or courses overlap the reporting period, only the portion of the revenue where the performance obligation has not been met is deferred to the next fiscal year.

Scholarships and fellowships awarded to students for tuition, fees, and room and board are based upon need and merit. These awards include amounts funded by the endowment, research funds, and gifts, and reduce the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Institutional aid is netted against tuition and fees, and auxiliary enterprises revenue in the statements of activities as follows (in millions):

	2020	2019
Scholarships and fellowships:		
Institutionally funded	$ 252.7	$ 235.2
Externally funded - gifts and grants	26.1	20.8
Total amount netted against tuition and fees revenue	$ 278.8	$ 256.0
Amount netted against auxiliary enterprises revenue	$ 23.3	$ 22.7

Patient service revenue is recorded at the transaction price estimated to reflect the consideration due from patients and third-party payors in exchange for the services provided. The various activities of the University of Miami Hospital & Clinics (the Hospital, a division of the University), including medical care, prescription drugs, and room and board, are considered a single performance obligation. Performance obligations related to patient services are satisfied over time and have a duration of less than one year. Revenue for the Hospital and the Professional Medical Practice (UMMG, a division of the University) is recognized based on actual charges incurred in relation to total expected or actual charges, with a reduction for explicit and implicit price concessions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

Revenue Recognition (continued)

The University believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation.

The Hospital and UMMG apply the portfolio approach as a practical expedient to group patient contracts with similar characteristics, such that the revenue for a given portfolio would not be materially different than if it were evaluated on an individual contract basis. This grouping is based upon the in/outpatient setting of the services and third-party payors.

The Hospital and UMMG's performance obligations have a duration of less than one year. Therefore, they have elected to apply the optional exemption to not 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. These unsatisfied or partially unsatisfied performance obligations primarily relate to services provided at the end of the reporting period. Such obligations are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Patient service revenues and accounts receivable consist primarily of patient service revenues that are recorded based upon established billing rates less explicit price concessions (including contractual allowances and discounts) and implicit price concessions, effectively the estimated net realizable value. Revenues are recorded in the period the services are provided based upon the estimated amounts due from the patients and third-party payors, including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, and employers. Estimates of contractual allowances represent the difference between established rates for services and amounts reimbursed by third-party payors based upon the payment terms specified in the related contractual agreements. During the year ended May 31, 2020, the Hospital recorded an adjustment that reduced patient service revenue by approximately $34.3 million, as a result of changes in anticipated net realizable amounts related to prior fiscal years.

Net patient service revenue, disaggregated by payor source and service type, for the Hospital and UMMG was as follows (in millions):

	Year ended May 31, 2020			
		Hospital		
	UMMG	Inpatient	Outpatient	Total
Medicare	$ 51.1	$ 168.1	$ 225.1	$ 444.3
Medicaid	99.6	46.3	35.9	181.8
Commercial and other	318.6	167.5	748.6	1,234.7
Patients	34.4	49.9	132.0	216.3
	$ 503.7	$ 431.8	$ 1,141.6	$ 2,077.1

	Year ended May 31, 2019			
		Hospital		
	UMMG	Inpatient	Outpatient	Total
Medicare	$ 74.6	$ 133.5	$ 279.1	$ 487.2
Medicaid	92.1	14.8	57.9	164.8
Commercial and other	307.8	183.9	693.0	1,184.7
Patients	51.1	64.4	153.4	268.9
	$ 525.6	$ 396.6	$ 1,183.4	$ 2,105.6

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

Revenue Recognition (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined. In the opinion of management, adequate provisions for adjustments that may result from such reviews and audits have been made through May 31, 2020, in the accompanying financial statements. The impact of such adjustments to revenues for the years ended May 31, 2020 and 2019, were increases of $14.6 and $0.7 million, respectively.

Grant and contract revenues are received from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. Revenues from exchange transactions are recognized as the performance obligations are met, which is generally as the related costs are incurred.

Conditional promises not reflected in the financial statements, which consist primarily of the difference between the award amount and the revenue recognized for the non-exchange grants, were $853.8 million as of May 31, 2020.

Gifts of cash, property and marketable securities are recorded as revenue at fair value when received. Unconditional pledges (note 4) are recognized as revenue based on the estimated present value of the future cash flows, net of allowances, when the commitment is received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category. Conditional pledges are recorded as revenue only when donor conditions are substantially met. Gifts and trusts at May 31, 2020 and 2019, are reported net of uncollectible pledges and reserves of $45.1 and $2.6 million, respectively.

COVID-19 Pandemic

In January 2020, the Secretary of the U.S. Department of Health and Human Services (HHS) declared a national public health emergency due to a novel strain of coronavirus (COVID-19). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020, and the Paycheck Protection Program and Health Care Enhancement Act (the PPPHCE Act) was enacted on April 24, 2020. The resulting measures to contain the spread and impact of COVID-19 have adversely affected the University's results of operations. As a result of the COVID-19 pandemic, federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist both higher education institutions and health care providers by providing economic relief. As of May 31, 2020, the HHS Stimulus relief payments are generally reflected within other sources under operating revenues in the accompanying statement of activities. The University recognizes grant revenue when there is reasonable assurance it has complied with the terms and conditions associated with the grant. Those estimates could change materially in the future based on evolving grant compliance guidance provided by the government.

During the year ended May 31, 2020, the University received $8.2 million from the U.S. Department of Education/Higher Education Emergency Relief Fund (HEERF). This money was given to provide economic relief to support the costs of shifting classes online, and for grants to students for food, housing, technology, and other purposes related to the disruption of campus operations due to the COVID-19 crisis. As of May 31, 2020, HEERF payments of $1.6 million are reflected within grants and contracts, net in the accompanying statement of activities and $6.6 million is within deferred revenues and other deposits in the accompanying statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

COVID-19 Pandemic (continued)

During the year ended May 31, 2020, the University received $40.5 million in payments through the PHSSEF distributions to support health care providers with health care–related expenses or lost revenue attributable to COVID-19. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that payment will be used to prevent, prepare for and respond to COVID-19 and shall reimburse the recipient only for health care–related expenses or lost revenues that are attributable to COVID-19, and receipt of the funds, among other requirements. As of May 31, 2020, the PHSSEF relief payments are reflected within other sources under operating revenues in the accompanying statement of activities.

Medicare accelerated payments of $120.1 million were received by the University during the year ended May 31, 2020. The Medicare accelerated payments are interest-free for up to 12 months and the program currently requires that the Centers for Medicare & Medicaid Services (CMS) recoup the accelerated payments beginning 120 days after receipt by the provider, by withholding future Medicare fee-for-service payments for claims until such time as the accelerated payment has been fully recouped. The program currently requires that any outstanding balance remaining after 12 months must be repaid by the provider or be subjected to a 10.25% annual interest rate. Effective April 26, 2020, CMS is reevaluating pending and new applications for accelerated payments in light of significant other relief provided by the CARES Act and the PPPHCE Act. Recoupment of accelerated payments received is currently expected to begin in fiscal year 2021. As of May 31, 2020, Medicare accelerated payments are reflected within deferred revenues and other deposits in the accompanying statement of financial position.

