



**UNIVERSITY
OF MIAMI**



FINANCIAL STATEMENTS

Fiscal years ended MAY 31, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Brickell City Center, Suite 1200
78 SW 7 Street
Miami, FL 33130

Independent Auditors' Report

The Board of Trustees
University of Miami:

Opinion

We have audited the financial statements of the University of Miami (the University), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University of Miami as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements.



In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Miami, Florida
September 20, 2022

UNIVERSITY OF MIAMI
STATEMENTS OF FINANCIAL POSITION
May 31, 2022 and 2021
(in millions)

Assets	2022	2021
Cash and cash equivalents	\$ 525.1	\$ 550.7
Deposit with bond trustee	-	3.8
Accounts and loans receivable, net	708.9	642.7
Contributions receivable, net	175.4	164.3
Other assets	277.7	247.6
Investments	2,609.4	2,136.9
Property and equipment, net	2,222.8	2,159.9
Trusts held by others	63.3	65.2
Total Assets	\$ 6,582.6	\$ 5,971.1
Liabilities		
Accounts payable and accrued expenses	\$ 417.1	\$ 392.9
Deferred revenues and other deposits	144.4	231.5
Liability for medical self-insurance	40.4	61.2
Other liabilities	387.8	383.2
Accrued pension and postretirement benefit costs	64.6	61.0
Actuarial liability of annuities payable	5.5	5.6
Government advances for student loans	2.3	1.7
Bonds and notes payable	1,785.4	1,408.1
Total Liabilities	2,847.5	2,545.2
Net Assets		
Without donor restrictions	1,980.8	1,685.7
With donor restrictions	1,754.3	1,740.2
Total Net Assets	3,735.1	3,425.9
Total Liabilities and Net Assets	\$ 6,582.6	\$ 5,971.1

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF ACTIVITIES
Years Ended May 31, 2022 and 2021
(in millions)

	2022	2021
Changes in net assets without donor restrictions		
Operating activities		
Operating revenues		
Tuition and fees, net	\$ 650.4	\$ 610.2
Grants and contracts, net	554.9	512.8
Net patient revenue - medical professional practice	651.4	589.3
Net patient revenue - hospitals and clinics	2,292.0	1,973.5
Gifts and trusts, net	60.0	49.8
Net assets released from restrictions	13.5	12.7
Endowment spending distribution	46.4	43.9
Investment return	23.5	15.8
Auxiliary enterprises, net	239.2	138.6
Other sources	170.8	153.5
Total operating revenues	4,702.1	4,100.1
Operating expenses		
Compensation and benefits	2,383.7	2,051.1
Supplies and services	1,233.3	1,046.2
Depreciation and amortization	179.0	173.0
Utilities and maintenance	82.6	80.5
Interest	51.9	54.8
Other	447.4	262.1
Total operating expenses	4,377.9	3,667.7
Change in net assets without donor restrictions from operating activities	324.2	432.4
Non-Operating activities		
Endowment, annuity, and other investment return, net of distributions	(55.9)	71.6
Gifts and trusts, net	1.0	0.6
Net loss on disposal of long-lived assets	0.3	(0.1)
Other components of net periodic pension costs	(20.1)	7.0
Net assets released from restrictions for property and equipment	28.6	19.1
Change in net assets without donor restrictions from non-operating activities	(46.1)	98.2
Postretirement benefits related changes other than net periodic benefit cost	17.0	62.1
Increase in net assets without donor restrictions	295.1	592.7
Changes in net assets with donor restrictions		
Endowment, annuity, and other investment return, net of distributions	(77.3)	262.6
Gifts and trusts, net	132.2	93.2
Changes in value of annuities payable and trusts held by others	1.3	0.2
Net assets released from restrictions	(42.1)	(31.8)
Increase in net assets with donor restrictions	14.1	324.2
Increase in total net assets	309.2	916.9
Net Assets		
Net assets, beginning	3,425.9	2,490.4
Cumulative-effect adjustment from adoption of ASC 842, net assets without donor restrictions	-	18.6
Net assets, beginning, as adjusted	3,425.9	2,509.0
End of year	\$ 3,735.1	\$ 3,425.9

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF CASH FLOWS
Years Ended May 31, 2022 and 2021
(in millions)

	2022	2021
Cash flows from operating activities		
Increase in total net assets	\$ 309.2	\$ 916.9
Adjustments to reconcile increase in total net assets to net cash provided by operating activities		
Net realized and unrealized losses (gains) on investments	96.7	(368.4)
Gifts for plant expansion and endowment	(77.2)	(152.3)
Depreciation and amortization	179.0	173.0
Provision for doubtful accounts	11.2	8.6
Net loss on sale and/or disposal of other assets and property and equipment	8.5	0.1
Present value adjustment on annuities payable and trusts held by others	(2.5)	(1.9)
Amortization of debt premiums, discounts, and issue costs	(2.2)	(2.2)
Postretirement benefits related changes other than net periodic benefit cost	(17.0)	(62.1)
Change in operating assets and liabilities		
(Increase) decrease in		
Accounts and loans receivable	(68.1)	(148.6)
Contributions receivable	(9.6)	123.9
Other assets	(29.3)	(124.5)
Increase (decrease) in		
Accounts payable and accrued expenses	45.7	79.5
Deferred revenues, annuities payable, and other liabilities	(73.5)	190.6
Accrued pension and postretirement benefit costs	20.6	(1.0)
Medical self-insurance	(20.8)	(20.2)
Government advances for student loans	0.6	(23.5)
Net cash provided by operating activities	371.3	587.9
Cash flows from investing activities		
Purchases of investments	(1,481.6)	(1,148.9)
Proceeds from the sales and maturities of investments	942.5	879.9
Capital expenditures for property and equipment	(269.4)	(178.1)
Student and shared appreciation mortgage loans		
New loans made	(0.1)	-
Principal collected	(2.3)	(1.5)
Net cash used in investing activities	(810.9)	(448.6)
Cash flows from financing activities		
Gifts for plant expansion and endowment	39.3	51.4
Proceeds from the issuance of debt	497.5	-
Payments on bonds and notes payable	(118.0)	(622.3)
Payments on finance leases	(8.6)	(7.1)
Net cash provided by (used in) financing activities	410.2	(578.0)

