THE JOHNS HOPKINS UNIVERSITY

Consolidated Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Trustees
The Johns Hopkins University:

We have audited the accompanying consolidated financial statements of The Johns Hopkins University, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Johns Hopkins University as of June 30, 2021 and 2020, 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.

KPMG LLP

Baltimore, Maryland
October 4, 2021

THE JOHNS HOPKINS UNIVERSITY

Consolidated Balance Sheets

June 30, 2021 and June 30, 2020

(Dollars in thousands)

Assets		**2021**	**2020**
Cash and cash equivalents	$	571,173	531,954
Operating investments		2,085,455	1,820,418
Cash, cash equivalents and operating investments		2,656,628	2,352,372
Sponsored research accounts receivable, net		500,393	447,125
Accounts receivable, net		207,806	244,240
Contributions receivable, net		277,899	269,688
Prepaid expenses and deferred charges		52,637	45,142
Student loans receivable, net		20,967	23,191
Investments		10,443,599	7,643,728
Property and equipment, net		2,787,391	2,623,506
Operating lease right-of-use assets, net		233,864	226,328
Investment in and loans to affiliates		338,190	323,381
Other assets		375,460	341,481
Interests in trusts and endowment funds held by others		142,917	116,032
Total assets	$	18,037,751	14,656,214
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	792,068	685,173
Sponsored research deferred revenues		373,847	344,649
Other deferred revenues		148,138	123,432
Debt		1,516,023	1,743,522
Operating lease liabilities		254,138	246,871
Other long-term liabilities		450,117	409,718
Pension and postretirement obligations		73,255	306,574
Liabilities under split-interest agreements		84,460	81,292
Endowment and similar funds held for others		817,469	614,149
Total liabilities		4,509,515	4,555,380
Net assets:			
Without donor restrictions		3,897,483	3,033,930
With donor restrictions		9,630,753	7,066,904
Total net assets		13,528,236	10,100,834
Total liabilities and net assets	$	18,037,751	14,656,214

See accompanying notes to consolidated financial statements.

THE JOHNS HOPKINS UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Changes in net assets without donor restrictions:			
Operating revenues:			
Tuition and fees, net of financial aid of $455,972 and $417,091, respectively	$	679,200	703,360
Grants, contracts, and similar agreements		1,434,639	1,403,326
Facilities and administrative cost recoveries		377,250	366,779
Applied Physics Laboratory contract revenues		1,892,959	1,844,310
Sponsored research revenues		3,704,848	3,614,415
Contributions		179,087	124,988
Net assets released from restrictions		99,393	99,218
Contributions and donor support		278,480	224,206
Clinical services, net		776,564	705,107
Reimbursements from affiliated institutions		623,264	656,918
Other revenues		173,414	130,673
Net endowment payout used to support operations		299,041	256,408
Auxiliary enterprises		58,609	92,259
Maryland State aid		29,034	29,066
Investment return		36,572	58,166
Total operating revenues		6,659,026	6,470,578
Operating expenses:			
Compensation		3,148,032	3,075,083
Benefits		971,829	944,861
Compensation and benefits		4,119,861	4,019,944
Subcontractors and subrecipients		476,537	503,182
Contractual services		931,809	907,652
Supplies, materials, and other		608,627	583,399
Depreciation		223,023	220,926
Travel		40,520	116,027
Interest		46,045	44,789
Total operating expenses		6,446,422	6,395,919
Excess of operating revenues over operating expenses		212,604	74,659

(Continued)

THE JOHNS HOPKINS UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Other changes in net assets without donor restrictions:			
Investment return in excess of (less than) endowment payout	$	337,185	(5,908)
Change in benefit plans funded status, excluding benefit cost		227,516	(126,094)
Other net periodic benefit (cost) credit		(3,712)	2,281
Change in fair value of interest rate swap agreements		9,474	(10,918)
Gain on asset disposal		57,644	—
Other, net		6,431	21,353
Net assets released from restrictions		16,411	880
Other changes in net assets without donor restrictions		650,949	(118,406)
Total changes in net assets without donor restrictions		863,553	(43,747)
Changes in net assets with donor restrictions:			
Contributions		550,854	1,057,242
Investment return in excess of (less than) endowment payout		2,128,414	(9,624)
Net assets released from restrictions		(115,804)	(100,098)
Other, net		385	—
Total changes in net assets with donor restrictions		2,563,849	947,520
Total change in net assets		3,427,402	903,773
Net assets at beginning of year		10,100,834	9,197,061
Net assets at end of year	$	13,528,236	10,100,834

See accompanying notes to consolidated financial statements.

THE JOHNS HOPKINS UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Cash flows from operating activities:			
Total change in net assets	$	3,427,402	903,773
Adjustments to reconcile total change in net assets to net cash provided by operating activities:			
Depreciation, amortization, and other adjustments		223,025	205,664
Noncash gift of investments		(448)	(377,977)
Contributions restricted for long-term investment		(360,895)	(616,688)
Net realized and unrealized gains from investments		(2,738,858)	(236,532)
Net unrealized (gains) losses from swaps		(9,474)	10,918
Earnings from joint ventures		(32,964)	(13,965)
Change in benefit plans funded status		(233,319)	121,962
Gain on asset disposal		(57,644)	—
Changes in operating assets and liabilities:			
Sponsored research and accounts receivable, net		(16,834)	27,143
Contributions receivable, net		(8,210)	89,856
Prepaid expenses and deferred charges		(15,723)	12,790
Operating lease right-of-use assets, net of operating lease liabilities		(269)	20,543
Other assets		(4,830)	(23,318)
Accounts payable and accrued expenses		106,393	6,987
Sponsored research, other deferred revenues and other long-term liabilities		74,629	21,242
Interests and liabilities related to trusts and split-interest agreements		15,677	6,321
Net cash provided by operating activities		367,658	158,719
Cash flows from investing activities:			
Purchases of investments		(7,005,006)	(5,621,926)
Proceeds from sales and maturities of investments		6,869,444	5,198,946
Purchases of property and equipment		(399,634)	(646,096)
Proceeds from asset disposal		78,599	—
Repayments of student loans, net of disbursements		2,224	3,831
Loans to affiliates		(8,964)	(8,720)
Repayments of loans to affiliates		7,368	7,063
Dividends from (capital contributions to) joint ventures, net		19,751	(3,775)
Change in endowment and similar funds held for others		(26,115)	(26,264)
Net cash used in investing activities		(462,333)	(1,096,941)
Cash flows from financing activities:			
Contributions restricted for long-term investment		360,895	616,688
Proceeds from borrowings		—	682,047
Early retirement and refinancings of debt		(211,169)	(153,150)
Scheduled debt and finance lease payments		(15,832)	(22,416)
Net cash provided by financing activities		133,894	1,123,169
Net increase in cash and cash equivalents		39,219	184,947
Cash and cash equivalents at beginning of year		531,954	347,007
Cash and cash equivalents at end of year	$	571,173	531,954

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation and Summary of Significant Accounting Policies

(a) General

The Johns Hopkins University (the University) is a premier, privately endowed institution that provides education and related services to students and others, research and related services to sponsoring organizations, and professional medical services to patients. The University is based in Baltimore, Maryland, but also maintains facilities and operates education programs elsewhere in Maryland, in Washington, D.C., and in certain foreign locations. The University is internationally recognized as a leader in research, teaching, and medical care.

Education and related services (e.g., room, board, etc.) are provided to approximately 29,000 students, including 15,000 full-time students and 14,000 part-time students, and on a net basis provided approximately 10% and 11% of the University's operating revenues in fiscal 2021 and fiscal 2020, respectively. Approximately 61% of the full-time students are graduate level (including postdoctoral) and 39% are undergraduate level. Students are drawn from a broad geographic area, including most of the states in the United States and numerous foreign countries. The majority of the part-time students are graduate level students from the Baltimore-Washington, D.C. area.

Research and related services (e.g., research training) are provided through approximately 2,200 government and private sponsors. Sponsored research revenues provided approximately 56% of the University's operating revenues in fiscal years 2021 and 2020. Approximately 88% and 87% of those revenues were from departments and agencies of the United States government in fiscal 2021 and 2020, respectively. Major government sponsors include the Department of Health and Human Services, the Department of Defense, the National Aeronautics and Space Administration, and the Agency for International Development.

Professional clinical services are provided by members of the University's faculty to patients at The Johns Hopkins Hospital (the Hospital) and other hospitals and outpatient care facilities in the Baltimore area and produced approximately 12% and 11% of the University's operating revenues in fiscal 2021 and fiscal 2020, respectively. Services are predominantly provided to patients in the Baltimore area, other parts of Maryland, or surrounding states.