Deferred Revenues

Deferred revenues are primarily composed of amounts received for grants and contracts that are not billed on a cost reimbursement basis and student tuition received but has not yet been earned. If services are conducted over a fiscal year end, deferred revenue is allocated based on number of days or another reasonable method.

Future performance obligations will be met within the next fiscal year, with the exception of a dining services agreement that at May 31, 2020 totaled $16.3 million and extends 19 more years.

Auxiliary Enterprises

Auxiliary enterprises include residence halls, food services, retail stores, and athletics. Fee charges are directly related to the costs of services rendered and are recognized as revenue when the services or goods are delivered. These services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. Performance obligations for housing and dining services are delivered over the academic terms.

Annuities Payable and Trusts Held by Others

Certain gift annuities, charitable lead and remainder annuity trust agreements have been entered into with donors. Assets reported under these agreements are valued at fair value based on either the present value of expected cash flows or the value of the University's share of the underlying assets.

These assets are included in trusts held by others on the statements of financial position, except for gift annuities which are included in cash and cash equivalents and investments. Gift annuities included in cash and cash equivalents, and investments totaled $14.2 and $16.0 million at May 31, 2020 and 2019, respectively. Generally, revenue from gift annuities and trusts is recognized at the date the agreements are established net of liabilities for the present value of the estimated future payments to donors and/or other beneficiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

Annuities Payable and Trusts Held by Others (continued)

The liabilities are adjusted during the term of the gift annuities for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

The University is also the beneficiary of certain perpetual trusts, which are included in trusts held by others on the statements of financial position. The fair value of the trusts, which are based on either the present value of the estimated future cash receipts or the fair value of the assets held in the trust, are recognized as assets and gift and trust revenue as of the date the University is notified of the establishment of the trust. The carrying value of the assets is adjusted for changes in fair value.

Medical School

Faculty physicians, in addition to teaching and conducting research, engage in the practice of medicine, which generates patient care revenue. Revenues and expenses, including compensation and administrative operations from the practice of medicine, are reflected as University revenues and expenses.

The University and the Public Health Trust of Miami-Dade County, Florida (PHT), owner and operator of Jackson Memorial Hospital (JMH), have entered into an affiliation agreement related to their independent missions within the designated land and facilities that comprise the Jackson Memorial Medical Center. Pursuant to that agreement, the PHT provides clinical facilities for the teaching of the University's medical students. Medical education of its students is the sole responsibility of the University. In addition, the University has agreed to permit its faculty to apply for privileges at JMH to train and supervise JMH house staff (interns, residents, and fellows) and to treat hospital patients in their capacity as members of JMH's attending medical staff. All such treatment and training is the sole responsibility of the PHT in its capacity as the legal owner and operator of the Jackson Health System's public hospitals and clinics and its statutory teaching hospital (JMH). The affiliation agreement provides the terms for the mutual reimbursement of services provided.

Insurance

The University manages property and liability risks through a combination of commercial insurance policies and self-insurance.

The University is self-insured for medical professional liability and maintains commercial excess loss coverage within specified limits. Provisions for medical professional liability claims and related costs are based on several factors, including an annual actuarial study using a discount rate of 3.0% at May 31, 2020 and 2019.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Depreciation is not recorded on land, art objects and construction in progress. Leasehold improvements are amortized over the lesser of the lease term or the useful life.

Costs associated with the development and installation of internal-use software are accounted for in accordance with the Intangibles – Goodwill and Other, Internal Use Software subtopic of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC). Accordingly, internal-use software costs are expensed or capitalized according to the provisions of the accounting standard. Capitalized software costs are included in computers and software.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

Facilities and Administrative Cost Recovery

The federal government reimburses the University for facilities and administrative costs incurred in connection with research grants and contracts based on approved rates through 2020. Facilities and administrative cost recovery from government and private sources included in grants and contracts revenues totaled $76.5 and $72.9 million during the years ended May 31, 2020 and 2019, respectively.

Impairment of Long-Lived Assets

U.S. GAAP requires that long-lived assets held by an entity, including intangible assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. No asset impairments were recorded by the University in fiscal years 2020 and 2019.

Recent Accounting Pronouncements

The following four accounting pronouncements are currently being evaluated, as described below.

FASB Accounting Standards Update (ASU) No. 2016-02, ***Leases (Topic 842)***, which supersedes ASC Topic 840, Leases, requires that the lessees recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The University is currently evaluating the impact of pending adoption of the new standard on the financial statements, which would be effective for the fiscal year ending May 31, 2021.

FASB ASU No. 2018-13, ***Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement***, modifies the disclosure requirements on fair value measurements. The University is currently evaluating the impact of pending adoption of the new standard on the financial statements, which would be effective for the fiscal year ending May 31, 2021.

FASB ASU No. 2018-14, ***Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20)***, modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The University is currently evaluating the impact of pending adoption of the new standard on the financial statements, which would be effective for the fiscal year ending May 31, 2023.

FASB ASU No. 2019-03, ***Not-for-Profit Entities (Topic 958): Updating the Definition of Collections***, modifies the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (i.e., removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The University is currently evaluating the impact of pending adoption of the new standard on the financial statements, which would be effective for the fiscal year ending May 31, 2021.

Subsequent Events

The University evaluated events and transactions occurring subsequent to May 31, 2020, through September 18, 2020, the date of issuance of the financial statements. During this period, there were no subsequent events requiring recognition or disclosure in the financial statements except as disclosed in note 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform and be comparable to the current year's presentation.

3. ACCOUNTS AND LOANS RECEIVABLE

At May 31, accounts and loans receivable consist of the following (in millions):

	2020	2019
Accounts and loans receivable, net:		
Patient care	$ 324.3	$ 422.9
Grants, contracts and other	106.7	99.9
Shared appreciation mortgages	21.0	22.2
Student	15.1	18.6
Student loans, net	28.0	23.6
Total	$ 495.1	$ 587.2

Approximately 14.8% and 14.7% of receivables are due from the Medicare program at May 31, 2020 and 2019, respectively.

Accounts and loans receivable are presented net of allowances for doubtful accounts. Patient care receivables are presented net of implicit and explicit discounts. At May 31, 2020 and 2019, allowances for doubtful accounts were $15.9 and $21.5 million, respectively.

Shared appreciation mortgages were provided as part of a program to attract and retain excellent faculty and senior administrators through home mortgage financing assistance. Shared appreciation notes amounting to $23.4 and $24.6 million (each gross of $2.4 million allowance for doubtful accounts) at May 31, 2020 and 2019, respectively, from University faculty and senior administrators are collateralized by second mortgages on residential properties. The program was suspended effective December 31, 2008, with limited exceptions.

Student loans are made primarily pursuant to federal programs and availability of funding. The related receivables have significant government restrictions as to marketability, interest rates, and repayment terms. Their fair value is not readily determinable.