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI
STATEMENTS OF CASH FLOWS - (Continued)
Years Ended May 31, 2022 and 2021
(in millions)

	2022		2021
Cash and cash equivalents, and deposit with bond trustee			
Net decrease	\$ (29.4)	\$	(438.7)
Beginning of year	554.5		993.2
End of year	\$ 525.1	\$	554.5
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 58.8	\$	63.6
Donated securities	26.3		5.8
Accrued liabilities related to additions of property	21.5		8.2

See accompanying notes to financial statements.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

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 ("University of Miami Hospitals & Clinics"), which is a division of the University. 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 U.S. generally accepted accounting principles (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. This category 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. 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. Accordingly, no significant provision for income taxes is made in the financial statements. At May 31, 2022 and 2021, there were no uncertain tax positions. The University files tax returns with U.S. federal and other state tax authorities for which generally the statute of limitations extends to the year ended May 31, 2019.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

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

Activities

The University's revenues and expenses related to conducting its core activities are classified as operating in the statements of activities. Endowment, annuity, and other investment return, net of distributions, as well as other components of net periodic pension costs, changes in postretirement obligations, net assets released from restriction for property and equipment, and certain other activities, are classified as non-operating in the statements of activities.

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, 2022 and 2021, the amounts held in escrow included \$0 and \$3.8 million, respectively, for the 2018A bonds (see note 9). These amounts are reported as a separate financial statement line titled "Deposit with bond trustee" and are part of the cash and cash equivalents for purposes of 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.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

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

Revenue Recognition (continued)

Institutional aid is netted against tuition and fees, and auxiliary enterprises revenue in the statements of activities as follows (in millions):

	2022	2021
Scholarships and fellowships:		
Institutionally funded	\$ 315.6	\$ 272.1
Externally funded - gifts and grants	30.3	28.2
Total amount netted against tuition and fees revenue	\$ 345.9	\$ 300.3
 Amount netted against auxiliary enterprises revenue	 \$ 28.0	 \$ 24.1

Net patient 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.

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 inpatient/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.

Net patient revenue and accounts receivable consist primarily of patient 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.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021**

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

Revenue Recognition (continued)

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

	Year ended May 31, 2022		
	UMMG	Hospital	Total
Medicare and Medicare HMO	\$ 157.1	\$ 675.1	\$ 832.2
Medicaid and Medicaid HMO	144.2	192.6	336.8
Managed Care	294.7	1,388.0	1,682.7
Other	55.4	36.3	91.7
	<u>\$ 651.4</u>	<u>\$ 2,292.0</u>	<u>\$ 2,943.4</u>
	Year ended May 31, 2021		
	UMMG	Hospital	Total
Medicare and Medicare HMO	\$ 110.1	\$ 744.4	\$ 854.5
Medicaid and Medicaid HMO	153.5	159.8	313.3
Managed Care	277.9	940.1	1,218.0
Other	47.8	129.2	177.0
	<u>\$ 589.3</u>	<u>\$ 1,973.5</u>	<u>\$ 2,562.8</u>

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, 2022, in the accompanying financial statements. The impact of such adjustments to revenues for the years ended May 31, 2022 and 2021, were increases of \$18.9 and \$24.5 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.

The federal government reimburses the University for facilities and administrative costs incurred in connection with research grants and contracts based on approved rates through 2022. Facilities and administrative cost recovery from government and private sources included in grants and contracts revenues totaled \$86.3 and \$75.6 million during the years ended May 31, 2022 and 2021, respectively.

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 \$909.5 and \$874.6 million at May 31, 2022 and 2021, respectively.

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, 2022 and 2021 are reported net of uncollectible pledges and reserves of \$6.4 and \$5.7 million, respectively.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

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

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. The resulting measures to contain the spread and impact of COVID-19 have impacted 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. At May 31, 2022 and 2021, stimulus relief payments are generally reflected within other sources under operating revenues in the accompanying statements 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 years ended May 31, 2022 and 2021, the University received \$21.3 and \$11.8 million, respectively, 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, 2022 and 2021, HEERF payments of \$21.3 and \$18.4 million, respectively, are reflected within grants and contracts, net in the accompanying statement of activities.

During the years ended May 31, 2022 and 2021, the University received \$3.7 and \$6.5 million, respectively, 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. In both years, 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, and no payments were received during the years ended May 31, 2022 and 2021. The program requires that the Centers for Medicare & Medicaid Services (CMS) begin to recoup the accelerated payments after 1 year starting from the date that the first advancement was received. Section 2501 of the Continuing Appropriations Act of 2021 stipulates auto recoupment from claims at 25% of net reimbursement for the first 11 months and then 50% for the next 6 months. At the end of the recoupment period, if the remaining balance is not paid within 30 days of a demand letter, then interest will be accrued at 4% on the outstanding balance. The University expects to fully liquidate by July 2022. As of May 31, 2022 and 2021, the outstanding balance of \$19.9 and \$110.0 million, respectively, is reflected within deferred revenues and other deposits in the accompanying statement of financial position.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

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

Deferred Revenues

Deferred revenues are primarily comprised 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, 2022 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 met 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 \$17.5 and \$17.2 million at May 31, 2022 and 2021, 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.

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.

Related Parties

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.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021**

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

Related Parties (continued)

All such treatment and training are 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.

Other related party transactions are disclosed in note 3 regarding shared appreciation mortgages to faculty and administrators and note 4 regarding gift contributions from the University's Board of Trustees.

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 2.0% at May 31, 2022 and 2021, respectively.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Property and equipment under finance leases are initially valued and recorded based on the present value of minimum lease payments. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Depreciation on property and equipment held under finance leases is amortized over the shorter of the expected useful life of the asset or term of the related lease. 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.

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.

Collections

Collections at the University include works of art and literary works that are maintained in the University's galleries, libraries, and buildings. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service and, therefore, are capitalized but not depreciated. The University's policy is to use the proceeds from deaccessioned collection items for the acquisition of new collection items. No collection items were deaccessioned for the years ended May 31, 2022 and 2021.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

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

Lease Right-Of-Use Assets and Liabilities

Operating leases as a lessee are included in other assets and other liabilities on the statement of financial position. The assets and liabilities associated with finance leases as a lessee are included in property and equipment, net, and other liabilities, respectively, on the statement of financial position.