(b) Basis of Presentation and Use of Estimates

The consolidated financial statements include the accounts of the various academic and support divisions, the Applied Physics Laboratory (APL), 63019 Holdings, LLC, Johns Hopkins University Press, and certain other controlled affiliated organizations, including Jhpiego Corporation and Peabody Institute of the City of Baltimore (collectively, the consolidated financial statements). All significant inter-entity activities and balances are eliminated for financial reporting purposes. Investments in organizations that the University does not control, including Dome Corporation, FSK Land Corporation, Johns Hopkins Healthcare LLC, Johns Hopkins Home Care Group, Inc., Johns Hopkins Medical Institutions Utilities LLC (JHMI Utilities LLC), Johns Hopkins Medicine International LLC, and other affiliated entities, are accounted for using the equity method.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the dates of the consolidated financial statements and revenues and expenses recognized during the reporting periods. Actual results could differ from those estimates.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes of net assets. Accordingly, net assets of the University are classified and reported as follows:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.
- *With donor restrictions* – Net assets subject to donor-imposed stipulations that are more specific than broad limits resulting from a not-for-profit's nature, environment in which it operates, and incorporating documents. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used only after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, donor-restricted endowment funds stipulating that resources be maintained in perpetuity. For such funds held by the University, the Maryland-enacted version of the Uniform Prudent Management of Investment Funds (UPMIFA) extends those restrictions to related investment returns and to other enhancements (diminishments) for general and specific purposes, primarily divisional and departmental support and student financial aid.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Under Maryland law, appreciation on donor-restricted endowments is classified as net assets with donor restrictions until appropriated for expenditure. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions and reclassified from net assets with donor restrictions to net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

(c) Cash, Cash Equivalents, and Operating Investments

The University utilizes cash, cash equivalents, and operating investments to fund daily cash needs. For purposes of the consolidated statements of cash flows, investments with original maturities at the date of purchase of 90 days or less are classified as cash equivalents. Investments with longer maturities are classified as operating investments. Operating investments, which include U.S. Treasury securities and other highly liquid fixed income investments, are stated at fair value, generally based on quoted market prices, and are used for general operating purposes. Cash and cash equivalents held for endowment and long-term investment purposes are classified as investments.

(d) Contributions

Contributions, including unconditional promises to give, are recognized at fair value in the appropriate category of net assets in the period received, except that contributions that impose restrictions met in the same fiscal year are included in net assets without donor restrictions. Unconditional promises to give are recognized initially at fair value considering anticipated future cash receipts and discounting such amounts at a risk-adjusted rate. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy (see note 1(f)). Amortization of the discount is included in contributions revenue. Conditional promises to give are not recognized until one or more of the barriers have been overcome for the University to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets has expired. Contributions of assets are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized. Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(e) Investments and Investment Return

Investments in United States government and agency obligations, debt securities, and directly held United States and certain international equities in common collective trust funds (CCTFs) are stated at fair value, which are determined primarily based on quoted market prices. Fair values of CCTFs, similar to mutual funds that are deemed to have a readily determinable fair value (RDFV) are based on published net asset values (NAV). Investments in private equity and venture capital, certain real estate, natural resources, certain international equities in CCTFs and marketable alternatives, (collectively, alternative investments) are stated at estimated fair value based on the funds' net asset values, or their equivalents (collectively, NAV) as a practical expedient. If it is probable that alternative investments will be sold for an amount different than NAV, measurement of the alternative investments will be adjusted to fair value. As of June 30, 2021 and 2020, the University had no plans or intentions to sell investments at amounts different from NAV, except that certain commingled real estate funds previously reported at NAV were probable of sale at June 30, 2021 and have been reported in Level 3 of the fair value hierarchy at their estimated fair value of $179,256 at that date (see note 6). The NAVs, which are estimated and reported by the general partners or investment managers, are reviewed and evaluated by the University's investment office. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments, and the differences could be significant. Investments in certain real estate assets are recorded at fair value based upon independent third-party appraisals.

Investments are exposed to several risks, including interest rate, credit, liquidity, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially affect the amounts reported in the accompanying consolidated financial statements. Liquidity risk represents the possibility that the University may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the University was forced to dispose of an illiquid investment at an inopportune time, it might be forced to do so at a substantial discount to fair value.

Investment return included in operating revenues consists of income and realized gains and losses on operating investments, including cash equivalents, and nonpooled endowment funds (except where restricted by donors). Endowment payout for pooled endowment and similar funds approved by the Board of Trustees is also recognized in operating revenues.

Unrealized gains and losses of operating investments and nonpooled endowment funds, any difference between the total return recognized and the payout for pooled endowment and similar funds, and income and realized gains restricted by donors are reported as nonoperating activities.

(f) Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. As described further in the notes to the consolidated financial statements, such assets include investments, deferred compensation assets, and interests in trusts and endowment funds held by others, and such liabilities include interest rate swaps, obligations under deferred compensation arrangements, and endowment and similar funds held for others. Fair value is defined as 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. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

When observable prices are not available, certain real asset investments are valued using one or more of the following valuation techniques: market approach – this approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities; income approach – this approach determines a valuation by discounting future cash flows; or cost approach – this approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset. These valuation techniques may include inputs such as price information, operating statistics, specific and broad credit data, recent transactions, earnings forecasts, discount rates, reserve reports, and other factors.

(g) Split-Interest Agreements and Interests in Trusts

The University’s split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuity agreements for which the University serves as trustee. Assets held under these arrangements are included in investments and are recorded at fair value. Contribution revenues are recognized at the date the trusts or agreements are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the terms of the trusts for changes in the values of the assets, accretion of the discounts, and other changes in estimates of future benefits. As of June 30, 2021 and 2020, assets under the University’s charitable gift annuity agreements were $68,321 and $58,944, respectively, and are classified in investments, and liabilities were $34,949 and $40,750, respectively, and are classified in liabilities under split-interest agreements.

(Dollars in thousands)

(h) Property and Equipment

Property and equipment are stated at cost if purchased, or at estimated fair value at the date of gift if donated, less accumulated depreciation and amortization. Depreciation of buildings, equipment, and library collections and amortization of leasehold improvements are computed using the straight-line method over the estimated useful lives of the assets or lease term, if shorter. Land and certain historic buildings are not subject to depreciation. Title to certain equipment purchased using funds provided by government sponsors is vested in the University and is included in property and equipment on the consolidated balance sheets. Certain equipment used by the APL in connection with its performance under agreements with the United States government is owned by the government. These facilities and equipment are not included in the consolidated balance sheets; however, the University is accountable to the government for them. Repairs and maintenance costs are expensed as incurred.

Costs of purchased software are capitalized along with internal and external costs incurred during the application development stage (i.e., from the time the software is selected until it is ready for use). Capitalized costs are amortized on a straight-line basis over the expected life of the software. Computer and software maintenance costs are expensed as incurred.

Costs relating to retirement, disposal, or abandonment of assets for which the University has a legal obligation to perform certain activities are accrued using either site-specific surveys or square foot estimates, as appropriate.

(i) Tuition and Fees, Net of Financial Aid

Student tuition and fees are recorded as revenue in the year the related academic services are rendered, which generally aligns with the University’s fiscal year. Tuition and fees received in advance of services provided are reported in other deferred revenues and amounted to $94,896 and $78,171 at June 30, 2021 and 2020, respectively. The University provides institutional financial aid to eligible students, generally in an “aid package” that may also include loans, compensation under work-study programs, and/or grant and scholarship awards. The loans are provided primarily through programs of the United States government (including direct and guaranteed loan programs) under which the University is responsible only for certain administrative duties. The institutional grants and scholarships include awards provided from gifts and grants from private donors, income earned on endowment funds restricted for student aid, and University funds.

The composition of tuition and fees, net revenue was as follows for the years ended June 30, 2021 and 2020:

		2021	2020
Undergraduate programs	$	157,940	179,152
Graduate programs		473,990	450,369
Other programs		47,270	73,839
	$	679,200	703,360

(Dollars in thousands)

Other programs include the University's Center for Talented Youth (a gifted education program for school-age children), continuing medical education, health services, and various nondegree programs.

(j) Grants, Contracts, and Similar Agreements

Grants, contracts, and similar agreements are funded by various federal and private sponsors. The vast majority of such agreements are considered nonexchange transactions and restricted by sponsors for specific research or other program purposes. Revenues are recognized within net assets without donor restrictions as conditions are met, (i.e., generally as qualifying expenditures are incurred). These revenues include recoveries of facilities and administrative costs, which are generally determined as a negotiated or agreed-upon percentage of direct costs, with certain exclusions. Payments received from sponsors in advance of conditions being met are reported as sponsored research deferred revenues. Of the $373,847 in sponsored research deferred revenues as of June 30, 2021, $301,457 relates to nonexchange transactions and $72,390 relates to exchange transactions.

Approximately 77% and 73% of receivables related to reimbursement of costs incurred under grants and contracts as of June 30, 2021 and 2020, respectively, were from agencies or departments of the United States government. There is no assurance that sponsored research activities can and will continue to be made at current levels as awards are subject to the availability of and annual appropriation of funds. The University estimates that conditional awards outstanding as of June 30, 2021 approximate or exceed its recent annual sponsored program activity.

(k) Clinical Services, Net

Clinical services revenues are recognized in the period in which services are rendered based on gross charges less negotiated fixed discounts (explicit price concessions) which include contractual adjustments specific to the third party payer contracts, less amounts for "implicit price concessions". Fixed discounts are generally determined based on regulatory authorities, determined by legislative statute (Medicare and Medicaid), or negotiated in the case of commercial payers. Implicit price concessions are estimated based on the historical collection experience using a portfolio approach as a practical expedient.

The composition of clinical services revenue by primary payer for the years ended June 30, 2021 and 2020 was as follows:

		2021		2020	
Commercial third parties	$	351,581	45.3 %	316,099	44.8 %
Medicare		156,344	20.1	136,505	19.4
Medicaid		72,992	9.4	67,084	9.5
Blue Cross/Blue Shield		63,596	8.2	56,280	8.0
Patients		69,447	8.9	59,581	8.4
All other clinical		62,604	8.1	69,558	9.9
	$	776,564	100.0 %	705,107	100.0 %

(l) Affiliated Institutions

The University has separate administrative agreements for the exchange of services with the Hospital and other medical and educational institutions. These agreements are executed on an annual basis based on negotiated rates and reimbursement of actual costs. Costs incurred by the University in providing services to these institutions and the related reimbursements are generally recognized as services are provided and are reported as operating expenses and revenues, respectively, in the appropriate classifications.

