NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation: The University of Michigan (the "University") is a state-supported institution with an enrollment of over 63,500 students on its three campuses. The financial statements include the individual schools, colleges and departments, the University of Michigan Health System, Michigan Health Corporation (a wholly-owned corporation created for joint venture and managed care initiatives), UM Health (a wholly-owned corporation created to hold and develop the University's statewide network of hospitals, hospital joint ventures and other hospital affiliations, primarily consisting of Metropolitan Hospital) and Veritas Insurance Corporation (a wholly-owned captive insurance company). While the University is a political subdivision of the state of Michigan, it is not a component unit of the State in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

Within its consolidated financial statements, the University reports as a special purpose government entity engaged primarily in business type activities, as defined by GASB, on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

During 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*, which required the University to remove fiduciary activities from its consolidated financial statements and present them within the statement of fiduciary net position and statement of changes in fiduciary net position. The University's fiduciary activities represent those resources for which the University acts as a trustee or custodian, including the Metropolitan Hospital pension plan trust which is considered a fiduciary component unit. The adoption of this statement resulted in a decrease in investments for operating activities and deposits of affiliates and others of $46,348,000, and a decrease in endowment, life income and other investments and deposits of affiliates and other of $174,193,000 at July 1, 2019.

Net position is categorized as:

- Net investment in capital assets: Capital assets, net of accumulated depreciation, outstanding principal balances of debt and capital lease liabilities, unexpended bond proceeds and deferred outflows associated with the acquisition, construction or improvement of those assets.

- Restricted:

  Nonexpendable – Net position subject to externally imposed stipulations that it be maintained permanently. Such net position includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

  Expendable – Net position subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Such net position includes net appreciation of the University's permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.

- Unrestricted: Net position not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents. Substantially all unrestricted net position is designated for various academic programs, research initiatives and capital projects.

NOTE 1—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Summary of Significant Accounting Policies: The University considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowment, life income and other investments are included in noncurrent investments as these funds are not used for operating purposes.

Investments are reported in four categories in the statement of net position. Investments reported as endowment, life income and other investments are those funds invested in portfolios that are considered by management to be of a long duration. Investments for student loan and capital activities are those funds that are intended to be used for these specific activities. All other investments are reported as investments for operating activities.

GASB defines fair value and establishes a framework for measuring fair value that includes a three tiered hierarchy of valuation inputs, placing a priority on those which are observable in the market. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the University's own assumptions about how market participants would value an asset or liability based on the best information available. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The three levels of inputs, of which the first two are considered observable and the last unobservable, are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date
- Level 2 – Other significant observable inputs, either direct or indirect, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or market corroborated inputs
- Level 3 – Unobservable inputs

GASB allows for the use of net asset value ("NAV") as a practical expedient to determine the fair value of nonmarketable investments if the NAV is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Investments that use NAV in determining fair value are disclosed separately from the valuation hierarchy as presented in Note 2.

Investments in marketable securities are carried at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported in investment income.

Investments in nonmarketable limited partnerships are carried at fair value, which is generally established using the NAV provided by the management of the investment partnerships at June 30, 2021 and 2020. The University may also adjust the fair value of these investments based on market conditions, specific redemption terms and restrictions, risk considerations and other factors. As these investments are not readily marketable, the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year end spot foreign currency exchange rates. Purchases and sales of investments denominated in foreign currencies and related income are translated at spot exchange rates on the transaction dates.

Derivative instruments such as financial futures, forward foreign exchange contracts and interest rate swaps held in investment portfolios, are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. To facilitate trading in financial futures, the University is required to post cash or securities to satisfy margin requirements of the exchange where such futures contracts are listed. The University monitors the required amount of cash and securities on deposit for financial futures transactions and withdraws or deposits cash or securities as necessary.

Accounts receivable are recorded net of an allowance for uncollectible accounts receivable. The allowance is based on management's judgment of potential uncollectible amounts, which includes such factors as historical experience and type of receivable.

The University receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Permanent endowment pledges do not meet eligibility requirements, as defined by GASB, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising.

Capital assets are recorded at cost or, if donated, at acquisition value at the date of donation. Depreciation of capital assets is provided on a straight-line method over the estimated useful lives of the respective assets, which generally range from three to fifty years. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research or public service, as these collections are neither disposed of for financial gain nor encumbered in any way.

Deferred outflows represent the consumption of net assets attributable to a future period and are primarily associated with the University's obligations for postemployment benefits, debt and derivative activity, and the defined benefit pension plan for Metropolitan Hospital.