Right-of-use assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The commencement date is when the University either takes possession of the asset or, in the case of real estate leases, when the landlord makes the building available for use. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

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 during the years ended May 31, 2022 and 2021.

Inventories

The University's inventories are carried at the lower of cost or net realizable value. Inventories are used in the provision of patient care and generally are not held for sale. Inventories are recorded within other assets on the statement of financial position.

Subsequent Events

The University evaluated events and transactions occurring subsequent to May 31, 2022, through September 20, 2022, 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 9 relating to an agreement amendment.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

3. ACCOUNTS AND LOANS RECEIVABLE

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

	2022	2021
Accounts and loans receivable, net:		
Patient care	\$ 551.9	\$ 495.4
Grants, contracts, and other	123.8	103.4
Shared appreciation mortgages	16.3	18.8
Student	14.9	22.5
Student loans, net	2.0	2.6
Total	\$ 708.9	\$ 642.7

Approximately 11.5% and 5.8% of accounts and loans receivable, net are due from the Medicare program at May 31, 2022 and 2021, respectively.

Accounts and loans receivable are presented net of allowances for doubtful accounts. Patient care receivables are presented net of implicit and explicit price concessions. At May 31, 2022 and 2021, allowances for doubtful accounts were \$16.5 and \$14.6 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 \$18.7 and \$21.2 million (each gross of \$2.4 million allowance for doubtful accounts) at May 31, 2022 and 2021, 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.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021**

4. CONTRIBUTIONS RECEIVABLE (PLEDGES)

Unconditional pledges are recorded at the present value of their future cash flows using a discount rate ranging from 2.9% to 1.6% at May 31, 2022 and 2021, 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):

	2022	2021
In one year or less	\$ 101.0	\$ 95.5
Between one year and five years	102.0	94.6
More than five years	13.4	12.8
	216.4	202.9
Discount of \$15.6 and allowance for doubtful pledges of \$25.4 for 2022 and \$15.0 and \$23.6 for 2021, respectively	(41.0)	(38.6)
Total	\$ 175.4	\$ 164.3

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, 2022, net contributions receivable includes \$81.0 and \$84.6 million, respectively, due from members of the University's Board of Trustees. At May 31, 2022 and 2021, conditional promises to give and bequest intentions totaling \$622.9 and \$640.5 million, respectively, were not reflected in the financial statements.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

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 fair value liability of the swap agreement was \$1.7 and \$3.1 million as of May 31, 2022 and 2021, respectively, and is included in other investments. Changes in the fair value, which for fiscal years 2022 and 2021 amounted to an unrealized gain of \$1.4 and \$1.2 million, respectively, are recorded as non-operating activities in the statements of activities. The notional amount was \$12.4 and \$13.1 million for fiscal years 2022 and 2021, respectively.

Investments

The fair market value of investments at May 31, 2022 and 2021 amounted to \$2,609.4 and \$2,136.9 million, with a cost basis of \$2,393.7 and \$1,763.6 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, 2022 and 2021, the fair value of the University's primary investment pool (the Growth Pool) amounted to \$1,416.1 and \$1,421.2 million, with a cost basis of \$1,178.9 and \$1,059.6 million, respectively. The Growth Pool is managed by multiple investment managers with asset allocation per the University's investment policy.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

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 hierarchical reporting. However, since the University has an interest in the trust and not the underlying 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.

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, 2022.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

	Total	Fair Value Measurement at May 31, 2022 (in millions)		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 484.6	\$ 484.6	\$ -	\$ -
Short-term investments	794.3	794.3	-	-
Corporate bonds	141.6	-	141.6	-
Debt securities:				
U.S. Treasury and other government agencies	15.0	15.0	-	-
Domestic and foreign corporate debt securities	81.4	-	81.4	-
Publicly traded stocks:				
Large-mid cap	39.7	39.7	-	-
Small cap	38.5	38.5	-	-
International	29.8	29.8	-	-
Mutual funds:				
Equities:				
Emerging markets	35.4	35.4	-	-
International	159.9	159.9	-	-
Large-mid cap	321.7	310.3	11.4	-
Small cap	0.2	0.2	-	-
Long-short composite	14.8	14.8	-	-
Fixed income	195.2	145.8	49.4	-
Balanced	1.1	1.1	-	-
Exchange-traded fund:				
Real estate funds	5.2	5.2	-	-
Private Equity - S.A.F.E. Agreement	2.5	-	2.5	-
Limited partnerships and limited liability companies measured at NAV ¹ :				
Equities:				
Emerging markets	58.4	-	-	-
International	56.3	-	-	-
Large-mid cap	175.6	-	-	-
Small cap	2.5	-	-	-
Fixed income	139.4	-	-	-
Private equity	164.3	-	-	-
Other:				
Event arbitrage	48.5	-	-	-
Long-short composite	13.9	-	-	-
Multi-strategy	36.5	-	-	-
Real assets related securities	20.6	-	-	-
Real estate	18.8	-	-	-
Interest rate swap	(1.7)	-	(1.7)	-
Total investments, cash equivalents, and swap	3,094.0	2,074.6	284.6	-
Trusts held by others	63.3	-	-	63.3
Total assets	\$ 3,157.3	\$ 2,074.6	\$ 284.6	\$ 63.3

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

	Total	Fair Value Measurement at May 31, 2021 (in millions)		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 515.5	\$ 515.5	\$ -	\$ -
Short-term investments	345.9	345.9	-	-
Corporate bonds	199.7	-	199.7	-
Debt securities:				
U.S. Treasury and other government agencies	0.1	0.1	-	-
Publicly traded stocks:				
Large-mid cap	25.3	25.3	-	-
Small cap	44.5	44.5	-	-
Mutual funds:				
Equities:				
Emerging markets	31.6	31.6	-	-
International	154.5	154.5	-	-
Large-mid cap	358.3	358.3	-	-
Fixed income	120.2	120.2	-	-
Balanced	1.2	1.2	-	-
Exchange-traded fund:				
Real estate funds	4.8	4.8	-	-
Limited partnerships and limited liability companies measured at NAV¹:				
Equities:				
Emerging markets	70.5	-	-	-
International	109.2	-	-	-
Large-mid cap	188.3	-	-	-
Small cap	2.8	-	-	-
Fixed income	237.0	-	-	-
Private equity	104.2	-	-	-
Other:				
Event arbitrage	42.4	-	-	-
Long-short composite	32.3	-	-	-
Multi-strategy	51.7	-	-	-
Real assets related securities	4.9	-	-	-
Real estate	10.6	-	-	-
Interest rate swap	(3.1)	-	(3.1)	-
Total investments, cash equivalents, and swap	2,652.4	1,601.9	196.6	-
Trusts held by others	65.2	-	-	65.2
Total assets	<u>\$ 2,717.6</u>	<u>\$ 1,601.9</u>	<u>\$ 196.6</u>	<u>\$ 65.2</u>

¹In 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.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

The change in Trust held by others from \$65.2 million to \$63.3 million is due to an unrealized loss of \$1.9 million.