The University holds several endowment and similar funds, which are designated for purposes or activities that are carried out by the Hospital and The Johns Hopkins Hospital Endowment Fund Incorporated (JHHEFI). The assets of these funds are included in investments. The carrying values of the funds are adjusted for earnings from and changes in the fair values of the investments and reduced for any distributions paid and are classified as liabilities on the consolidated balance sheets as endowment and similar funds held for others.

(m) Auxiliary Enterprises

Auxiliary enterprises, including residence halls, food service, parking, the press, and telecommunications, provide services to students, faculty, and staff. Fees for such services are recognized as revenue as the services are provided. Student related activities included in auxiliary enterprises amounted to $12,857 and $41,950 in fiscal 2021 and 2020, respectively.

(n) Other Revenues

Other revenues include revenues from royalties and patents, medical and professional reimbursements, joint ventures, and other miscellaneous activities. Such revenues are recognized when goods or services are provided to customers.

(o) Insurance and Self Insurance

The University, together with other institutions, has formed captive insurance companies that arrange and provide professional liability, general liability, and property damage insurance for their shareholders. Defined portions of claims paid by these companies are self-insured. The University’s claims liabilities are recognized as claims are incurred using actuarial studies based upon historical claims data, cost trends, and other actuarial estimates. Insurance expenses are recognized as operating expenses as incurred. In addition, the University is self-insured for certain other risks, primarily health, and workers’ compensation. Professional insurance liabilities associated with providing clinical services are reported as gross claims on the consolidated balance sheets as other long-term liabilities. Accrued self-insurance liabilities, including medical malpractice insurance, aggregated $114,713 and $119,283 as of June 30, 2021 and 2020, respectively, and are reported on the consolidated balance sheets. In addition, medical malpractice insurance recoveries of $92,202 and $88,310 as of June 30, 2021 and 2020, respectively, are reported on the consolidated balance sheets as other assets and the corresponding liabilities are reported as other long-term liabilities.

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(p) Refundable Advances from the United States Government

Funds provided by the United States government under the Federal Perkins, Nursing and Health Professions Student Loan programs are loaned to qualified students, administered by the University, and may be reloaned after collections. These funds are ultimately refundable to the government and are included in other long-term liabilities. These advances totaled $11,043 and $14,856 as of June 30, 2021 and 2020, respectively.

(q) Income Taxes

The University is qualified as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The University annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

(r) Leases

The University conducts certain operations in third-party and related party facilities and determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets, net represents the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the estimated interest rate for borrowing over a term similar to that of the lease payments available at commencement of the lease. The value of an option to extend a lease is reflected to the extent it is reasonably certain management will exercise that option.

Certain leases require payment for taxes, insurance, and maintenance. These variable lease payments are recognized in contractual services in the consolidated statements of activities, but are not included in the right-of-use asset or liability balances in the consolidated balance sheets.

Operating leases are included in operating right-of-use assets, net and operating lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment, net and debt in the consolidated balance sheets. 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 payments for finance leases.

Rental income arising from operating leases as a lessor is included in operating revenue in other revenues in the consolidated statements of activities.

(s) Derivative Financial Instruments

The University and its external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the Board of Trustees. The University uses interest rate swap agreements to manage interest rate risk associated with certain variable rate debt or to adjust its debt structure. Derivative financial

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instruments are measured at fair value and recognized in the consolidated balance sheets as assets or liabilities, with changes in fair value recognized in the consolidated statements of activities.

(t) Deferred Compensation Plans

The University maintains deferred compensation plans for certain employees. As of June 30, 2021 and 2020, other investments, included in other assets on the consolidated balance sheets, represent investments held by the University under these deferred compensation agreements. Such amounts approximate the University's related liability to the employees and are included in other long-term liabilities. The assets and liabilities of the deferred compensation plans are categorized in Level 1 of the fair value hierarchy. The fair value of deferred compensation plan assets as of June 30, 2021 and 2020 is $182,869 and $153,719, respectively.

(u) Statement of Cash Flows Supplemental Information

Property and equipment additions included in accounts payable and accrued expenses increased $501 and $5,210 as of June 30, 2021 and 2020, respectively.

(v) Reclassifications

Certain 2020 amounts have been reclassified in order to conform to the 2021 information presentation.

(2) Applied Physics Laboratory

The Applied Physics Laboratory (APL), located in Howard County, Maryland, was established during World War II with funding from the United States government. APL functions as a research facility and conducts research and development primarily in national defense and space sciences. The University owns and operates the facility and conducts research under a multiple task order contract with the United States Navy (the Navy Contract) and separate contracts with other government agencies. APL is organized as a Limited Liability Company (LLC), wholly owned by the University, and operates as a division of the University.

In accordance with an agreement between the United States government and the University, APL has been designated a national resource. Under the agreement, if the University determines that it can no longer sponsor APL or the Secretary of the Navy determines that the Navy can no longer contract with the University with respect to APL on mutually satisfactory terms, the University is required to establish a charitable trust to provide for the continued availability of the APL. The trust would be administered by five trustees and the corpus would consist of the University's interest in the APL facilities, including land to the extent necessary, and the balances in the University's APL stabilization, contingency, and research fund on the date the trust is established, less certain costs. Upon termination of the trust, the corpus, in whole or in part, as determined by the trustees, would be returned to and held and used by the University for such educational or research purposes and in such manner as the trustees and University agree.

The University works under an omnibus contract with the U.S. Navy. The most recent contract provides for a five-year initial term ending in September 2017, plus a five-year renewal option, which was exercised in February 2017 and subsequently amended in May 2019 to increase the aggregate purchase limit to $7,117,558 over the ten-year contract ordering period ending September 2022. Funding and work can continue up until September 2023 based on program requirements.

(Dollars in thousands)

Approximately 73% and 71% of APL's revenues in fiscal years 2021 and 2020 were from the Department of Defense and 19% and 21% were from the National Aeronautics and Space Administration, respectively. Contract work includes evaluation and design of various types of missile systems and command, control, and communication systems, assessment of submarine technologies, design of space systems for precision tracking, location and navigation, and conduct of space experiments. The contracts define costs for which reimbursements may be received and provide a management fee to the University. The Navy Contract requires that a portion of the fees earned under the Navy Contract be retained and used for various purposes, including, among other things, working capital, capital projects, and reserves.

APL principally provides services under cost plus fixed-fee contracts for which revenue is recognized in the period that costs are incurred. Contract accounts receivable are recorded at invoiced amounts. The allowance for doubtful accounts is estimated based on historical trends of past-due accounts, and specific identification and review of past-due accounts.

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Contracts awarded by federal and other sponsors, which are considered exchange transactions, are recognized as revenue as performance obligations are satisfied, which is generally as qualifying expenditures are incurred. Total revenue from contracts was $1,866,570 and $1,815,791 for the years ended June 30, 2021 and 2020, respectively.

Total revenue from nonexchange transactions was $26,389 and $28,519 for the years ended June 30, 2021 and 2020, respectively.

(3) Accounts Receivable

Accounts receivable, net are summarized as follows as of June 30, 2021 and 2020:

		2021	2020
Affiliated institutions, primarily the Hospital (note 11)	$	26,957	93,505
Students		30,589	25,900
Others		65,693	54,255
Total, net of allowances of $9,767 in 2021 and $10,018 in 2020		123,239	173,660
Receivables for clinical professional fees, net of explicit and implicit price concessions of $179,290 in 2021 and $133,181 in 2020		84,567	70,580
	$	207,806	244,240

The mix of gross accounts receivable for clinical professional fees from patients and third-party payors consisted of the following as of June 30, 2021 and 2020: commercial third parties 42% and 39%

(Dollars in thousands)

respectively; Medicare 22% and 20%, respectively; Medicaid 15% and 17%, respectively; Blue Cross/Blue Shield 5% and 6%, respectively; and patients 16% and 18%, respectively.

(4) Contributions Receivable

Contributions receivable, net are summarized as follows as of June 30, 2021 and 2020:

	2021	2020
Unconditional promises scheduled to be collected in:		
Less than one year	$ 65,350	79,535
One year to five years	166,444	179,010
Over five years	67,525	35,950
	299,319	294,495
Less unamortized discount (interest rates ranging from 0.3% to 2.73%) and allowances for uncollectible contributions	21,420	24,807
	$ 277,899	269,688

As of June 30, 2021 and 2020, 58% and 53%, respectively, of the gross contributions receivable were due from ten donors. Approximately 68% and 78% of contribution revenues for fiscal 2021 and 2020, respectively, were from ten donors. As of June 30, 2021, the University had also been informed of bequest intentions and conditional promises to give aggregating in excess of $1,590,000 which have not been recognized as assets or revenues. Such gifts will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of the University.

(5) Investments and Investment Return

The overall investment objective of the University is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The University diversifies its investments among various asset classes incorporating multiple strategies and managers. The Committee on Investments of the Board of Trustees oversees the University's investment program in accordance with established guidelines, which cover asset allocation and performance objectives and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and cover concentrations of market risk (at both the individual issuer and industry group levels), credit quality of fixed-income and short-term investments, use of derivatives, investments in foreign securities, and various other matters. The managers may make use of exchange-traded interest rate futures contracts, forward currency contracts, and other derivative instruments.