4. CONTRIBUTIONS RECEIVABLE (PLEDGES)

Unconditional pledges are recorded at the present value of their future cash flows using a discount rate of 3.1% at May 31, 2020 and 2019, commensurate with the risk involved at the time the pledge is recorded. They are expected to be realized in the following periods at May 31, (in millions):

	2020	2019
In one year or less	$ 132.4	$ 86.5
Between one year and five years	125.2	167.8
More than five years	46.9	61.0
	304.5	315.3
Discount of $22.5 and allowance for doubtful pledges of $70.8 for 2020 and $28.1 and $26.1 for 2019, respectively	(93.3)	(54.2)
Total	$ 211.2	$ 261.1

The methodology for calculating the allowance is based on the administration's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors including current economic conditions.

At May 31, 2020, net contributions receivable include $74.1 million due from members of the University's Board of Trustees. At May 31, 2020 and 2019, conditional promises to give and bequest intentions totaling $514.0 and $411.8 million, respectively, were not reflected in the financial statements.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The valuation methodologies used for other investment instruments measured at fair value consisted of:

Variable Rate Swap Agreement

The University entered into an interest rate swap agreement on October 25, 2004, to manage the market risk associated with outstanding variable-rate debt. The swap agreement provides that the University receive a variable rate based on three-month LIBOR and pay a fixed rate of 4.2% and matures on April 3, 2034. Parties to the interest rate swap agreement are subject to market risk for changes in interest rates as well as risk of credit loss in the event of nonperformance by the counterparty. The University deals only with high-quality counterparties that meet rating criteria for financial stability and creditworthiness. The estimated cumulative fair value loss of the swap agreement was $4.2 and $3.1 million for the years ended May 31, 2020 and 2019, respectively, and is included in other investments. Changes in the fair value, which for fiscal years 2020 and 2019 amounted to an unrealized loss of $1.1 and $0.4 million, respectively, are recorded as non-operating activities in the statements of activities. The notional amount was $13.9 and $14.6 million for fiscal years 2020 and 2019, respectively.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements

Investments

The fair market value of investments at May 31, 2020 and 2019, amounted to $1,506.8 and $1,294.0 million, with a cost basis of $1,449.7 and $1,216.2 million, respectively. Short-term investments consist primarily of commercial paper and U.S. Treasury securities with original maturities when purchased in excess of three months. The majority of investments are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the fair value per share. At May 31, 2020 and 2019, the fair value of the University's primary investment pool (the Growth Pool) amounted to $1,064.5 and $1,008.1 million, with a cost basis of $1,009.0 and $939.0 million, respectively. The Growth Pool is managed by multiple investment managers with asset allocation per the University's investment policy.

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for investments measured at fair value:

Level 1 — Inputs include valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Inputs to the valuation methodologies include unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 — Inputs include valuations for assets traded in less active dealer or broker markets. Inputs to the valuation methodologies include quoted prices from third-party pricing services for identical or similar assets in active and/or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Inputs primarily consist of trusts recorded at fair value based on the underlying value of the assets in the trust or discounted cash flow of the expected payment streams. The trusts reported at Level 3 are primarily perpetual trusts managed by third parties invested in stocks, mutual funds, and fixed-income securities that are traded in active markets with observable inputs, which would result in Level 1 and 2 hierarchal reporting. However, since the University will never receive the trust assets, these perpetual trusts are reported as Level 3.

Categories included in limited partnerships and limited liability companies and other investments, represent alternative investments which are valued at the net asset value (NAV) of the entities as determined by the fund managers. The University uses the NAV of hedge funds and limited partnerships as fair value as a practical expedient except where certain conditions exist. Those conditions include, changes to key personnel, material amendments to key terms, material pending litigations, imposition of gates and redemption fees.

Investments recorded at NAV are not classified in the fair value hierarchy, but are included in the following table to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of any input that is significant to the fair value measurement. The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at May 31, 2020.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments

		Fair Value Measurement at May 31, 2020 (in millions)		
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 888.3	$ 888.3	$ -	$ -
Short-term investments	318.4	311.9	6.5	-
Corporate bonds	104.3	-	104.3	-
Debt securities:				
U.S. treasury and other government agencies	0.1	0.1	-	-
Publicly traded stocks:				
Large-mid cap	24.8	24.8	-	-
Small cap	28.0	28.0	-	-
Mutual funds:				
Equities:				
Emerging markets	58.1	58.1	-	-
International	114.2	114.2	-	-
Large-mid cap	251.3	251.3	-	-
Small cap	29.0	29.0	-	-
Fixed income	51.5	51.5	-	-
Balanced	1.0	1.0	-	-
Limited partnerships and limited liability companies measured at NAV [1]:				
Equities:				
Emerging markets	19.3	-	-	-
International	77.6	-	-	-
Large-mid cap	119.3	-	-	-
Fixed income	90.3	-	-	-
Private equity	45.1	-	-	-
Other:				
Event arbitrage	32.9	-	-	-
Long-short composite	59.1	-	-	-
Multi-strategy	57.2	-	-	-
Real assets related securities	5.8	-	-	-
Real estate	23.7	-	-	-
Interest rate swap	(4.2)	-	(4.2)	-
Total investments, cash equivalents and swap	2,395.1	1,758.2	106.6	-
Trusts held by others	50.3	-	-	50.3
Total assets	$ 2,445.4	$ 1,758.2	$ 106.6	$ 50.3

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

	Total	Fair Value Measurement at May 31, 2019 (in millions)		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 265.4	$ 265.4	$ -	$ -
Short-term investments	226.2	216.4	9.8	-
Corporate bonds	15.5	-	15.5	-
Debt securities:				
U.S. treasury and other government agencies	0.1	0.1	-	-
Publicly traded stocks:				
Large-mid cap	54.5	54.5	-	-
Small cap	13.4	13.4	-	-
Mutual funds:				
Equities:				
Emerging markets	56.6	56.6	-	-
International	106.9	106.9	-	-
Large-mid cap	206.4	206.4	-	-
Small cap	41.3	41.3	-	-
Fixed income	128.1	128.1	-	-
Balanced	0.9	0.9	-	-
Multi-asset funds measured at NAV [1]	8.8	-	-	-
Limited partnerships and limited liability companies measured at NAV [1]:				
Equities:				
Emerging markets	22.2	-	-	-
International	59.6	-	-	-
Large-mid cap	107.1	-	-	-
Fixed income	26.6	-	-	-
Private equity	39.6	-	-	-
Other:				
Event arbitrage	26.9	-	-	-
Long-short composite	45.4	-	-	-
Multi-strategy	87.8	-	-	-
Real assets related securities	7.9	-	-	-
Real estate	15.3	-	-	-
Interest rate swap	(3.1)	-	(3.1)	-
Total investments, cash equivalents and swap	1,559.4	1,090.0	22.2	-
Trusts held by others	52.1	-	-	52.1
Total assets	$ 1,611.5	$ 1,090.0	$ 22.2	$ 52.1

[1]In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

The following table sets forth a summary of changes in the fair value of the University's Level 3 assets:

For the years ended (in millions):

	Trusts Held by Others
May 31, 2018	$ 53.1
Net unrealized loss included in net assets	(1.0)
May 31, 2019	52.1
Net unrealized loss included in net assets	(1.8)
May 31, 2020	$ 50.3

The total Level 3 change in value relates to trusts held by others and is reflected as part of investment return and changes in value of annuities payable and trusts held by others in the statements of activities.