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

	At May 31, 2022			
	Fair Value	Future Commitments	Redemption Frequency	Days Notice
Investments:				
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets (b)	\$ 58.4	\$ -	(M).(D)	1-30 days
International (c)	56.3	-	(M).(W)	1-6 days
Large-mid cap (d)	175.6	-	(Q)	1-60 days
Small cap (e)	2.5	-	(D)	1 day
Fixed income (f)	139.4	-	(M).(D)	1-30 days
Private equity (g)	164.3	80.4	(M).(*)	1-50 days
Other:				
Event arbitrage (h)	48.5	13.5	(Q).(*)	1-90 days
Long-short composite (i)	13.9	-	(A)	45 days
Multi-strategy (a)	36.5	-	(M)	1-30 days
Real assets related securities (j)	20.6	2.7	(A).(*)	1-90 days
Real estate (k)	18.8	0.7	*	N/A
Total investments	<u>\$ 734.8</u>	<u>\$ 97.3</u>		

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021**

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

	At May 31, 2021			
	Fair Value	Future Commitments	Redemption Frequency	Days Notice
Investments:				
Limited partnerships and limited liability companies:				
Equities:				
Emerging markets (b)	\$ 70.5	\$ -	(M)	5–30 days
International (c)	109.2	-	(M)	3–6 days
Large-mid cap (d)	188.3	-	(Q)	60 days
Small cap (e)	2.8	-	(D)	1 day
Fixed income (f)	237.0	-	N/A	N/A
Private equity (g)	104.2	82.6	*	N/A
Other:				
Event arbitrage (h)	42.4	0.8	(Q)/(A)	65–90 days
Long-short composite (i)	32.3	-	(M)/(A)	45–50 days
Multi-strategy (a)	51.7	-	(BM), (W)	5–30 days
Real assets related securities (j)	4.9	1.0	*	N/A
Real estate (k)	10.6	3.6	*	N/A
Total investments	<u>\$ 853.9</u>	<u>\$ 88.0</u>		

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

- (*) The expected liquidation date for these assets ranges up to 2032 and is 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 firms 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 firms may utilize all-cap, all-style strategy or may focus on narrower strategies, but all funds have a long time horizon.
- (d) This class consists of investments in large and mid-cap equities domiciled in the United States. Some firms utilize a fundamental, bottom-up process and focus on finding quality companies at compelling valuations. Other firms follow a diversified strategy in line with a large cap equity index such as the S&P 500. One fund 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 small cap equities domiciled in the United States. Some firms utilize a fundamental, bottom-up process and focus on finding quality companies at compelling valuations. Other firms follow a diversified strategy in line with a small cap equity index such as the Russell 3000.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (continued)

Investments (continued)

- (f) This class consists of investments in debt securities. Some firms focus on buying government bonds throughout the world and may also engage in currency hedges and may do so via futures. Other firms focus on buying below investment grade debt.
- (g) This class consists of investments in private equity. These firms will make direct investments in private companies or in one case the firm manages a fund of funds that makes commitments to other private equity, venture capital and buyout funds. These firms invest across all sectors in both the US and globally. The portfolios are illiquid and will be locked for 10 – 12 years.
- (h) 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 firms 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.
- (i) This class consists of hedge funds that focus on decentralized stock selection, predominately long equity strategy with some opportunistic debt investing. Firms typically hold 10-20 long positions and 5-15 shorts positions, with a gross exposure usually below 140%, focused on the small and mid-cap portion of the market.
- (j) 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 in 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 – 12 years.
- (k) This class consists of investments in underlying properties via debt and/or equity positions. These firms look to uncover real estate opportunities in traditional properties (commercial, residential, industrial, etc.) but will also look for more unique opportunities. The firms vary in focus from regional to global. These investments are illiquid and will typically exist for 10 – 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 64.0% Public Equity, 15.0% Fixed Income, and 21.0% 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.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021**

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):

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Operating:		
Endowment spending distribution	\$ 46.4	\$ 43.9
Investment return	<u>23.5</u>	<u>15.8</u>
Total operating investment return	<u>69.9</u>	<u>59.7</u>
Non-Operating:		
Unrestricted:		
Endowment interest and dividend income, realized and unrealized (losses)/gains, net of endowment spending distribution	(15.1)	51.8
Other net realized and unrealized (losses)/gains	<u>(40.8)</u>	<u>19.8</u>
Total unrestricted non-operating investment return	<u>(55.9)</u>	<u>71.6</u>
Total investment gain from net assets without donor restrictions	<u>14.0</u>	<u>131.3</u>
Changes in Net Assets With Donor Restrictions		
Investment (loss)/income, net of endowment spending distribution	<u>(77.3)</u>	<u>262.6</u>
Total non-operating investment (losses)/gains	<u>(77.3)</u>	<u>262.6</u>
Total investment return	<u>\$ (63.3)</u>	<u>\$ 393.9</u>

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

6. PROPERTY AND EQUIPMENT

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

	<u>Useful Lives</u>	<u>2022</u>	<u>2021</u>
Land		\$ 101.0	\$ 101.0
Land improvements	20 years	148.4	143.3
Buildings and building improvements	8 to 50 years	2,750.0	2,714.4
Leasehold improvements	1 to 50 years	78.6	76.8
Construction in progress		255.3	139.0
Moveable equipment	3 to 20 years	711.9	724.8
Building and equipment under finance leases	1 to 39 years	42.2	37.8
Computers and software	5 to 15 years	237.0	236.8
Library materials	12 years	169.1	158.1
Art objects		59.9	59.4
		<u>4,553.4</u>	<u>4,391.4</u>
Accumulated depreciation and amortization		<u>(2,330.6)</u>	<u>(2,231.5)</u>
Total		<u>\$ 2,222.8</u>	<u>\$ 2,159.9</u>

Depreciation and amortization expense is \$179.0 and \$166.2 million for the years ended May 30, 2022 and 2021, respectively.