(Dollars in thousands)

Investments are summarized as follows as of June 30, 2021 and 2020:

		2021	2020
Operating investments	$	2,085,455	1,820,418
Investments		10,443,599	7,643,728
		12,529,054	9,464,146
Cash and cash equivalents		192,347	142,438
United States government and agency obligations		2,208,007	1,809,620
Debt securities		439,360	431,771
United States equities		1,932,051	1,381,650
International equities		847,510	599,236
Private equity and venture capital		2,378,710	1,411,264
Real estate		595,081	556,008
Natural resources		510,518	421,382
Marketable alternatives		3,425,470	2,710,777
	$	12,529,054	9,464,146

The following table summarizes the University's investments as of June 30, 2021 and 2020 for which NAV was used as a practical expedient to estimate fair value:

		Fair value determined using NAV		Unfunded commitments		Redemption frequency	Redemption notice period
		2021	2020	2021	2020	2021	2021
United States equities	$	984,587	643,346	19,021	23,256	4% Monthly 18% Quarterly 24% Annually 54% 2- to 5-Year	30 to 150 days
International equities		629,209	450,509	—	2,906	51% Monthly 21% Quarterly 28% Annually	6 to 365 days
Private equity and venture capital		2,320,650	1,346,542	837,399	605,888	N/A	N/A
Real estate		316,279	458,529	198,578	256,993	N/A	N/A
Natural resources		476,437	389,324	79,764	100,962	N/A	N/A
Marketable alternatives		3,425,470	2,710,777	187,125	272,005	See chart below	25 to 90 days (1)
	$	8,152,632	5,999,027	1,321,887	1,262,010		

(1) Investments liquidated through drawdowns total $342,637 and $241,725 as of June 30, 2021 and 2020, respectively.

The commitments may be drawn down over the next several years upon request by the general partners and fund managers. The University expects to finance these commitments with available cash and expected proceeds from the sales of securities.

(Dollars in thousands)

Marketable alternatives, excluding drawdown funds, have the following redemption periods as of June 30, 2021 and 2020:

		2021	2020
Quarterly redemptions	$	826,668	542,322
Annual redemptions		421,581	507,936
Quarterly or annually over 1- to 3-year period		1,293,160	1,022,732
Rolling 3- to 5-year redemptions		541,424	396,062
	$	3,082,833	2,469,052

Information with respect to investee strategies and redemptions for those investments in funds whose fair value is estimated based upon reported NAVs follow:

(a) United States Equities

This includes commingled funds that invest in publicly traded common stock of domestic companies. Funds offer redemptions monthly, quarterly, annually, or over the course of 2 to 5 years, with various notice requirements ranging from 30 to 150 days.

(b) International Equities

This includes commingled funds that invest in publicly traded common stock of developed and emerging market companies. Funds offer redemptions monthly, quarterly, or annually, with various notice requirements ranging from 6 to 365 days.

(c) Private Equity and Venture Capital

This includes funds making investments in leveraged buyouts of both public and private companies, as well as investments in venture capital, growth-stage investing, and distressed debt. These are limited partnerships where distributions are made to investors through the liquidation of the underlying assets. It is expected to take up to 15 years to fully distribute these assets.

(d) Real Estate

This includes limited partnerships making investments in real estate. These investments make distributions to investors through the liquidation of underlying assets. It is expected to take up to 15 years to fully distribute these assets.

(e) Natural Resources

This includes limited partnerships making investments in oil and gas, timber, agriculture, minerals, and other commodities. These investments make distributions to investors through the liquidation of the underlying assets. It is expected to take up to 15 years to fully distribute these assets.

(Dollars in thousands)

(f) Marketable Alternatives

This includes multi-strategy, credit and distressed debt, relative value, and event-driven funds in hedge fund and drawdown formats. Hedge funds have various redemption periods as summarized in the table above, with notice requirements ranging from 25 to 90 days. Drawdown funds are limited partnerships where distributions are made to investors through the liquidation of the underlying assets. It is expected to fully distribute these drawdown funds over a 15-year period.

Investment return is classified in the consolidated statements of activities as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Without donor restrictions:		
Operating, including endowment payout	$ 335,613	314,574
Nonoperating	337,185	(5,908)
With donor restrictions	2,128,414	(9,624)
	$ 2,801,212	299,042

(Dollars in thousands)

(6) Fair Value Measurements

The following table presents investments that are measured at fair value on a recurring basis as of June 30, 2021:

	Fair value as of June 30, 2021	Level 1	Level 2	Level 3	Funds at NAV
Operating investments:					
United States government and agency obligations	$ 1,670,897	1,670,897	—	—	—
Debt securities	414,558	196,042	218,516	—	—
Total operating investments	2,085,455	1,866,939	218,516	—	—
Investments, at fair value:					
Cash and cash equivalents	192,347	192,347	—	—	—
United States government and agency obligations	537,110	511,619	25,491	—	—
Debt securities	24,802	24,202	—	600	—
United States equities	1,932,051	945,398	1,726	340	984,587
International equities	847,510	218,301	—	—	629,209
Private equity and venture capital	2,378,710	2,647	—	55,413	2,320,650
Real estate	595,081	23,846	—	254,956	316,279
Natural resources	510,518	—	—	34,081	476,437
Marketable alternatives	3,425,470	—	—	—	3,425,470
Total investments, at fair value	10,443,599	1,918,360	27,217	345,390	8,152,632
Total investments	$ 12,529,054	3,785,299	245,733	345,390	8,152,632

The following table presents investments that are measured at fair value on a recurring basis as of June 30, 2020:

	Fair value as of June 30, 2020	Level 1	Level 2	Level 3	Funds at NAV
Operating investments:					
United States government and agency obligations	$ 1,410,682	1,410,682	—	—	—
Debt securities	409,736	220,584	189,152	—	—
Total operating investments	$ 1,820,418	1,631,266	189,152	—	—

(Dollars in thousands)

	Fair value as of June 30, 2020	Level 1	Level 2	Level 3	Funds at NAV
Investments, at fair value:					
Cash and cash equivalents	$ 142,438	142,438	—	—	—
United States government and agency obligations	398,938	375,601	23,337	—	—
Debt securities	22,035	17,967	828	3,240	—
United States equities	1,381,650	737,966	6	332	643,346
International equities	599,236	148,727	—	—	450,509
Private equity and venture capital	1,411,264	—	20,990	43,732	1,346,542
Real estate	556,008	19,179	—	78,300	458,529
Natural resources	421,382	6,121	—	25,937	389,324
Marketable alternatives	2,710,777	—	—	—	2,710,777
Total investments, at fair value	7,643,728	1,447,999	45,161	151,541	5,999,027
Total investments	$ 9,464,146	3,079,265	234,313	151,541	5,999,027

The methods and assumptions used to estimate the fair value of investments are defined in note 1(f).

The following table presents the University's activity for Level 3 investments measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020:

	Debt securities	U.S. equities	Private equity and venture capital	Real estate	Natural resources	Total
Balance as of June 30, 2019	$ 3,008	—	42,977	78,300	38,295	162,580
Transfers between levels	100	—	(9,611)	—	—	(9,511)
Net realized and unrealized loss	(10)	(1)	645	—	(10,765)	(10,131)
Sales and distributions	—	—	(1,548)	—	(1,593)	(3,141)
Purchases and contributions	142	333	11,269	—	—	11,744
Balance as of June 30, 2020	3,240	332	43,732	78,300	25,937	151,541
Transfers between levels	—	—	(9,114)	179,256	—	170,142
Net realized and unrealized loss	108	—	13,392	(2,600)	8,458	19,358
Sales and distributions	(3,202)	—	(8,319)	—	(993)	(12,514)
Purchases and contributions	454	8	15,722	—	679	16,863
Balance as of June 30, 2021	$ 600	340	55,413	254,956	34,081	345,390

For the year ended June 30, 2021 private equity assets totaling $9,114 moved from Level 3 to Level 1 due to public market events. For the year ended June 30, 2020 private equity assets totaling $7,392 and $2,219 moved from Level 3 to Level 2 and NAV, respectively. Debt security assets moved from Level 2 to Level 3. Transfers resulted from changes in the inputs used to value the investments.

(Dollars in thousands)

(7) Property and Equipment

Property and equipment, net, are summarized as follows as of June 30, 2021 and 2020:

	2021	2020	Range of useful lives
Land	$ 110,395	116,863	N/A
Land improvements	116,916	113,552	15 years
Buildings and leasehold improvements	3,931,332	3,534,434	10–40 years
Equipment	1,176,977	1,089,861	7–15 years
Capitalized software costs	135,570	131,055	3–10 years
Library collections	381,555	364,193	25 years
Construction in progress	544,914	690,674	N/A
	6,397,659	6,040,632	
Less accumulated depreciation and amortization	3,610,268	3,417,126	
	$ 2,787,391	2,623,506	

(8) Debt

Debt is summarized as follows as of June 30, 2021 and 2020:

	2021	2020
Bonds payable, net	$ 1,123,121	1,132,209
Notes payable – taxable	268,511	271,232
Commercial paper revenue notes – tax-exempt	—	67,169
Commercial paper revenue notes – taxable	70,000	114,000
Line of credit advances	—	100,000
Finance lease obligations (note 15)	54,391	58,912
	$ 1,516,023	1,743,522

(Dollars in thousands)

(a) Bonds Payable

Bonds payable were 1) issued by the Maryland Health and Higher Educational Facilities Authority (MHHEFA) or 2) taxable bonds issued directly, and consist of the following as of June 30, 2021 and 2020:

		2021	2020
Revenue Bonds Series 2005A, variable effective rate (0.03%), due July 2036	$	69,265	69,265
Taxable Bonds 2013 Series A, 4.08%, due July 2053		355,000	355,000
Revenue Bonds Series 2013B, 4.25% to 5.00%, due July 2041		82,440	91,030
Taxable Bonds 2015 Series A, 3.75%, due July 2045		150,000	150,000
Taxable Bonds 2020 Series A, 1.97% to 2.81%, due January 2060		470,000	470,000
Subtotal		1,126,705	1,135,295
Premium and discount, net		1,735	2,417
Debt issuance cost, net		(5,319)	(5,503)
	$	1,123,121	1,132,209

The bonds payable outstanding as of June 30, 2021 and 2020 are unsecured general obligations of the University. The loan agreements generally provide for semiannual payments of interest.