The following tables summarize the University's investments whose fair value is reported using net asset value per share (in millions) using the practical expedient:

	At May 31, 2020			
	Fair Value	Future Commitments	Redemption Frequency	Days Notice
Investments:				
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets (b)	$ 19.3	$ -	(M)	5-30 days
International (c)	77.6	-	(M)	3-6 days
Large-mid cap (d)	119.3	-	(Q)	60 days
Fixed income (e)	90.3	-	N/A	N/A
Private equity (f)	45.1	83.6	*	N/A
Other:				
Event arbitrage (g)	32.9	1.8	(Q)/(A)	65-90 days
Long-short composite (h)	59.1	-	(M)/(A)	45-50 days
Multi-strategy (a)	57.2	-	(BM), (W)	5-75 days
Real assets related securities (i)	5.8	1.0	*	N/A
Real estate (j)	23.7	5.1	*	N/A
Total investments	$ 530.3	$ 91.5		

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

	At May 31, 2019			
	Fair Value	Future Commitments	Redemption Frequency	Days Notice
Investments:				
Multi-asset funds (a)	$ 8.8	$ -	(D)	1 day
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets (b)	22.2	-	(M)	10-30 days
International (c)	59.6	-	(M)	6 days
Large-mid cap (d)	107.1	-	(Q)	60 days
Fixed income (e)	26.6	-	N/A	N/A
Private equity (f)	39.6	62.1	*	N/A
Other:				
Event arbitrage (g)	26.9	3.8	(Q)/(A)	65-90 days
Long-short composite (h)	45.4	-	(M)/(A)	45-60 days
Multi-strategy (a)	87.8	-	(BM), (W)	5-75 days
Real assets related securities (i)	7.9	2.7	*	N/A
Real estate (j)	15.3	5.8	*	N/A
Total investments	$ 447.2	$ 74.4		

Redemption Frequency: (A) Annually, (Q) Quarterly, (M) Monthly, (D) Daily, (BM) Bi-Monthly, (W) Weekly.

(*) The expected liquidation date for these assets range from 2020 to 2031 and are based on a combination of the inception date of the fund and the expected life of the fund as outlined in the partnership agreement inclusive of the manager's ability to extend the fund's life.

(a) This class consists of investments across stocks, bonds, currencies and commodities.

(b) This class consists of investments in small and mid-cap equities domiciled in or with significant underlying exposure to emerging markets. The fund managers utilize a fundamental, bottom-up process and focus on finding quality companies at compelling valuations.

(c) This class consists of investments in equities domiciled outside of the United States. The fund managers may utilize all-cap, all-style strategy or may focus on narrower strategies, but all funds have a long-time horizon.

(d) This class follows a highly diversified strategy with more than 1,000 holdings held across the independently constructed analyst portfolios. Overall investments are geared to be long/short beta neutral with exposures in line with the S&P 500.

(e) This class consists of investments in debt securities. Some fund managers focus on buying government bonds throughout the world and may also engage in currency hedges and may do so via futures. Other fund managers focus on buying below investment-grade corporate debt.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

(f) This class consists of investments in private equity. These fund managers will make direct investments in private companies or in one case a fund of funds that makes commitments to other private equity, venture capital and buyout funds. These fund managers invest across all sectors in both the United States and globally. The portfolios are illiquid and will be locked for 10 to 12 years.

(g) This class consists of investments that focus on event-driven and credit strategies. Event-driven strategies are when the hedge funds buy the debt of companies that are in financial distress or have already filed for bankruptcy. Credit strategies focus on capital structure arbitrage. These fund managers look for relative value between senior and junior securities of the same corporate issuer. They also trade securities of equivalent credit quality from different corporate issuers, or different tranches in the complex capital of structured debt vehicles.

(h) This class consists of hedge funds that focus on decentralized stock selection, predominately long equity strategy with some opportunistic debt investing. Fund managers typically hold 10 to 20 long positions and 5 to 15 shorts positions, with a gross exposure usually below 140%, focused on the small and mid-cap portion of the market.

(i) This class consists of investments that hedge inflation through the holding of real assets directly or indirectly. Indirectly holding may occur through a fund of funds with underlying holdings in publicly traded mutual funds that invest commodity markets, fixed income securities, and equities. Direct holding may occur through direct investment in private companies in the energy and mining sector. The later holding is illiquid and will be locked for 10 to 12 years.

(j) This class consists of investments in underlying properties via debt and/or equity positions. These fund managers look to uncover real estate opportunities in traditional properties (commercial, residential, industrial, etc.) but will also look for more unique opportunities. The fund managers vary in focus from regional to global. These investments are illiquid and will typically exist for 10 to 12 years.

The University's investment policy and strategy for its investments, as established by the Investment Committee (the Committee) of the Board and ratified by the Executive Committee of the Board, is to provide for growth of capital with a moderate level of volatility by investing assets based on its target allocations. The weighted-average target allocations for University assets is 60.0% public equity, 13.0% fixed income, and 27.0% other investments. Public equity securities include investments in large-mid cap and small cap companies primarily located in the United States, as well as international companies similar to the MSCI EAFE and MSCI EM Indices. Fixed-income securities include corporate bonds and loans of companies from diversified industries, mortgage-backed securities, and U.S. treasuries similar to the Bloomberg Barclays US Aggregate Index. Other investments include private equity funds, real estate funds, and hedge funds similar to those of the HFRI Funds of Funds, S&P 500, and Bloomberg Commodity Indexes. Investments periodically are rebalanced to meet established target allocations. In addition, the Committee reviews its investment policy and target allocations periodically and effects changes when required, to ensure that strategic objectives are achieved.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investment Return

The components of total investment return as reflected in the statements of activities are as follows (in millions):

	2020	2019
Changes in Net Assets Without Donor Restrictions		
Operating:		
Endowment spending distribution	$ 41.9	$ 41.5
Investment return	11.1	20.1
Total operating investment return	53.0	61.6
Non-Operating:		
Unrestricted:		
Endowment interest and dividend income, realized and unrealized gains and losses, net of endowment spending distribution	(4.4)	(8.5)
Other net realized and unrealized gains	2.4	2.9
Total unrestricted non-operating investment return	(2.0)	(5.6)
Total investment gain from net assets without donor restrictions	51.0	56.0
Changes in Net Assets With Donor Restrictions		
Investment income, net of endowment spending distribution	(12.0)	(37.2)
Endowment distributions reinvested	-	1.9
Total non-operating investment loss	(12.0)	(35.3)
Total investment return	$ 39.0	$ 20.7

6. FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, patient, student and other receivables, accounts payable, and accrued expenses approximate fair value due to the short maturity of these financial instruments. The carrying amounts of notes payable with variable interest rates approximate their fair value since the variable rates reflect current market rates for notes with similar maturities and credit quality. The fair value of bonds and notes payable with fixed interest rates, which is classified as Level 2 within the fair value hierarchy, is based on rates assumed to be currently available for bond issues with similar terms and average maturities. The estimated fair value of these bonds payable at May 31, 2020 and 2019, approximated $1,318.4 and $1,367.0 million, respectively. The carrying amounts of these bonds payable at May 31, 2020 and 2019, were $1,222.3 and $1,244.4 million, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation and amortization at May 31 consist of the following (in millions):

	Useful Lives	2020	2019
Land		$ 100.8	$ 100.8
Land improvements	20 years	132.9	123.9
Buildings and building improvements	8 to 50 years	2,556.2	2,238.8
Leasehold improvements	1 to 50 years	89.3	63.1
Construction in progress		200.7	286.7
Moveable equipment	3 to 20 years	709.8	667.6
Computers and software	5 to 15 years	233.8	221.8
Library materials	12 years	139.3	130.7
Art objects		58.5	58.5
		4,221.3	3,891.9
Accumulated depreciation and amortization		(2,069.7)	(1,918.2)
Total		$ 2,151.6	$ 1,973.7

Interest on borrowings is capitalized during construction, net of any project specific borrowings' investment income earned through the temporary investment of project borrowings. Net interest expense of $15.1 and $13.9 million was capitalized for the years ended May 31, 2020 and 2019, respectively.

8. ENDOWMENT

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Quasi endowment funds are resources segregated for long-term investment and include investment return on unrestricted investments, and other resources designated by the Board for future programs and operations.

Spending Policy

The University's endowment spending policy is in the second year of a three-year transition from distributing 5.0% of the three-year moving average fair market value of the endowment investment pool to distributing 4.5% of the three-year moving average fair market value of the endowment investment pool. This policy is designed to preserve the real (inflation adjusted) purchasing power of the endowment while supporting the University's activities through the annual operating budget.

New endowments must be received prior to December 31 in order to activate the spending distribution for the next fiscal year. In addition, no distribution is made from an endowment until its funding reaches, by December 31, the level stipulated by policy.

8. ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The University has adopted investment and spending policies to protect the purchasing power of the endowment and to minimize the effect of capital market fluctuations on operating budgets.

The intent of the University's policy for its primary investment pool (the Growth Pool), as approved by the Board, is to achieve a rate of return equal to or greater than the respective benchmark, while assuming a moderate level of risk. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints. The current long-term return objective is to earn a return of at least the Consumer Price Index plus 5%, net of fees. Actual returns in any given year may vary from this amount.

Application of Relevant Law

The Board's interpretation of its fiduciary responsibilities for donor-restricted endowments under Uniform Prudent Management of Institutional Funds Act in Florida (FL UPMIFA) is that it is required to use reasonable care and caution as would be exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FL UPMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

FL UPMIFA specifies that unless stated otherwise in the gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for the spending distribution. Barring the existence of specific instructions in gift agreements for donor-restricted endowments, the University's policy is to report the historical value for such endowments and the net accumulated appreciation as net assets with donor restrictions. The amounts appropriated for the spending distribution are based on the endowment spending rate per unit and the number of units for each fund.

The unspent market appreciation of donor-restricted endowment funds is presented as net assets with donor restrictions until appropriated for expenditure by the University. When losses on the investments of a donor-restricted endowment fund exceed the net appreciation classified in donor-restricted net assets, the excess loss reduces net assets with donor restrictions. At May 31, 2020 and 2019, the net deficiency in the market value of certain endowment-related assets which fell below the donor required level amounted to $5.1 and $1.6 million, respectively, and resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions, as well as continued appropriations for certain programs deemed prudent by the University.

8. ENDOWMENT (Continued)

Endowment net assets consist of the following (in millions):

	Without Donor Restrictions	With Donor Restrictions	Total
At May 31, 2019:			
Donor-restricted endowment funds:			
At historical value	$ -	$ 558.2	$ 558.2
Accumulated net appreciation	-	252.4	252.4
Quasi endowment funds	186.8	-	186.8
Total	$ 186.8	$ 810.6	$ 997.4
At May 31, 2020:			
Donor-restricted endowment funds:			
At historical value	$ -	$ 623.8	$ 623.8
Accumulated net appreciation	-	242.6	242.6
Quasi endowment funds	184.4	-	184.4
Total	$ 184.4	$ 866.4	$ 1,050.8

Changes in endowment net assets for the fiscal years ended May 31, 2020 and 2019, consist of (in millions):

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, May 31, 2018	$ 194.3	$ 827.2	$ 1,021.5
Endowment investment return:			
Investment income	2.5	10.8	13.3
Net depreciation (realized and unrealized)	(3.2)	(13.1)	(16.3)
Total investment return	(0.7)	(2.3)	(3.0)
Gifts and trusts	0.3	18.8	19.1
Endowment spending distribution for programs	(8.2)	(35.2)	(43.4)
Endowment distributions reinvested	-	1.9	1.9
Net transfers to quasi endowment funds	1.1	-	1.1
Other	-	0.2	0.2
Balance, May 31, 2019	186.8	810.6	997.4
Endowment investment return:			
Investment income	1.7	8.1	9.8
Net appreciation (realized and unrealized)	2.1	15.6	17.7
Total investment return	3.8	23.7	27.5
Gifts and trusts	0.6	65.6	66.2
Endowment spending distribution for programs	(8.2)	(34.2)	(42.4)
Endowment spending distribution rollover	-	0.5	0.5
Net transfers to quasi endowment funds	1.4	-	1.4
Other	-	0.2	0.2
Balance, May 31, 2020	$ 184.4	$ 866.4	$ 1,050.8

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The University has two non-contributory retirement plans, the Faculty Retirement Plan and the Employee Retirement Plan. These two plans were closed to employees hired after May 31, 2007. Effective June 1, 2007, a new retirement plan was established, the Retirement Savings Plan.

The University also sponsors an unfunded, defined benefit postretirement health plan that covers all full-time and part-time regular employees who elect coverage and satisfy the plan's eligibility requirements when they retire. The plan is contributory with retiree contributions established as a percentage of the total cost for retiree health care and for the health care of their dependents. The University pays all benefits on a current basis.

In addition to the below noted plans, there are deferred compensation arrangements for certain employees, principally clinical faculty, the liability for which is included in other liabilities.

The Retirement Savings Plan (Savings Plan) is a defined contribution plan in which the University makes an automatic core contribution of 5% of pay with a dollar-for-dollar match on voluntary contributions up to an additional 5% of pay once the employee meets certain eligibility requirements. Eligible employees can begin making voluntary contributions to the Savings Plan at any time. Participation is limited to faculty and staff hired on or after June 1, 2007 or who elected, prior to June 1, 2007, to transfer to this plan from the Faculty Retirement Plan or from the Employee Retirement Plan. Core and matching contributions to the Savings Plan for 2020 and 2019 were $75.2 and $65.9 million, respectively.