Interest on borrowings is capitalized during construction, net of any project specific borrowings' investment income earned through the temporary investment of project tax exempt borrowings. Net interest expense of \$7.9 and \$6.7 million was capitalized for the years ended May 31, 2022 and 2021, respectively.

7. 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 on accounts in the Growth Pool is to distribute annually 4.5% percent of the three-year moving average market value (calculated quarterly with a November 30 valuation date) of the Growth Pool. For all other endowment accounts, the spending policy is to distribute only interest and dividends as permitted by the gift instrument.

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.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

7. 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 ensure that current and future spending requirements are supported while preserving the Growth Pool's purchasing power through asset growth. To satisfy its long-term rate-of-return objectives, the University relies on a diversified asset allocation with exposures to public and private equities, hedge funds, real assets, and fixed income. The current long-term return objective is to earn a return in excess of its Total Portfolio Benchmark, 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 Board. 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, 2022 and 2021, the net deficiency in the market value of certain endowment-related assets, which fell below the donor required level, amounted to \$1.5 and \$0 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.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

7. ENDOWMENT (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
At May 31, 2021:			
Donor-restricted endowment funds:			
At historical value	\$ -	\$ 664.4	\$ 664.4
Accumulated net appreciation	-	488.3	488.3
Quasi endowment funds	240.7	-	240.7
Total	<u>\$ 240.7</u>	<u>\$ 1,152.7</u>	<u>\$ 1,393.4</u>
At May 31, 2022:			
Donor-restricted endowment funds:			
At historical value	\$ -	\$ 702.0	\$ 702.0
Accumulated net appreciation	-	414.6	414.6
Quasi endowment funds	227.7	-	227.7
Total	<u>\$ 227.7</u>	<u>\$ 1,116.6</u>	<u>\$ 1,344.3</u>

Changes in endowment net assets for the fiscal years ended May 31, 2022 and 2021 consist of the following (in millions):

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, May 31, 2020	<u>\$ 184.4</u>	<u>\$ 866.4</u>	<u>\$ 1,050.8</u>
Endowment investment return:			
Investment income	1.6	7.6	9.2
Net appreciation (realized and unrealized)	58.1	274.4	332.5
Total investment return	59.7	282.0	341.7
Gifts and trusts	0.6	40.1	40.7
Endowment spending distribution for programs	(7.9)	(35.6)	(43.5)
Endowment spending distribution rollover	-	(0.4)	(0.4)
Net transfers to quasi endowment funds	3.9	-	3.9
Other	-	0.2	0.2
Balance, May 31, 2021	<u>240.7</u>	<u>1,152.7</u>	<u>1,393.4</u>
Endowment investment return:			
Investment income	2.6	12.3	14.9
Net appreciation (realized and unrealized)	(9.5)	(48.0)	(57.5)
Total investment return	(6.9)	(35.7)	(42.6)
Gifts and trusts	1.0	37.2	38.2
Endowment spending distribution for programs	(8.2)	(38.2)	(46.4)
Net transfers to quasi endowment funds	1.1	-	1.1
Other	-	0.6	0.6
Balance, May 31, 2022	<u>\$ 227.7</u>	<u>\$ 1,116.6</u>	<u>\$ 1,344.3</u>

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

8. 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 2022 and 2021 were \$87.3 and \$21.0 million, respectively. Due to COVID-19, contributions were suspended June 2020 through February 2021.

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 \$8.0 and \$1.5 million for the years ended May 31, 2022 and 2021, respectively.

The UHealth Retirement Savings Plan III (Savings Plan III) is a defined contribution plan the University established, effective October 17, 2019, that covers employees working in the UMH or in the UHealth Corporation eligibility companies. The plan is available to employees who meet certain eligibility requirements and requires that UM match certain percentages of participants' contributions up to certain maximum levels. Eligible employees can begin making voluntary contributions to the Savings Plan III immediately upon hire. Core and matching contributions to the Savings Plan III for 2022 and 2021 were \$3.1 and \$0.3 million, 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 \$20.1 and \$5.9 million for the years ended May 31, 2022 and 2021, respectively.

The Supplemental Retirement Annuity (SRA) Program is a defined contribution plan for employees that are participants in the Defined Contribution Retirement Plan for Faculty of the University of Miami or the Retirement Plan for Employees of the University of Miami. The Plan was established on January 1, 1975. On April 19, 2006, the Board of Trustees of the University (the Board) voted to close the Plan to new employees hired on or after June 1, 2007. This plan consists of only employee voluntary contributions.

**UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
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8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

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.

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
2023	\$ 44.7	\$ 0.4
2024	47.5	0.4
2025	42.9	0.4
2026	45.9	0.5
2027	48.2	0.5
2028–2032	236.1	2.9

During the fiscal year ending May 31, 2023, the University expects to contribute \$14.4 million to the Employee Plan and \$0.4 million to its Postretirement Health Plan.