In March 2020, the University issued $470,000 of 2020 Series A fixed rate bonds. The 2020 Series A Bonds are subject to redemption prior to final maturity. The Bonds provide for a $100,000 principal repayment in 2030 and annual payments of $92,500 in 2057 through 2060. Proceeds from the 2020 Series A were used 1) to refund all of the outstanding Revenue Bonds Series 2012A, 2) for financing and refinancing of certain capital projects, and 3) to pay costs of issuance of the Bonds. As a result of this refunding, the University recognized a loss of $966 in fiscal 2020, which includes the write-off of unamortized original issue premium and bond issuance costs associated with the Series 2012A Bonds.

(Continued)

(Dollars in thousands)

(b) Notes Payable – Taxable

Notes payable – taxable consist of the following as of June 30, 2021 and 2020:

	2021	2020
Note, 2.74%, due November 2023	$ 25,000	25,000
Note, 2.89%, due November 2024	22,000	23,030
Note, 2.90%, due November 2024	22,456	23,202
Note, 2.94%, due November 2027	25,000	25,000
Note, 3.83%, due October 2028	25,000	25,000
Note, 3.92%, due November 2028	49,055	50,000
Notes, 4.16%, due May 2048	50,000	50,000
Note, 4.50%, due November 2049	50,000	50,000
	$ 268,511	271,232

The notes due November 2023 through November 2049 are unsecured general obligations of the University.

(c) Commercial Paper

Under the commercial paper program, the University may have commercial paper outstanding of up to $400,000. The notes are unsecured, bear interest at rates that are fixed at the date of issue and may have maturities up to 270 days from the date of issue. The taxable notes outstanding as of June 30, 2021 bear interest at a weighted average rate of 0.16%.

The tax-exempt commercial paper revenue notes were issued by MHHEFA to finance and refinance the costs of qualified assets. The tax-exempt revenue notes were refinanced with taxable commercial paper in March 2021.

(d) Other Credit Agreements

The University maintains standby liquidity and line of credit agreements with several commercial banks as follows:

Amount	Maturity	Purpose
$ 100,000	March 2022	Revolving line of credit
100,000	September 2021	Standby liquidity agreement
100,000	September 2023	Standby liquidity agreement
50,000	December 2025	Standby liquidity agreement
50,000	July 2022	Line of credit
100,000	March 2023	Line of credit
50,000	September 2023	Line of credit

(Continued)

(Dollars in thousands)

The University may borrow up to $100,000 under a revolving line of credit designated for working capital purposes at APL. Advances under the revolving line of credit are unsecured, due on demand, and bear interest at a rate that varies based on certain market indices. There were no borrowings on the revolving line of credit as of June 30, 2021 and 2020.

To support liquidity under the bond and commercial paper revenue notes programs, the University has three standby liquidity agreements with commercial banks. These agreements are intended to enable the University to fund the purchase of variable rate demand bonds, in the event they are unable to be tendered and not remarketed, and to pay the maturing principal of and interest on commercial paper notes in the event they cannot be remarketed. Advances under these agreements are unsecured, bear interest at a rate that varies based on certain market indices, and are due by the stated expiration date unless extended by a term loan. There were no borrowings under any of the University's standby credit facilities during fiscal 2021 and 2020.

Advances aggregating $100,000 were drawn on the three lines of credit for liquidity purposes in June 2020 and repaid in March 2021.

(e) Interest Rate Swap Agreements

Under interest rate swap agreements, the University and the counterparties agree to exchange the difference between fixed rate and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. Notional principal amounts are used to express the volume of these transactions, but the cash requirements and amounts subject to credit risk are substantially less.

The following table summarizes the general terms of the University's fixed payor swap agreements as of June 30, 2021:

Effective date	Notional amount	Termination date	Interest rate paid	Interest rate received
June 2005	$ 69,265	July 2036	3.87 %	SIFMA, 0.03% as of June 30, 2021
July 2007	5,965	July 2027	3.45	67% of 1-month LIBOR, 0.06% as of June 30, 2021
Total	$ 75,230			

Parties to interest rate swap agreements are subject to market risk for changes in interest rates and risk of credit loss in the event of nonperformance by the counterparty.

The fair value of each swap is the estimated amount the University would receive or pay to terminate the swap agreement at the reporting date considering current interest rates and creditworthiness of the swap counterparties. A swap with a 3.43% paid fixed interest rate and a notional amount of $14,130 as of June 30, 2020 matured in July 2020. The aggregate fair value of the University's interest rate swap agreements as of June 30, 2021 and 2020 was a liability of $25,415 and $34,889, respectively, excluding accrued interest for the swap due July 2036, and is reported as other long-term liabilities. Changes in the fair value of the interest rate swap agreements are reported as nonoperating activities. The change in fair value was a gain of $9,474 and a loss of $10,918 in fiscal 2021 and 2020, respectively.

(Dollars in thousands)

The University is required to post collateral under these agreements when certain thresholds are exceeded. As of June 30, 2021 and 2020, the required collateral was $800 and $9,900, respectively, which is included in cash and cash equivalents.

(f) Annual Principal Payments

The following table summarizes the aggregate annual maturities of bonds payable, notes payable, as well as taxable commercial paper, for the five fiscal years subsequent to June 30, 2021:

Fiscal year		Bonds payable	Notes payable	Commercial paper notes	Total
2022	$	8,595	2,763	—	11,358
2023		8,595	3,823	—	12,418
2024		—	30,567	—	30,567
2025		—	43,093	—	43,093
2026		—	4,280	—	4,280
Thereafter		1,109,515	183,985	70,000	1,363,500
	$	1,126,705	268,511	70,000	1,465,216

Due to requirements to pay the trustee in advance of the payment due date, scheduled maturities in the table above are reflected in the fiscal year that they will be paid to the trustee.

(g) Interest Costs

Total interest costs incurred and paid were $54,431 in 2021 and $51,631 in 2020, of which $7,775 in 2021 and $5,610 in 2020 were capitalized.

(9) Net Assets

Net assets without donor restrictions consists of the following as of June 30, 2021 and 2020:

		2021	2020
Net investment in plant	$	1,271,368	1,093,984
Board designated endowments		1,326,013	969,640
Undesignated		1,300,102	970,306
	$	3,897,483	3,033,930

(Dollars in thousands)

Net assets with donor restrictions consists of the following as of June 30, 2021 and 2020:

		2021	2020
Donor-restricted endowment funds	$	7,989,266	5,780,452
Contributions receivable for endowment		66,095	70,083
Contributions receivable for operating		186,147	154,129
Contributions restricted for facilities		667,087	530,077
Land subject to time and purpose restrictions		27,700	26,300
Perpetual trusts for scholarship and program support		81,652	64,838
Other contributions, including annuities and other trusts		612,806	441,025
	$	9,630,753	7,066,904

Other contributions, including annuities and other trusts are restricted for faculty support, research, and program support.

(10) University Endowment

The University's endowment consists of approximately 4,500 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the Maryland enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The Board of Trustees of the University manages and invests the individual endowment funds in the exercise of ordinary business care and prudence under facts and circumstances and considering the purposes, factors, and other requirements of UPMIFA. The University classifies as net assets with donor restrictions (a) the original value of gifts donated, which are donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment, which are not expendable on a current basis in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. At times, the fair value of individual donor restricted endowment funds may be in an underwater position (fall below historical book value) and are reported in net assets with donor restrictions. With respect to underwater endowments, the spending occurs only to the extent that the fair value of the endowment fund is 75% of historical book value.

The University has adopted investment policies for its endowment, including board-designated funds, which attempt to provide a predictable stream of funding in support of the operating budget, while seeking to preserve the real value of the endowment assets over time. The University relies on a total return strategy under which investment returns are achieved through both appreciation (realized and unrealized) and yield (interest and dividends). Investments are diversified by asset class, as well as by investment manager and style, with a focus on achieving long-term return objectives within prudent risk constraints.

(Dollars in thousands)

Subject to the intent of the donor, the Board of Trustees appropriates for expenditure or accumulates funds in the endowments in the exercise of ordinary business care and prudence under the facts and circumstances and considering the purposes, factors, and other requirements of UPMIFA. The annual appropriation is determined in the context of the University's spending rate policy. The current policy, which is based on a long-term investment return assumption as well as an estimated inflation factor, targets the appropriation to be in a range of 4.5% to 5.5% of the prior three years' average value of the endowment.

Endowment net assets consist of the following as of June 30, 2021:

		Without donor restrictions	With donor restrictions	Total
Investments by type of fund:				
Donor-restricted endowments:				
Historical gift value	$	—	5,209,616	5,209,616
Appreciation		—	2,779,650	2,779,650
Board-designated endowments		1,326,013	—	1,326,013
Total endowment net assets	$	1,326,013	7,989,266	9,315,279

Endowment net assets consist of the following as of June 30, 2020:

		Without donor restrictions	With donor restrictions	Total
Investments by type of fund:				
Donor-restricted endowments:				
Historical gift value	$	—	5,039,142	5,039,142
Appreciation		—	741,310	741,310
Board-designated endowments		969,640	—	969,640
Total endowment net assets	$	969,640	5,780,452	6,750,092

As of June 30, 2021, there were no donor-restricted endowments underwater. As of June 30, 2020, donor-restricted endowments with an original gift value of $2,537,444 were underwater by $19,683. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments and authorized appropriation that was deemed prudent.