The Retirement Savings Plan II (Savings Plan II) is a defined contribution plan the University established, effective January 1, 2008, that covers substantially all employees of UHealth Tower (a facility of the Hospital). The plan is available to employees who meet certain eligibility requirements and requires that UHealth Tower match certain percentages of participants' contributions up to certain maximum levels. Eligible employees can begin making voluntary contributions to the Savings Plan II at any time. Core and matching contributions to the Savings Plan II were $8.2 and $8.7 million for the years ended May 31, 2020 and 2019, respectively.

Faculty Retirement Plan (Faculty Plan) is a defined contribution plan for eligible faculty hired between September 30, 1977 and May 31, 2007, and certain faculty hired on or before September 30, 1977, who ceased participation in the Employee Retirement Plan. Under the terms of the Faculty Plan, the University makes contributions to individual retirement accounts for each eligible faculty member. Payment from the retirement account commences when the faculty member has separated from service and elects to begin distributions in accordance with plan provisions.

Contributions to the Faculty Plan are based upon a combination of compensation, tenure status, length of service, and other factors and are funded as accrued. These contributions were $19.9 and $20.3 million for the years ended May 31, 2020 and 2019, respectively.

The Employee Retirement Plan (Employee Plan) is a defined benefit plan primarily for full-time non-faculty employees hired before June 1, 2007. Employee Plan assets are held by a Trustee. The benefit is based on the higher of two formulas: a formula based on years of service and the employee's compensation for the consecutive five-year period of employment that produces the highest average; and a cash balance benefit formula determined each year based on compensation and investment earnings.

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The measurement date for the Employee Plan and postretirement health plan is May 31.

The following benefit payments, which reflect expected future service, are expected to be paid, for the fiscal years ending May 31 (in millions):

	Pension Benefits	Postretirement Benefits
2021	$ 57.6	$ 0.3
2022	57.0	0.3
2023	59.6	0.4
2024	60.0	0.4
2025	57.1	0.5
2026-2030	288.5	2.7

During the fiscal year ending May 31, 2021, the University expects to contribute $12.6 million to the Employee Plan and $0.3 million to its Postretirement Health Plan.

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The tables that follow provide a reconciliation of the changes in the plans' projected benefit obligations, fair value of assets and funded status at May 31, 2020 and 2019 (in millions):

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Change in Benefit Obligation:				
Benefit obligation at beginning of year	$ 917.3	$ 898.6	$ 8.0	$ 8.0
Service cost – benefits attributed to employee service during period and administrative expenses	18.2	14.9	0.6	0.5
Interest costs accrued to measure benefit obligation at present value	33.0	35.8	0.3	0.3
Plan participant contributions	-	-	0.7	0.6
Actuarial (gain) loss	70.9	40.3	(1.2)	(0.4)
Benefits paid and administrative expenses	(62.1)	(72.3)	(1.3)	(1.0)
Benefit obligation at end of year	977.3	917.3	7.1	8.0
Change in Plan Assets:				
Plan assets at fair value at beginning of year	778.2	800.2	-	-
Investment return on plan assets	131.6	50.3	-	-
Benefits paid and plan expenses	(62.1)	(72.3)	(1.3)	(0.9)
Employer contributions	12.6	-	0.6	0.3
Plan participant contributions	-	-	0.7	0.6
Plan assets at fair value at end of year	860.3	778.2	-	-
Funded status:				
Accrued pension and postretirement benefit costs recognized on the statements of financial position	$ (117.0)	$ (139.1)	$ (7.1)	$ (8.0)
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss (gain)	$ 258.7	$ 305.1	$ (2.2)	$ (1.1)
Prior service credit	(34.6)	(42.2)	(0.2)	(0.2)
	$ 224.1	$ 262.9	$ (2.4)	$ (1.3)

At May 31, 2020 and 2019, the accumulated benefit obligation of the Employee Plan was $950.7 and $894.4 million, respectively, which was $90.3 and $116.1 million in excess of Employee Plan assets, respectively.

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The following table provides the components of net periodic pension cost for the plans for the years ended May 31, 2020 and 2019 (in millions):

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Service costs – benefits attributed to employee service during periods and administrative expenses	$ 18.2	$ 14.9	$ 0.6	$ 0.5
Interest costs accrued to measure benefit obligation at present value	33.0	35.8	0.3	0.3
Expected return on plan assets	(44.2)	(45.3)	-	-
Amortization of prior service cost/(credit) - includes changes in pension formula and cost of plan amendments	(7.6)	(7.9)	(0.1)	(0.1)
Recognized net actuarial loss and assumption changes	30.0	27.2	-	-
Net periodic benefit cost	$ 29.4	$ 24.7	$ 0.8	$ 0.7

The components of net periodic benefit cost other than the service cost component are included in the line item "Other components of net periodic pension cost" in the statements of activities.

The net actuarial loss and prior service credit expected to be recognized in net periodic benefit cost over the next fiscal year are as follows (in millions):

	Pension Benefits	Postretirement Benefits
Net actuarial loss (gain)	$ 258.7	$ (2.2)
Prior service credit	(34.6)	(0.2)

A 6.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2021. The rate is assumed to decrease each year until reaching the ultimate of 4.5% in 2028. Assumed health care cost trend rates have an effect on the amounts reported for the health care plan. A load factor was applied to the trend rates to reflect the impact of excise tax in 2020 and beyond. A 1% change in assumed health care cost trend rates would have the following effect (in millions):

	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	$ 0.1	$ (0.1)
Effect on the health care component of the accumulated postretirement benefit obligation	0.9	(0.7)

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The following weighted-average assumptions were used for the above calculations:

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Discount rate for benefit obligation	3.05%	3.75%	2.86%	3.71%
Discount rate for net periodic benefit cost	3.75%	4.20%	3.71%	4.12%
Expected return on plan assets	6.00%	6.00%	N/A	N/A
Rate of compensation increase related to net periodic benefit cost	2.50%/0.00%/ 3.00%	2.50%/3.00%	N/A	N/A

The rate of compensation increase assumption related to the benefit obligation is 2.5% thru fiscal year 2020, 0.0% in fiscal year 2021, and 3.0% thereafter. To develop the expected long-term rate of return for the Employee Plan assets, the University considered the historical returns of the major market indicators relating to the target asset allocation, as well as the current economic and financial market conditions.

The University used mortality tables issued by the Society of Actuaries. These tables represent recent mortality experience for a large U.S. population dataset that is reasonably representative of the population covered under the plan. Specifically, for 2020 the University selected separate mortality rates for non-annuitants (the Pri-2012 “Employees” table) and annuitants (the Pri-2012 “Healthy Retiree” and “Contingent Spouses” mortality tables), without collar adjustment. Mortality improvement was also assumed beyond the valuation date because recent experience evidenced by Social Security beneficiaries indicated that longevity has continued to improve. For years after 2012, generational improvement was projected using scale MP-2019. For fiscal year 2019, the University had selected the 2006 mortality rates underlying the RP-2014 "Employees" table for non-annuitants and the 2006 mortality rates underlying the RP-2014 "Healthy Annuitants" table for annuitants, for mixed collar employees. Again, for fiscal year 2019, mortality improvement was also assumed beyond the valuation date, so for years after 2014, generational improvement was projected using scale MP-2014, modified to converge to a 0.75% long-term rate of mortality improvement in 2022 for ages 65 to 84, lesser improvement rates were used at older ages to generational improvement projected using scale MP-2018.