UNIVERSITY OF MIAMI
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8. 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, 2022 and 2021 (in millions):

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Change in Benefit Obligation:				
Benefit obligation at beginning of year	\$ 916.8	\$ 977.3	\$ 7.2	\$ 7.1
Service cost – benefits attributed to employee service during period and administrative expenses	14.5	17.5	0.6	0.6
Interest costs accrued to measure benefit obligation at present value	26.7	28.2	0.2	0.2
Plan participant contributions	-	-	0.7	0.7
Actuarial gain	(122.6)	(31.5)	(0.6)	(1.0)
Benefits paid and administrative expenses	(38.3)	(74.7)	(0.9)	(0.4)
Settlements	(125.9)	-	-	-
Benefit obligation at end of year	671.2	916.8	7.2	7.2
Change in Plan Assets:				
Plan assets at fair value at beginning of year	863.0	860.3	-	-
Investment return on plan assets	(99.4)	64.8	-	-
Benefits paid and plan expenses	(38.3)	(74.7)	(0.9)	(0.4)
Employer contributions	14.4	12.6	0.2	(0.3)
Plan participant contributions	-	-	0.7	0.7
Settlements	(125.9)	-	-	-
Plan assets at fair value at end of year	613.8	863.0	-	-
Funded status:				
Accrued pension and postretirement benefit costs recognized on the statements of financial position	\$ (57.4)	\$ (53.8)	\$ (7.2)	\$ (7.2)
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss (gain)	\$ 166.3	\$ 190.2	\$ (3.6)	\$ (3.2)
Prior service credit	(20.0)	(27.3)	(0.1)	(0.1)
	\$ 146.3	\$ 162.9	\$ (3.7)	\$ (3.3)

At May 31, 2022 and 2021, the accumulated benefit obligation of the Employee Plan was \$656.2 and \$887.6 million, respectively, which was \$42.4 and \$24.6 million in excess of Employee Plan assets, respectively. The investment return on plan assets exceeded the expected rate of return due to favorable market performance for the year ended May 31, 2021. However, for the year ended May 31, 2022, the actual return was less than assumed due to interest rate changes and a lower return on assets. In addition, the ending plan assets at fair value decreased from the prior year due to a retiree annuity purchase transaction. The University purchased annuities for retirees who had a monthly benefit of \$1,000 or less, noting that the annuitization would not impact the retirees' monthly benefit or the other participants and would provide an economic savings to the University.

**UNIVERSITY OF MIAMI
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May 31, 2022 and 2021**

8. 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, 2022 and 2021 (in millions):

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Service costs – benefits attributed to employee service during periods and administrative expenses	\$ 14.6	\$ 17.5	\$ 0.6	\$ 0.6
Interest costs accrued to measure benefit obligation at present value	26.7	28.2	0.2	0.2
Expected return on plan assets	(44.9)	(49.0)	-	-
Amortization of prior service cost/(credit) - includes changes in pension formula and cost of plan amendments	(7.3)	(7.3)	(0.1)	(0.1)
Recognized net actuarial loss and assumption changes	14.3	21.2	(0.2)	(0.2)
Settlements	31.2	-	-	-
Net periodic benefit cost	\$ 34.6	\$ 10.6	\$ 0.5	\$ 0.5

The components of net periodic benefit cost other than the service cost component are included as a non-operating cost in the line item “Other components of net periodic pension cost” in the statements of activities.

The net actuarial loss (gain) 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)	\$ 12.9	\$ (3.6)
Prior service credit	(7.3)	(0.1)

A 6.75% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2023. The rate is assumed to decrease each year until reaching the ultimate of 4.5% in 2032. Assumed health care cost trend rates have an effect on the amounts reported for the health care plan.

**UNIVERSITY OF MIAMI
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May 31, 2022 and 2021**

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

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

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Discount rate for benefit obligation	4.60%	3.05%	4.31%	2.94%
Discount rate for net periodic benefit cost	3.05%	3.05%	2.94%	2.86%
Expected return on plan assets	5.50%	6.00%	N/A	N/A
Rate of compensation increase related to net periodic benefit cost	3.00%	0.00%/3.00%	N/A	N/A

The rate of compensation increase assumption related to the benefit obligation is 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, 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 scales MP-2021 and MP-2020 for the years ended May 31, 2022 and 2021, respectively.

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 90% but less than or equal to 100% is as follows: 10% to 40% growth assets (including public equities, fixed income (non-duration-matched), and other investments); and 60% to 90% 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.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

8. 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.

	Total	Fair Value Measurements at May 31, 2022 (in millions)		
		Level 1	Level 2	Level 3
Mutual funds:				
Equities:				
Emerging markets	\$ 1.4	\$ 1.4	\$ -	\$ -
International	5.6	5.6	-	-
Fixed income	94.5	15.0	79.5	-
Unregistered limited partnerships and limited liability companies measured at NAV ¹ :				
Equities:				
Emerging markets	8.3	-	-	-
Large-mid cap	40.5	-	-	-
Private equity	4.1	-	-	-
Other:				
Real estate	1.0	-	-	-
Common collective trusts:				
Large cap	11.3	-	11.3	-
Fixed income	90.1	-	90.1	-
Short-term investment funds	27.8	-	27.8	-
Equities measured at NAV ¹ :				
Multi-strategy	15.2	-	-	-
103-12 investment entities:				
Equities:				
International measured at NAV ¹	20.0	-	-	-
Corporate and government bonds:				
Fixed income	265.0	162.6	102.4	-
Other investments				
Fixed income	2.6	1.2	1.4	-
Other investments measured at NAV ¹				
Fixed income	9.3	-	-	-
Private equity	7.1	-	-	-
Multi-strategy	11.2	-	-	-
Other	(1.2)	-	-	-
Total	\$ 613.8	\$ 185.8	\$ 312.5	\$ -

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Employee Plan Assets (continued)

	Total	Fair Value Measurements at May 31, 2021 (in millions)		
		Level 1	Level 2	Level 3
Publicly traded stocks:				
Small cap	\$ 6.9	\$ 6.9	\$ -	\$ -
Mutual funds:				
Equities:				
Emerging markets	6.9	6.9	-	-
International	17.4	17.4	-	-
Fixed income	120.3	25.9	94.4	-
Unregistered limited partnerships and limited liability companies measured at NAV ¹ :				
Equities:				
Emerging markets	13.3	-	-	-
Large-mid cap	40.6	-	-	-
Private equity	3.6	-	-	-
Other:				
Real estate	1.1	-	-	-
Common collective trusts:				
Equities measured at NAV ¹ :				
Large cap	46.5	-	-	-
Fixed income	140.1	-	-	-
Multi-strategy	14.8	-	-	-
Short-term investment funds	20.7	-	-	-
103-12 investment entities:				
Equities:				
International measured at NAV ¹	29.3	-	-	-
Corporate and government bonds:				
Fixed income	376.9	246.5	130.4	-
Other investments measured at NAV ¹				
Private equity	7.3	-	-	-
Long-short composite	0.2	-	-	-
Fixed income	10.4	-	-	-
Multi-strategy	10.8	-	-	-
Other	(4.1)	-	-	-
Total	\$ 863.0	\$ 303.6	\$ 224.8	\$ -

¹In 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 8.