(Continued)

(Dollars in thousands)

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2019	$	973,320	5,302,619	6,275,939
Investment return		28,197	196,235	224,432
Contributions and designations		13,788	560,245	574,033
Appropriation for expenditure		(45,665)	(278,647)	(324,312)
Endowment net assets, June 30, 2020		969,640	5,780,452	6,750,092
Investment return		365,314	2,328,256	2,693,570
Contributions and designations		40,121	176,151	216,272
Appropriation for expenditure		(49,062)	(295,593)	(344,655)
Endowment net assets, June 30, 2021	$	1,326,013	7,989,266	9,315,279

Appropriation for expenditure with donor restrictions for the years ended June 30, 2021 and 2020 includes $45,614 and $67,904, respectively, not used in current year operations but is intended for future use.

Endowments are to be utilized for the following purposes as of June 30, 2021:

		Without donor restrictions	With donor restrictions	Total
Faculty support	$	388,507	2,896,835	3,285,342
Scholarship support		222,720	3,657,018	3,879,738
Program support		538,866	687,977	1,226,843
Research		175,920	747,436	923,356
	$	1,326,013	7,989,266	9,315,279

Endowments are to be utilized for the following purposes as of June 30, 2020:

		Without donor restrictions	With donor restrictions	Total
Faculty support	$	291,530	2,118,623	2,410,153
Scholarship support		167,025	2,639,849	2,806,874
Program support		393,218	469,721	862,939
Research		117,867	552,259	670,126
	$	969,640	5,780,452	6,750,092

(Dollars in thousands)

(11) Affiliated Institutions

Reimbursements from affiliated institutions consist of the following for the years ended June 30, 2021 and 2020:

		2021	2020
Johns Hopkins Health System	$	42,757	50,210
Johns Hopkins Hospital		328,014	357,808
Johns Hopkins Bayview Medical Center		89,995	84,370
Other Johns Hopkins entities		140,655	131,746
Other affiliated medical institutions		21,843	32,784
	$	623,264	656,918

(a) The Johns Hopkins Health System (JHHS)

JHHS is incorporated and governed separately from the University and is the parent entity of an academically based health system, which includes the Hospital, Johns Hopkins Bayview Medical Center, Howard County General Hospital, Suburban Hospital, Sibley Memorial Hospital, All Children's Hospital, and other related organizations. The University and JHHS have established a Board of Johns Hopkins Medicine (JHM) to direct, integrate, and coordinate the clinical activities of the two organizations. JHM does not have the authority to incur debt or issue guarantees and its annual budgets require the approval of the Boards of Trustees of both the University and JHHS.

Reimbursements from JHHS relate primarily to contractual services for clinical and nonclinical operations.

In fiscal 2021, JHHS provided an unconditional pledge of $66,000 to support the recruitment of clinical faculty at the School of Medicine, which was reported in the consolidated statement of activities as contributions in changes in net assets with donor restrictions.

(b) The Hospital

The Hospital is a member of JHHS and serves as the primary teaching facility of the University's School of Medicine. Because of the closely related nature of their operations, the University and the Hospital share facilities and provide services to each other to fulfill their purposes more effectively. The sharing of facilities and services is negotiated annually and set forth in a Joint Administrative Agreement (JAA). Charges to the Hospital under the JAA, related primarily to the provision of professional medical services from the University, aggregated $249,894 in fiscal 2021 and $238,466 in fiscal 2020. Charges to the University under the JAA, related primarily to contractual services, aggregated $49,523 in fiscal 2021 and $49,443 in fiscal 2020, and are included in operating expenses in the consolidated statements of activities.

(c) Johns Hopkins Bayview Medical Center (JHBMC)

JHBMC is a community-based teaching hospital and long-term care facility. The University and JHBMC also share facilities and provide services to each other and negotiate the costs annually under a JAA. Charges to JHBMC under the JAA, related primarily to the provision of professional medical services from the University, aggregated $81,321 in fiscal 2021 and $78,550 in fiscal 2020.

(d) The Johns Hopkins Hospital Endowment Fund Incorporated (JHHEFI)

In July 2007, the University and JHHEFI entered into an agreement whereby JHHEFI transferred approximately $381,000 to the University to invest in the University's Endowment Investment Pool (EIP) and have the University manage these assets on JHHEFI's behalf. The funds were invested with other University assets in the University's name and title, and in accordance with the University's EIP investment policies and objectives. JHHEFI receives payouts as determined by their Board of Trustees and may terminate the agreement upon 180 days' written notice with liquidations to be made over a three-year period as specified in the agreement. The assets are included in investments in the consolidated balance sheets, and a corresponding liability of $661,513 and $496,651 is included in endowment and similar funds held for others as of June 30, 2021 and 2020, respectively. The corresponding liability has a fair value measurement of Level 3. JHHEFI's assets represent approximately 9.4% of the combined investment pool of $7,051,858 as of June 30, 2021.

(e) Jointly Owned Entities

As of June 30, 2021 and 2020, the University and JHHS and its affiliates jointly own several entities that are accounted for on the equity method. The University's aggregate investments in and advances to these joint ventures was approximately $331,372 and $317,121 as of June 30, 2021 and 2020, respectively. Equity in operating earnings of affiliates aggregated approximately $34,905 in fiscal 2021 and $16,097 in fiscal 2020.

In 2005, one of these entities, JHMI Utilities LLC, was formed to provide utility services for the East Baltimore campus. The University and Hospital, each owning 50% of JHMI Utilities LLC, provide all of its funding, including debt service, through payments for services received. Utility and telecommunications services provided to the University in fiscal 2021 and 2020 were approximately $30,331 and $30,420, respectively. JHMI Utilities LLC has an agreement with the University to finance a portion of the costs of installation of, and subsequent upgrades to, an enterprise information technology system that provides integrated patient care information and service across JHM. The project has been successfully implemented with the total project cost at approximately $311,900 as of June 30, 2021. The cost of implementing the enterprise information technology strategy was financed through a combination of loans from, or guarantees by, the University and JHHS. The University committed to funding up to $36,800 of the project. As of June 30, 2021 and 2020, $13,900 and $17,400, respectively, was outstanding on the loan. In addition, the University has agreed to guarantee a pooled loan of up to $11,300.

Although the University's ownership interest in each of the jointly owned entities is generally 50%, the University and JHHS have entered into separate agreements whereby certain activities or lines of business within these entities are not shared equally.

(Dollars in thousands)

The following table summarizes the aggregate condensed financial information of the jointly owned entities and the University's proportionate share of the entities as of and for the years ended June 30, 2021 and 2020, respectively:

	2021		2020	
	Total	University interest	Total	University interest
Assets	$ 1,439,110	633,501	1,383,730	617,251
Liabilities	879,236	387,233	865,622	383,637
Operating revenues	3,171,851	1,252,074	2,984,665	1,202,880
Operating expenses	3,073,822	1,217,169	2,913,204	1,186,783

(12) Pension and Postretirement Benefit Plans

The University has several benefit plans that are available to substantially all full-time employees. Most of these plans are qualified defined contribution plans for which the University's policy is to fund benefit costs as earned. The University also has a defined benefit pension plan covering bargaining unit employees and those classified as support staff. Benefit plan expenses were $280,725 in fiscal 2021 and $266,463 in fiscal 2020, including $246,002 and $240,874, respectively, related to defined contribution plans. Of the total benefit expense, APL's defined contribution plan accounted for $96,343 in fiscal 2021 and $87,828 in fiscal 2020.

Effective July 1, 2011, the University closed the support staff pension plan to new participants other than bargaining unit employees. In addition, the University offered a choice to current participants between the current support staff pension plan and its 403(b) plan. The University has retiree benefits plans that provide postretirement medical benefits to employees, including those at APL, who meet specified minimum age and service requirements at the time they retire. The University pays a portion of the cost of participants' medical insurance coverage. The University's portion of the cost for an individual participant depends on various factors, including the age, years of service, and time of retirement or retirement eligibility of the participant. The University has established a trust fund for its retiree benefits plans and intends to make contributions to the fund approximately equal to the annual net postretirement benefit cost.

Effective July 1, 2019, APL adopted an amendment to the postretirement medical plan to allow employees who were originally hired before January 1, 2012, had a break in service and returned after December 31, 2011 to be eligible for the medical subsidy. The plan change increased the accumulated postretirement benefit obligation by $1,260 for the year ended June 30, 2020.

In 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law. The Health Care Acts include several provisions that may affect the University's postretirement benefit plans, and have been considered in the measurement of the postretirement benefit obligation.