Employee Plan Assets

The investment policy and objectives, as established by the University, are to ensure that the Employee Plan has sufficient liquidity and investment returns relative to anticipated cash flow and funding requirements, including benefit obligations. The University has incorporated a Dynamic Glide Path (“the Glide Path”) approach to the asset allocation for the Employee Plan. The intent of the Glide Path is to minimize the Plan’s funded ratio volatility.

The current Glide Path asset allocation for a funded ratio greater than 80% but less than or equal to 90% is as follows: 30% to 60% growth assets (including public equities, fixed income [non-duration-matched] and other investments); and 40% to 70% fixed income (duration-matched). Public equity securities include registered mutual funds, unregistered limited partnerships, common collective trusts, and 103-12 investment entities, which invest in large cap, mid cap, and small cap companies primarily located in the United States, as well as international and emerging markets. Fixed-income securities include collective investment funds and registered mutual funds, which invest in government and government agency securities, corporate credit (investment-grade and high yield), structured products - leveraged loans, and other related credit instruments.

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Employee Plan Assets (continued)

Other investments include uncorrelated long and short investments in markets and instruments, illiquid investments in public and private equity companies, real estate, and common collective trusts investing in real assets related securities similar to those of the HFRI Fund of Funds Index, Cambridge Associates Global Private Equity Index and Bloomberg Commodity Index. At a minimum, the University reviews the Glide Path and asset allocation annually for appropriateness.

		Fair Value Measurements at May 31, 2020 (in millions)		
	Total	Level 1	Level 2	Level 3
Publicly traded stocks:				
Small cap	$ 20.7	$ 20.7	$ -	$ -
Mutual funds:				
Equities:				
Emerging markets	17.9	17.9	-	-
International	47.9	47.9	-	-
Fixed income	81.5	81.5	-	-
Unregistered limited partnerships and limited liability companies measured at NAV [1]:				
Equities:				
Emerging markets	12.7	-	-	-
Large-mid cap	42.1	-	-	-
Private equity	3.3	-	-	-
Other:				
Real estate	1.8	-	-	-
Common collective trusts:				
Equities measured at NAV [1]:				
Large cap	86.5	-	-	-
Fixed income	122.7	-	-	-
Multi-strategy	22.4	-	-	-
Short-term investment funds	19.1	-	-	-
103-12 investment entities:				
Equities:				
International measured at NAV [1]	38.8	-	-	-
Corporate and government bonds:				
Fixed income	310.8	205.8	105.0	-
Other investments measured at NAV [1]				
Private equity	3.4	-	-	-
Long-short composite	0.2	-	-	-
Fixed income	9.5	-	-	-
Multi-strategy	17.8	-	-	-
Other	1.2	-	-	-
Total	$ 860.3	$ 373.8	$ 105.0	$ -

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Employee Plan Assets (continued)

	Total	Fair Value Measurements at May 31, 2019 (in millions)		
		Level 1	Level 2	Level 3
Publicly traded stocks:				
Small cap	$ 15.5	$ 15.5	$ -	$ -
Mutual funds:				
Equities:				
Emerging markets	19.5	19.5	-	-
International	21.3	21.3	-	-
Fixed income	85.9	85.9	-	-
Unregistered limited partnerships and limited liability companies measured at NAV [1]:				
Equities:				
Large-mid cap	37.3	-	-	-
Private equity	7.3	-	-	-
Other:				
Real estate	2.3	-	-	-
Common collective trusts:				
Equities measured at NAV [1]:				
Large cap	39.5	-	-	-
Fixed income	172.8	-	-	-
Short-term investment funds	34.0	-	-	-
Multi-strategy	21.8	-	-	-
103-12 investment entities:				
Equities:				
International measured at NAV [1]	34.8	-	-	-
Corporate and government bonds:				
Fixed income	269.5	122.9	146.6	-
Other investments measured at NAV [1]				
Private equity	5.4	-	-	-
Long-short composite	0.2	-	-	-
Fixed income	0.3	-	-	-
Multi-strategy	9.8	-	-	-
Other	1.0	-	-	-
Total	$ 778.2	$ 265.1	$ 146.6	$ -

[1]In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the pension and other postretirement benefit plans table provided within note 9.

10. BONDS AND NOTES PAYABLE

Bonds and notes payable at May 31 consist of the following (in millions):

	Series	Final Maturity	2020 Interest Rate	2020	2019
Miami-Dade County, Florida Educational Facilities Authority	2007B to 2018B	2020 to 2053	2.96% to 5.73%	$ 1,171.4	$ 1,190.5
Notes payable to banks and others	-	2020 to 2030	-	10.2	11.3
Lines of credits to banks	-	2021 to 2025	Variable	698.0	-
Notes payable to banks and others	-	2020 to 2025	Variable	105.8	106.9
Par amount of bonds and notes payable				1,985.4	1,308.7
Net unamortized premium				56.0	58.7
Net unamortized issue costs				(8.8)	(8.2)
Total				$ 2,032.6	$ 1,359.2

The annual maturities for bonds and notes payable at May 31, 2020, are as follows (in millions):

2021	$ 220.5
2022	21.2
2023	21.9
2024	25.3
2025	598.5
Thereafter	1,098.0
Total	$ 1,985.4

In December 2014, the University borrowed $16.8 million from a bank to refinance an existing note. The loan had a variable interest rate equal to LIBOR Floating Rate plus 0.80% per annum, and a maturity date of December 16, 2019. In August 2019, the note was amended to extend the maturity date of the loan to January 2023 and to change the interest rate to LIBOR Floating Rate plus 0.60% per annum. Effective March 20, 2020, the University refinanced/paid off the $12.5 million balance of the existing note with a senior credit facility.

In 2015, the University entered into a $600.0 million senior credit facility with a syndicate of lenders, including a line of credit of $500.0 million and a Term Loan A of $100.0 million. Effective March 20, 2020, the University refinanced and executed a new $605.0 million senior credit facility, including a revolving credit facility of $500.0 million and new Term Loan A of $105.0 million. The $500.0 million line of credit and the new Term Loan A have variable interest rates equal to the LIBOR Daily Floating Rate plus 0.70% per annum, and maturity dates of March 19, 2025. The outstanding balance of the Term Loan A at May 31, 2020 and 2019 was $105.0 and $93.8 million, respectively. At May 31, 2020 and 2019, the outstanding balance of the line of credit was $498.0 million and $0, respectively.

10. BONDS AND NOTES PAYABLE (Continued)

In April 2020, the University entered into a $200.0 million 364-day credit facility with a syndicate of lenders. The $200.0 million credit facility has a variable interest rate equal to the LIBOR Daily Floating Rate plus 2.00% per annum; provided that LIBOR is not less than 1.00%, and has a maturity date of April 16, 2021. The outstanding balance at May 31, 2020 was $200.0 million. In August 2020, the University repaid the $200.0 million credit facility and at the date these financial statements were issued there was no outstanding amount due.