**UNIVERSITY OF MIAMI
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May 31, 2022 and 2021**

9. BONDS AND NOTES PAYABLE

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

	Final Maturity by Fiscal Year	2022 Interest Rate	2022	2021
Miami-Dade County, Florida				
Educational Facilities Authority				
Revenue Bonds, Series 2018A	2053	4.00-5.00%	\$ 230.7	\$ 231.4
Revenue Bonds, Series 2018B (Taxable)	2051	4.47%	17.3	17.3
Revenue and Revenue Refunding Bonds Series 2015A	2045	4.00-5.00%	403.0	403.0
Revenue and Revenue Refunding Bonds, Series 2015B (Taxable)	2050	5.07%	258.1	258.1
Revenue Bonds, Series 2012A	2042	4.00-5.00%	94.6	94.6
Revenue Bonds, Series 2012B (Taxable)	2023	3.31%	1.2	4.2
Revenue Refunding Bonds, Series 2007B	2034	5.25%	137.3	148.5
Total Miami-Dade County Educational Facilities Authority			1,142.2	1,157.1
University of Miami				
Taxable Bonds Series 2022	2052	4.06%	500.0	-
Total Bonds			1,642.2	1,157.1
Notes payable to banks and others	2030	-	8.2	9.2
Lines of credits to banks	2025	Variable	-	96.8
Notes payable to banks and others	2025	Variable	94.5	99.8
Par amount of bonds and notes payable			1,744.9	1,362.9
Net unamortized premium			50.4	53.2
Net unamortized issue costs			(9.9)	(8.0)
Total			\$ 1,785.4	\$ 1,408.1

The annual maturities for bonds and notes payable at May 31, 2022 are as follows (in millions):

2023	\$ 21.9
2024	25.3
2025	99.7
2026	19.2
2027	20.1
Thereafter	1,558.7
Total	\$ 1,744.9

In August 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, 2022 and 2021 was \$94.5 and \$99.8 million, respectively. At May 31, 2022 and 2021, the outstanding balance of the line of credit was \$0 million and \$96.8, respectively. In addition, the University has \$0.9 million in letter of credits which reduces the amount available to be drawn on the outstanding balance of the line of credit. Effective June 25, 2021, the University executed Amendment No. 1 to the existing senior credit facility to expand the line of credit available from \$500.0 to \$700.0 million; all other key terms of the agreement remained the same.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

9. BONDS AND NOTES PAYABLE (Continued)

Subsequent to year end, the University executed Amendment No. 2 to the existing senior credit facility for the conversion of the reference rate for loans under the Credit Agreement from LIBOR to Term SOFR; all other key terms of the agreement remained the same.

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. The 364-day credit facility was terminated on April 16, 2021, and there was no balance outstanding on the line of credit on May 31, 2021.

In April 2022, the University issued \$500.0 million of Taxable Bonds, Series 2022 through a direct issuance. A portion of the proceeds is to be used to finance or refinance all or a part of the costs of the acquisition, construction, renovation, and equipping of educational, research, medical, healthcare, parking, and other facilities owned and operated by the University, including a new student housing village, ambulatory care center, and other capital various projects.

Total interest paid on all bonds and notes was \$58.8 and \$63.6 million for the years ended May 31, 2022 and 2021, 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 a minimum revenue of \$2.1 billion during a Required Covenant Year. The University has performed and observed each covenant and condition of the bonds and notes, and no default has occurred.

10. NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Designated for operations, programs, facilities expansion, and student loans	\$ 989.5	\$ 653.8
Cumulative pension and postretirement benefits related changes other than net periodic benefit cost	(142.5)	(159.6)
Invested in plant facilities	906.1	950.8
Designated for endowment and similar funds	<u>227.7</u>	<u>240.7</u>
Total net assets without donor restrictions	<u>\$ 1,980.8</u>	<u>\$ 1,685.7</u>
	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions:		
Gifts for programs and facilities expansion	\$ 85.1	\$ 90.2
Contributions (pledges) and trusts	540.7	484.7
Life income and annuity funds	11.9	12.5
Endowment and similar funds	<u>1,116.6</u>	<u>1,152.8</u>
Total net assets with donor restrictions	<u>\$ 1,754.3</u>	<u>\$ 1,740.2</u>

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

10. NET ASSETS (Continued)

At May 31, 2022 and 2021, net assets with donor restrictions included amounts that were restricted in perpetuity of \$741.7 and \$703.5 million, respectively, and certain term endowment funds of \$54.3 and \$50.7 million that were available for future distribution, respectively.

11. 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, 2022 and 2021, reported in the statements of activities as well as the CASE standards as reported by DAR (in millions):

	Unaudited	
	2022	2021
Unrestricted gifts and trusts in support of programs	\$ 60.0	\$ 49.8
Unrestricted gifts and trusts for plant expansion	1.0	0.6
Restricted gifts and trusts for programs, plant expansion, and endowments, net	132.2	93.2
Total gifts and trusts, per statements of activities	193.2	143.6
Increases (decreases) to reflect gifts and trusts per CASE standards		
Pledges, net	(6.3)	46.9
Non-government grants, included in grants and contracts revenue	20.7	18.1
Other recovered costs included in other income	1.9	2.8
Differences in valuation/recording:		
Funds held in trust by others	(2.2)	(1.0)
Annuity	0.8	0.1
Timing	(1.6)	(0.5)
Supporting organizations donations recorded under CASE only	2.8	0.4
Gifts-in-kind	(1.7)	(9.8)
Total gifts and trusts as reported by DAR	\$ 207.6	\$ 200.6

UNIVERSITY OF MIAMI
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May 31, 2022 and 2021

12. 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, 2022 and 2021 are summarized below (in millions):