(Dollars in thousands)

The University uses a June 30 measurement date for its defined benefit pension plan and retiree benefit plans. Information relating to the benefit obligation, assets, and funded status of the defined benefit pension plan and the postretirement benefit plans as of and for the years ended June 30, 2021 and 2020 is summarized as follows:

		Pension plan		Postretirement plans	
		2021	**2020**	**2021**	**2020**
Change in benefit obligation:					
Benefit obligation at beginning of year	$	911,200	788,729	296,750	268,019
Service cost		17,125	15,246	8,949	7,855
Interest cost		24,035	26,873	7,122	8,790
Participant contributions		—	—	11,634	11,492
Plan amendment		5,949	—	—	1,260
Actuarial (gain) loss		(9,821)	105,669	(23,177)	20,478
Benefits paid		(25,240)	(25,317)	(19,437)	(21,975)
Medicare subsidies received		—	—	714	831
Benefit obligation at end of year		923,248	911,200	282,555	296,750
Change in plan assets:					
Fair value of plan assets at beginning of year		580,628	559,695	320,748	312,441
Actual return on plan assets		140,675	20,983	90,454	15,063
University contributions		35,060	25,267	—	—
Participant contributions		—	—	12,163	11,171
Benefits paid		(25,240)	(25,317)	(22,654)	(18,758)
Medicare subsidies received		—	—	714	831
Fair value of plan assets at end of year		731,123	580,628	401,425	320,748
Funded status recognized as pension and postretirement obligations, net	$	(192,125)	(330,572)	118,870	23,998

The accumulated benefit obligation for the pension plan was $895,143 and $880,527 as of June 30, 2021 and 2020, respectively.

(Dollars in thousands)

The table below reflects the net pension and postretirement benefit cost reported in operating as benefits expense and nonoperating as other net periodic benefit cost for the years ended June 30, 2021 and 2020:

	Pension plan		Postretirement plans	
	2021	**2020**	**2021**	**2020**
Operating:				
Service cost	$ 17,125	15,246	8,949	7,855
Total operating, included in benefits expense	17,125	15,246	8,949	7,855
Nonoperating:				
Interest cost on accumulated benefit obligation	24,035	26,873	7,122	8,790
Amortization of prior service (credit) cost	(167)	(167)	505	350
Expected return on plan assets	(33,151)	(31,759)	(21,975)	(21,428)
Amortization of actuarial loss (gain)	27,219	15,074	124	(14)
Total nonoperating	17,936	10,021	(14,224)	(12,302)
Total net pension and postretirement benefit cost (credit)	$ 35,061	25,267	(5,275)	(4,447)

The table below reflects the changes in plan assets and benefits obligations recognized as nonoperating items for the years ended June 30, 2021 and 2020:

	Pension plan		Postretirement plans	
	2021	**2020**	**2021**	**2020**
New prior service cost	$ 5,949	—	—	—
Net (gain) loss for the year	(117,346)	116,445	(88,438)	23,632
New unrecognized prior service cost	—	—	—	1,260
Amortization of prior service credit (cost)	167	167	(505)	(350)
Amortization of net (gain) loss	(27,219)	(15,074)	(124)	14
Net (gain) loss recognized in nonoperating activities	$ (138,449)	101,538	(89,067)	24,556

(Continued)

(Dollars in thousands)

The table below reflects the amortization of amounts expected to be recognized as components of net periodic benefit expense in nonoperating activities during fiscal 2022:

		Pension plan	Postretirement plans
Net (loss) gain	$	(9,716)	3,760
Prior service (cost) amortization		(531)	(505)
	$	(10,247)	3,255

The weighted average assumptions used to determine benefit obligations and net periodic benefit costs are as follows:

	Pension plan		Postretirement plans	
	2021	2020	2021	2020
Weighted average assumptions used to determine benefit obligations at June 30:				
Discount rate	2.72 %	2.66 %	2.60%–2.79%	2.54%–2.73%
Average rate of compensation increase	2.90	2.90	N/A	N/A
Rate of increase in healthcare costs for next year	N/A	N/A	5.90	5.90
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	2.66 %	3.50 %	2.54%–2.73%	3.42%–3.56%
Expected rate of return on plan assets	6.75	6.75	7.00	7.00
Rate of compensation increase	2.90	2.90	N/A	N/A
Rate of increase in healthcare costs	N/A	N/A	6.10	6.30

The expected long-term rate of return for the assets of the plans is based on historical and expected long-term future asset class returns. The rate is reviewed annually and adjusted as appropriate to reflect changes in projected market performance or in the targeted asset allocations.

(Continued)

(Dollars in thousands)

The rate of increase in healthcare costs was assumed to begin with an initial rate of 6.1% in 2021 and decrease to 4.0% in 2044 and to remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the reported postretirement benefit cost and obligation. A one-percentage-point change in the assumed rates used at June 30, 2021 would have the following effects:

		Increase	Decrease
Total service and interest cost components	$	90	(79)
Postretirement benefit obligation		3,450	(3,102)

(a) Plans' Assets

The purpose of the pension and postretirement plans is to meet the retirement benefit obligations of eligible University employees. The plans' assets are invested with the objective of meeting these obligations under the rules stipulated by the Employee Retirement Income Security Act.

An asset allocation has been established, which endeavors to adequately cover the liability stream posed by the beneficiaries of the plans and minimize the frequency and amount of the plans' contributions by the University. The intended benefits of this diversification are reduced risk and improved investment returns.

(b) Pension Plan

The following table presents the fair value and categorization within the fair value hierarchy of the assets of the defined benefit pension plan as of June 30, 2021 and 2020:

		2021			2020		
		Total	Level 1	Funds at NAV	Total	Level 1	Funds at NAV
Cash and cash equivalents	$	1,987	1,987	—	10,529	10,529	—
Fixed income securities		234,582	227,485	7,097	207,805	199,287	8,518
United States equities and international equities		462,958	413,376	49,582	312,631	281,266	31,365
Marketable alternatives		31,596	—	31,596	49,663	—	49,663
Total	$	731,123	642,848	88,275	580,628	491,082	89,546

(Dollars in thousands)

(c) Postretirement Plans

The following table presents the fair value and categorization within the fair value hierarchy of the assets of the postretirement plans as of June 30, 2021 and 2020:

		2021			2020		
		Total	**Level 1**	**Funds at NAV**	**Total**	**Level 1**	**Funds at NAV**
Cash and cash equivalents	$	5,435	5,435	—	11,613	11,613	—
Accounts receivable – rebates earned		—	—	—	3,217	3,217	—
Fixed income securities		303,993	303,993	—	101,367	101,367	—
United States equities and international equities		73,114	46,555	26,559	182,256	165,457	16,799
Marketable alternatives		18,883	—	18,883	22,295	—	22,295
Total	$	401,425	355,983	45,442	320,748	281,654	39,094

The Plans have no unfunded commitments to fund managers as of June 30, 2021 and 2020.

The University’s target asset allocations for the pension plan and the postretirement plans as of June 30, 2021 and 2020:

	Pension plan		**Postretirement plans**	
	2021	**2020**	**2021**	**2020**
Fixed income securities	30 %	30 %	75 %	35 %
United States equities and international equities	60	55	15	55
Real estate	—	5	—	—
Marketable alternatives	10	10	10	10
Total	100 %	100 %	100 %	100 %

(d) Cash Flows

The University expects to contribute $17,000 to the pension plan in fiscal 2022.

(Dollars in thousands)

Employer benefits expected to be paid, net of expected retiree contributions, and Medicare subsidies to be received in the five years subsequent to June 30, 2021 and in aggregate for the five fiscal years thereafter are as follows:

Fiscal year		Pension plan	Postretirement plans	Medicare subsidies
2022	$	31,039	11,900	706
2023		32,909	12,539	50
2024		34,769	13,143	44
2025		36,608	13,640	39
2026		38,381	14,092	34
2027–2031		215,095	75,709	110

(13) Functional Expense Information

Operating expenses by nature and function are summarized as follows for the year ended June 30, 2021:

		2021 Programs							
		Instruction, research and clinical practice	APL	Student services	Auxiliaries	Libraries	Total programs	Institutional support	Total expenses
Compensation	$	1,902,975	909,166	62,304	18,252	13,729	2,906,426	241,606	3,148,032
Benefits		465,153	396,676	18,442	5,050	3,818	889,139	82,690	971,829
Subcontractors and subrecipients		279,958	196,579	—	—	—	476,537	—	476,537
Contractual services		602,466	74,222	49,763	34,114	7,192	767,757	164,052	931,809
Supplies, materials and other		364,715	164,956	7,524	28,190	8,093	573,478	35,149	608,627
Depreciation		93,210	66,602	4,302	8,066	17,173	189,353	33,670	223,023
Travel		32,539	6,741	608	26	22	39,936	584	40,520
Interest		30,919	—	1,193	3,036	746	35,894	10,151	46,045
Total	$	3,771,935	1,814,942	144,136	96,734	50,773	5,878,520	567,902	6,446,422

Operating expenses by nature and function are summarized as follows for the year ended June 30, 2020:

		2020 Programs							
		Instruction, research and clinical practice	APL	Student services	Auxiliaries	Libraries	Total programs	Institutional support	Total expenses
Compensation	$	1,881,398	853,216	61,196	19,168	13,920	2,828,898	246,185	3,075,083
Benefits		484,081	362,326	17,591	4,845	3,622	872,465	72,396	944,861
Subcontractors and subrecipients		278,760	224,422	—	—	—	503,182	—	503,182
Contractual services		592,729	69,384	43,033	37,950	7,811	750,907	156,745	907,652
Supplies, materials and other		350,157	158,029	8,998	30,762	8,290	556,236	27,163	583,399
Depreciation		94,879	62,758	4,471	8,222	16,491	186,821	34,105	220,926
Travel		83,072	23,590	2,991	385	281	110,319	5,708	116,027
Interest		30,276	—	1,239	2,795	832	35,142	9,647	44,789
Total	$	3,795,352	1,753,725	139,519	104,127	51,247	5,843,970	551,949	6,395,919

(Continued)

(Dollars in thousands)

Costs related to the operation and maintenance of property, including depreciation of property and equipment and interest on related debt, are allocated to program and supporting activities based upon periodic inventories of facilities. Other net periodic benefit cost (credit) recorded in nonoperating expense was $3,712 and $(2,281) for the years ended June 30, 2021 and 2020, respectively.