Total interest paid on all bonds and notes was $62.7 and $63.2 million for the years ended May 31, 2020 and 2019, respectively. All of the bonds and notes payable listed in the table above are unsecured. The bonds and the notes do not contain any significant financial covenants, except the $605.0 million senior credit facility has a covenant that requires that the University's ratio of EBITDA to interest charges not be less than 2.0-to-1.0. The University has performed and observed each covenant and condition of the bonds and notes, and no default has occurred.

11. NET ASSETS

At May 31, net assets consist of the following (in millions):

	2020	2019
Net assets without donor restrictions:		
Designated for operations, programs, facilities expansion and student loans	$ 244.8	$ 270.8
Cumulative pension and postretirement benefits related changes other than net periodic benefit cost	(221.7)	(261.5)
Invested in plant facilities	866.9	811.2
Designated for endowment and similar funds	184.4	186.8
Total net assets without donor restrictions	$ 1,074.4	$ 1,007.3

	2020	2019
Net assets with donor restrictions:		
Gifts for programs and facilities expansion	$ 86.8	$ 94.7
Contributions (pledges) and trusts	453.0	469.6
Life income and annuity funds	9.8	9.4
Endowment and similar funds	866.4	810.6
Total net assets with donor restrictions	$ 1,416.0	$ 1,384.3

At May 31, 2020, net assets with donor restrictions includes amounts that are restricted in perpetuity of $665.4 milion and certain term endowment funds of $35.1 million that are available for future distribution.

12. GIFTS AND TRUSTS

The University's Division of Development and Alumni Relations (DAR) reports total gifts and trusts based on the Management Reporting Standards issued by the Council for Advancement and Support of Education (CASE). Gifts, trusts, and pledges (gifts and trusts) reported for financial statement purposes are recorded on the accrual basis.

The table below summarizes gifts and trusts received for the years ended May 31, 2020 and 2019, reported in the statements of activities as well as the CASE standards as reported by DAR (in millions):

	2020	2019
Unrestricted gifts and trusts in support of programs	$ 48.8	$ 63.2
Unrestricted gifts and trusts for plant expansion	0.6	0.3
Restricted gifts and trusts for programs, plant expansion, and endowments, net	73.3	205.3
Total gifts and trusts, per statements of activities	122.7	268.8
Increases (decreases) to reflect gifts and trusts per CASE standards		
Pledges, net	49.9	(1.5)
Non-government grants, included in grants and contracts revenue	30.1	26.5
Differences in valuation/recording:		
Funds held in trust by others	(3.4)	(3.0)
Annuity	0.1	-
Timing	1.0	1.4
Donations to supporting organizations recorded under CASE standards only	-	1.9
Total gifts and trusts as reported by DAR	$ 200.4	$ 294.1

13. FUNCTIONAL EXPENSES

Operating expenses are reported in the statements of activities by natural classification. Expenses related to the University by both natural classification and functional classification for the years ended May 31, 2020 and 2019 is summarized below (in millions):

	2020			
	Academic and research	Health care services	Administrative and support services	Total
Compensation and benefits	$ 742.0	$ 1,034.9	$ 346.2	$ 2,123.1
Supplies and services	169.6	707.6	100.1	977.3
Depreciation and amortization	54.2	41.4	62.5	158.1
Utilities and maintenance	33.7	35.2	9.9	78.8
Interest	14.3	15.1	16.6	46.0
Other	69.5	117.2	89.2	275.9
Total operating expenses	$ 1,083.3	$ 1,951.4	$ 624.5	$ 3,659.2

13. FUNCTIONAL EXPENSES (Continued)

	2019			
	Academic and research	Health care services	Administrative and support services	Total
Compensation and benefits	$ 685.1	$ 969.7	$ 355.0	$ 2,009.8
Supplies and services	167.9	661.9	91.1	920.9
Depreciation and amortization	57.4	36.8	61.7	155.9
Utilities and maintenance	36.6	43.1	8.5	88.2
Interest	16.1	15.6	17.2	48.9
Other	88.7	97.5	89.0	275.2
Total operating expenses	$ 1,051.8	$ 1,824.6	$ 622.5	$ 3,498.9

Certain natural expenses are attributable to more than one supporting functional expense category. These expenses consist primarily of depreciation, amortization, interest, and facilities-related expenses. Operations and maintenance expense of $189.7 and $176.6 million at May 31, 2020 and 2019, respectively, were also allocated. The method used for allocations is based on square footage used by each function, and these expenses are allocated consistently. In addition, square footage for multi-functional spaces is proportionately allocated based on utilization, which is calculated using salary data.

14. COMMITMENTS AND CONTINGENCIES

The University had contractual obligations of approximately $61.0 million at May 31, 2020, for various construction projects and purchases of equipment.

The University, in its normal operations, is a defendant in various legal actions. Additionally, amounts received and expended under various federal and state programs are subject to audit by governmental agencies. Management is of the opinion that the outcome of these matters would not have a material effect on the University's financial position or results of operations.

The University leases certain real property. These leases are classified as operating leases and have lease terms ranging up to 60 years. Total lease expense for the years ended May 31, 2020 and 2019, was $26.1 million and $26.0 million, respectively. Future minimum lease payments under noncancelable operating leases at May 31, 2020, are as follows (in millions):

2021	$ 17.8
2022	17.2
2023	13.0
2024	12.5
2025	11.5
Thereafter	264.3
Total	$ 336.3

The University leases certain equipment that represent capital leases and have lease terms ranging up to five years. The present value of the future minimum lease payments are reported as other liabilities and at May 31, 2020 and 2019, was $7.5 and $4.8 million, respectively.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements. Cash flows have seasonal variations during the year attributable to tuition billing, patient service, and research reimbursements, and a concentration of contributions received at calendar and fiscal year-end.

The University's financial assets and resources available to meet cash needs for general expenditures within one year as of May 31, 2020 and 2019, are as follows (in millions):

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 978.3	$ 264.2
Accounts and loans receivable, net	449.9	544.5
Pledge payments available for operations	41.3	32.9
Working capital in investments	469.4	208.8
Subsequent fiscal year endowment distributions	43.7	40.6
Total financial assets available within one year	1,982.6	1,091.0
Liquidity resources:		
Bank lines	-	500.0
Total financial assets and liquidity resources available within one year	$ 1,982.6	$ 1,591.0

At May 31, 2020, the $200.0 million senior credit facility was fully drawn down. In August 2020, the University repaid the $200.0 million senior credit facility, using cash and cash equivalents. At the date these financial statements were issued, there was no outstanding amount due. This amount is now fully available as a liquidity resource through April 16, 2021.

In addition to the liquidity resources noted above, the University has a board-designated endowment of $184.4 million as of May 31, 2020, to help manage unanticipated liquidity needs. Although the University does not intend to spend from its board-designated endowment funds as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if required. However, both board-designated and donor-restricted endowment funds contain investments with lock-up provisions that reduce total investments that could be made available to meet cash flow needs.