	2022			
	Academic and research	Health care services	Administrative and support services	Total
Compensation and benefits	\$ 790.1	\$ 1,183.2	\$ 410.4	\$ 2,383.7
Supplies and services	182.2	907.0	144.1	1,233.3
Depreciation and amortization	56.3	47.8	74.9	179.0
Utilities and maintenance	40.8	31.4	10.4	82.6
Interest	14.8	17.4	19.7	51.9
Other	78.0	252.8	116.6	447.4
Total operating expenses	<u>\$ 1,162.2</u>	<u>\$ 2,439.6</u>	<u>\$ 776.1</u>	<u>\$ 4,377.9</u>

	2021			
	Academic and research	Health care services	Administrative and support services	Total
Compensation and benefits	\$ 723.0	\$ 979.0	\$ 349.1	\$ 2,051.1
Supplies and services	158.7	758.9	128.6	1,046.2
Depreciation and amortization	53.7	45.4	73.9	173.0
Utilities and maintenance	33.6	36.8	10.1	80.5
Interest	16.2	16.2	22.4	54.8
Other	61.0	128.5	72.6	262.1
Total operating expenses	<u>\$ 1,046.2</u>	<u>\$ 1,964.8</u>	<u>\$ 656.7</u>	<u>\$ 3,667.7</u>

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 \$214.7 and \$186.6 million for the years ended May 31, 2022 and 2021, 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.

UNIVERSITY OF MIAMI
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

13. 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, 2022 and 2021 are as follows (in millions):

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 525.1	\$ 550.7
Accounts and loans receivable, net	690.9	621.7
Pledge payments available for operations	33.0	37.1
Working capital in investments	782.7	331.7
Subsequent fiscal year endowment distributions	<u>53.2</u>	<u>46.2</u>
Total financial assets available within one year	2,084.9	1,587.4
Liquidity resources:		
Bank lines	<u>700.0</u>	<u>602.0</u>
Total financial assets and liquidity resources available within one year	<u>\$ 2,784.9</u>	<u>\$ 2,189.4</u>

In addition to the liquidity resources noted above, the University has a board-designated endowment of \$227.7 and \$240.7 million as of May 31, 2022 and 2021, respectively, 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.

14. LEASES

On June 1, 2020, the University adopted Topic 842 by applying the guidance at adoption date. As a result, the comparative information as of May 31, 2021 was not adjusted. As of June 1, 2020, the University recognized operating right of use assets and lease liabilities for its leases on its statements of financial position. The balances at adoption date of prepaid and accrued rent, lease incentives, and unamortized assets and liabilities were reclassified and are now presented within other assets for operating leases and property and equipment, net for finance leases on the University's statements of financial position.

Upon adoption, the University recognized \$205.1 and \$205.8 million of right-of-use assets and lease obligations, respectively, within the statement of financial position, and an adjustment of \$18.6 million to the opening balance of net assets without donor restrictions at June 1, 2020.

The University has elected to account for lease and non-lease components as a single lease component. The University also elected the package of practical expedients, which allows lessees to make an election to not reassess conclusions previously made under ASC 840 with regard to whether leases and contracts in place at adoption of ASC 842 (a) are or contain leases, (b) the lease classification for existing leases, and (c) the initial direct costs for any existing leases.

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14. LEASES (Continued)

At May 31, 2022 and 2021, the University recognized under operating leases \$185.0 and \$156.2 million, respectively, as right-of-use assets within other assets, and \$207.2 and \$176.3 million, respectively, as lease obligations within other liabilities. For its finance leases, the University recognized \$32.9 and \$32.9 million, respectively, as right-of-use assets within property and equipment, net and \$15.6 and \$14.7 million, respectively, as lease obligations within other liabilities.

The University is obligated under numerous operating and finance leases to pay base rent through the respective lease expiration dates. Real property under operating and finance leases ranges with remaining lease terms of up to 91 years through fiscal 2113. As well, the University leases various equipment under operating and finance leases expiring at various dates through 2034. Aggregate future minimum lease payments under noncancelable finance and operating leases as of May 31, 2022 are as follows:

	Finance Leases	Operating Leases
2023	\$ 5.4	\$ 28.2
2024	4.9	23.9
2025	3.7	21.3
2026	1.4	15.6
2027	0.4	11.4
Thereafter	-	174.0
Total lease payments	<u>15.8</u>	<u>274.4</u>
Less: Interest portion	<u>(0.2)</u>	<u>(67.2)</u>
Total lease liabilities	<u>\$ 15.6</u>	<u>\$ 207.2</u>

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14. LEASES (Continued)

The components of lease expense for the years ended May 31, 2022 and 2021 are as follows (in millions):

	<u>2022</u>	<u>2021</u>
Finance lease expense:		
Amortization of right-of-use assets	\$ 7.1	\$ 6.8
Interest on lease liabilities	0.2	0.2
Operating lease expense	36.0	34.9
Short-term lease expense	3.7	2.5
Variable lease expense	10.4	7.2
Total lease expense	<u>\$ 57.4</u>	<u>\$ 51.6</u>
Other lease information:		
Operating cash flows from operating leases	\$ 35.2	\$ 38.9
Operating and investing cash flows from finance leases	8.7	25.1
Right-of-use assets obtained in exchange for new lease liabilities:		
Finance leases	\$ 9.4	\$ 11.1
Operating leases	63.2	12.9
Weighted-average remaining lease term:		
Finance leases	3 years	4 years
Operating leases	25 years	27 years
Weighted-average discount rate:		
Finance leases	0.93%	0.92%
Operating leases	1.23%	1.16%

The University is the lessor in several long-term non-cancelable operating leases for commercial space through fiscal year 2072. Operating lessor income of \$6.3 million is included in other income within the statement of activities for the year ended May 31, 2022. Future minimum operating rental revenue due as of May 31, 2022 is summarized below (in millions):

2023	\$ 3.7
2024	2.7
2025	2.2
2026	1.9
2027	1.6
Thereafter	<u>49.2</u>
Total future minimum rentals	<u>\$ 61.3</u>

The University has an agreement to use the Hard Rock Stadium on a limited basis through December 31, 2032. The University is treating this as a short-term lease due to the usage being less than 12 months. The short-term lease cost incurred during any one year does not reasonably reflect the short-term lease commitment. Remaining payments under this agreement are \$11.6 million as of May 31, 2022.

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May 31, 2022 and 2021

15. COMMITMENTS AND CONTINGENCIES

The University had contractual obligations of approximately \$247.5 million at May 31, 2022 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.