(14) Liquidity and Availability

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

As of June 30, the following assets could readily be available within one year to meet general expenditures:

		2021	2020
Cash and cash equivalents	$	545,452	531,954
Operating investments		1,134,652	1,126,073
Sponsored research accounts receivable, net		500,393	447,125
Accounts receivable, net		207,806	244,240
Contributions receivable, net		34,336	35,806
Approved endowment payout for upcoming fiscal year		365,430	343,646
Investments in and loans to affiliates		5,511	7,434
Payout from interests in trusts and endowment funds held for others		4,469	4,267
Financial assets available to meet general expenditures over the next year	$	2,798,049	2,740,545

The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt securities, lines of credit, and a commercial paper facility.

The University's cash flows have seasonal variations during the year attributable to tuition billings, patient service billings and concentration of contributions received at calendar and fiscal year-end. Operating investments have been reduced for an estimate of expenditures that will occur on grants and gifts beyond one year, as well as, cash received for capital contributions. Principal and interest on student loans are not included as those amounts are used solely to make new loans and are, therefore, not available to meet current operating needs. Based on historical experience, only the portion of contributions receivable for operations expected to be received within one year is considered liquid. Investments in and loans to affiliates include only the loan principal payments due from affiliates in the next year.

(15) Leases

The University leases facilities used in its academic and research operations under long-term operating and finance leases, including certain facilities from the Hospital under a renewable one year lease. This lease provides for a rent equal to the cost to the Hospital for maintaining the facilities and has been renewed for the year ending June 30, 2022.

(Continued)

(Dollars in thousands)

For the years ended June 30, 2021 and 2020, the components of lease expense are as follows:

	2021	2020
Lease cost:		
Finance lease expense:		
Amortization of right-of-use assets	$ 4,452	4,452
Interest on lease obligations	3,528	3,797
Operating lease expense	53,493	56,694
Variable lease expense	46,135	44,227
Short-term lease expense	4,797	4,657
Total lease expense	$ 112,405	113,827
Other information:		
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	$ 53,826	5,972
Weighted-average remaining lease term:		
Finance leases	7.75 yrs.	8.74 yrs.
Operating leases	7.03 yrs.	6.79 yrs.
Weighted-average discount rate:		
Finance leases	6.45 %	6.50 %
Operating leases	2.38	2.40

Payments due include options, where reasonably certain, to extend operating leases through fiscal year 2033 and are summarized below as of June 30, 2021:

	Affiliates	Others	Total
2022	$ 14,044	38,329	52,373
2023	9,642	36,391	46,033
2024	7,335	35,660	42,995
2025	6,367	25,965	32,332
2026	5,291	19,243	24,534
After 2026	8,614	71,147	79,761
	51,293	226,735	278,028
Less amounts representing interest	3,746	20,144	23,890
Total operating lease liabilities	$ 47,547	206,591	254,138

(Dollars in thousands)

Payments due for finance leases through fiscal year 2031 are summarized below as of June 30, 2021:

2022	$	8,283
2023		8,524
2024		8,772
2025		9,027
2026		9,289
After 2026		24,500
		68,395
Less amounts representing interest		14,004
Total finance lease liabilities	$	54,391

As of June 30, 2021, the gross amount of finance right of use assets and accumulated depreciation thereon are reflected in property and equipment and amounted to $95,149 and $60,645, respectively.

The following presents supplemental cash flow information for the year ended June 30, 2021 and 2020 as it relates to cash paid for amounts included in the measurement of lease liabilities:

		2021	2020
Operating cash flows for operating leases	$	52,171	52,820
Operating cash flows for finance leases		4,521	4,190
Financing cash flows for finance leases		3,528	3,797

In June 2021, the University signed a 40-year lease agreement with the Hospital for approximately 65% of the space in a research facility scheduled to be completed by the end of 2025. The first of three wings in the facility is expected to be available for use before the end of fiscal 2024. The University will be responsible for approximately 65% of the total core and shell costs, which are estimated to range from $300,000 to $320,000, and will fund its share of these costs as prepayments under the lease on a monthly basis during the construction and renovation period. In addition, the University will fund its own tenant improvements during this period.

(16) Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic, which continues. As a result of the suspension of in-person education, lost revenues resulting from the deferral of clinical elective procedures, a decrease in sponsored activities, the refunding of a portion of student housing and dining revenues, and other uncertainties related to the pandemic, the University took action to temporarily suspend employer 403(b) contributions beginning July 1, 2020. Virtual learning continued through the fall semester of fiscal 2021, with some in-person education resuming in the spring semester of fiscal 2021. While the University experienced a reduction in revenues, primarily related to education and student related activities, and incurred certain incremental costs mainly related to COVID testing and facilities, it benefitted from reductions in travel costs and received federal stimulus assistance, specifically Provider Relief Funds and Higher Education Emergency Relief Funds. As a result of the lesser than anticipated negative impact on the University, in the spring of 2021 the employer 403(b) contributions were restored retroactively to July 1, 2020. The University continues to monitor the ongoing pandemic and its potential effects on the University.

(17) Other Commitments and Contingencies

(a) Guarantees

The University and the Hospital have also provided guarantees of principal and interest payments related to loans granted to JHMI Utilities LLC under the MHHEFA Pooled Loan Program. As of June 30, 2021, the University's guarantee amounted to $11,300 and continues until maturity of the loans occurring through 2029.

(b) Regulatory and Legal Matters

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a material adverse effect on the financial position of the University.

The University is subject to various claims, litigation, tax, and other assessments in connection with its domestic and foreign operations. In the opinion of management, adequate provision has been made for losses on these matters, where material, including insurance for malpractice and general liability claims, and their ultimate resolution will not have a material adverse effect on the financial position of the University.

(i) Specific Matters

On April 1, 2015, a complaint was filed against the University, its Bloomberg School of Public Health and its School of Medicine, JHHSC and JHH (collectively the “Johns Hopkins Defendants”), as well as another institution and a pharmaceutical company (collectively the “defendants”). The claims arise from human experiments conducted in Guatemala between 1946 and 1948 (the “Study”) under the auspices of the United States Public Health Service, the Guatemalan government, and the Pan American Sanitary Bureau. The plaintiffs' third amended complaint alleges that physicians and scientists employed by defendants “approved, encouraged, and directed nonconsensual and nontherapeutic human experiments in Guatemala” in which research subjects were intentionally exposed to and infected with venereal diseases without informed consent, and that the individuals were not advised about the consequences of the experiments or given follow-up care, treatment, or education. The third amended complaint alleges claims under both the Guatemala civil code and the federal Alien Tort Statute (the “ATS”), and seeks compensatory damages in excess of $75 and punitive damages of $1,000,000. The Johns Hopkins Defendants dispute both the factual allegations and legal claims. The Johns Hopkins Defendants did not initiate, pay for, direct, or conduct the Study. In 2010, the United States government accepted responsibility for the Study and apologized to all who were affected by it. A prior lawsuit against officials of the United States government for the same injuries alleged in the suit against the Johns Hopkins Defendants was dismissed by the U.S. District Court for the District of Columbia.

On August 30, 2017, the Court issued a memorandum decision dismissing all of plaintiffs' Guatemala law claims, but denying defendants' motion to dismiss the third amended complaint with respect to the ATS claims. On May 16, 2018, defendants filed a motion for judgment on the pleadings based upon the Supreme Court's decision in Jesner v. Arab Bank, PLC, 138 S. Ct.1386 (2018), which holds that the ATS does not authorize federal courts to create federal common law causes of action against foreign corporations, as doing so would usurp Congress's role and violate the separation of powers. Defendants argue that although the Supreme Court's formal holding applied to foreign corporations—the only type of corporation that was a party to the case—the Supreme Court's reasoning should apply to domestic corporations as well.

On January 3, 2019, the Honorable Theodore D. Chuang denied the motion, declining to extend the majority's reasoning in Jesner to domestic corporations. On April 23, 2019, however, Judge Chuang granted defendants' Motion to Certify Interlocutory Appeal, and on May 17, 2019, the Fourth Circuit granted defendants' petition for permission to appeal. Briefing was completed in October 2019. In August 2020, the Fourth Circuit issued an order placing the case in abeyance pending a decision by the United States Supreme Court in No. 19-416, Nestle USA, Inc. v. John Doe I. At this time, discovery has closed and both plaintiffs and defendants filed motions for summary judgment. On June 17, 2021, the United States Supreme Court issued its decision in Nestle clarifying the law with respect to the improper extraterritorial application of the ATS. Defendants promptly notified the District Court of the Nestle ruling and requested that the District Court lift its stay and enter summary judgment in favor of all defendants based on the reasoning of Nestle. Subsequently, the District Court entered an order lifting the stay and ordering the parties to submit new summary judgment briefs that address, among other things, the impact of the Nestle decision on plaintiffs' ATS claim. Defendants filed their Renewed Motion for Summary Judgment and their Opposition and Reply to Plaintiffs' Cross Motion for Summary Judgment; Plaintiffs have also filed their Consolidated Reply brief.

In light of the Supreme Court ruling in Nestle, and at the request of the JHU Defendants, the interlocutory appeal before the Fourth Circuit was dismissed on June 25, 2021. The Johns Hopkins Defendants intend to continue to vigorously defend this lawsuit.

(18) Subsequent Events

The University evaluated subsequent events through October 4, 2021, which is the date the consolidated financial statements were issued. There were no additional matters that required adjustment to or disclosure in the consolidated financial statements.