Unearned revenue consists primarily of cash received from grant and contract sponsors which has not yet been earned under the terms of the agreement. Unearned revenue also includes amounts received in advance of an event, such as student tuition and advance ticket sales related to future fiscal years. In 2020, the University received amounts from the Centers for Medicare and Medicaid Services under the terms of their Accelerated and Advance Payment Program, which was expanded in response to the COVID-19 pandemic. The unearned portion of these additional advanced payments totaled $261,396,000 and $302,298,000 at June 30, 2021 and 2020, respectively, and will be reported as patient care revenues as the qualifying patient care services are performed.

The University holds life income funds for beneficiaries of the pooled income fund, charitable remainder trusts and the gift annuity program. These funds generally pay lifetime income to beneficiaries, after which the principal is made available to the University in accordance with donor intentions. All life income fund assets, including those held in trust, are recorded at fair value. The present value of estimated future payments due to life income beneficiaries is recorded as a liability.

Deferred inflows represent the acquisition of net assets attributable to a future period and are associated with the University's obligations for postemployment benefits, Metropolitan Hospital's defined benefit pension plan and irrevocable split-interest agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan, permits the Board of Regents to appropriate amounts for endowment spending rule distributions as is considered prudent. The University's policy is to retain net realized and unrealized appreciation with the endowment after spending rule distributions. Net appreciation of permanent endowment funds, which totaled $3,684,197,000 and $2,055,430,000 at June 30, 2021 and 2020, respectively, is recorded in restricted expendable net position. The University's endowment spending rule is further discussed in Note 2.

Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Patient care revenues are reported net of contractual allowances and bad debt expenses. Contractual allowances are estimated based on agreements with third-party payers that provide payments for patient care services at amounts different from established rates. These allowances are subject to the laws and regulations governing the federal and state programs and post-payment audits, and adjusted in future periods as final settlements are determined. Patient care services are primarily provided through the University's health system, which includes University Health Service, which offers health care services to students, faculty and staff, and Dental Faculty Associates, which offers dental care services performed by faculty dentists.

Patient care services are provided to patients who meet certain criteria under the University's charity care policies without charge or at amounts less than its established rates. Accordingly, charity care is not reported as revenue in the accompanying statement of revenues, expenses and changes in net position. Charges forgone for charity care services totaled $62,596,000 and $94,292,000 in 2021 and 2020, respectively.

Other auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, parking, student unions and student publications.

The University's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses result from exchange transactions.

Certain significant revenue streams relied upon for operations result from nonexchange transactions and are recorded as nonoperating revenues including state appropriations, federal Pell grants, gifts and investment income.

Federal economic relief funds represent amounts received from the federal government to provide economic assistance to entities that have been negatively impacted by the COVID-19 pandemic. During 2021 and 2020, the University received payments primarily from three programs, the Provider Relief Fund, the Higher Education Emergency Relief Fund and the Coronavirus Relief Fund.

The Provider Relief Fund is administered through the U.S. Department of Health and Human Services and offers funding to hospitals and health care providers to support expenses incurred or revenues lost associated with the COVID-19 pandemic. Funds received are recognized into revenue as the University identifies eligible expenditures or lost revenues which qualify for reimbursement. Revenue recognized under the terms of this program totaled $135,325,000 and $134,670,000 in 2021 and 2020, respectively.

The Higher Education Emergency Relief Fund is administered through the U.S. Department of Education and was designed to facilitate the distribution of emergency financial aid grants directly to students, as well as to provide funding for institutions negatively impacted by the COVID-19 pandemic. Under the terms of the student portion of this program, revenue is recognized once eligible expenditures associated with the distribution of aid to students have been incurred. For the institutional portions of this program, revenue is recognized as the University identifies eligible expenditures or lost revenues which qualify for reimbursement. Revenue recognized under the terms of this program totaled $77,055,000 and $9,159,000 in 2021 and 2020, respectively.

The Coronavirus Relief Fund is administered through the U.S. Department of the Treasury and provides assistance to state, local and tribal governments to support expenses incurred due to the public health emergency associated with the COVID-19 pandemic. Funds received from the state of Michigan are recognized into revenue as the University identifies eligible expenditures which qualify for reimbursement. Revenue recognized under the terms of this program totaled $42,380,000 in 2021.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The most significant areas that require management estimates relate to self-insurance and benefits obligations.

NOTE 2—CASH AND INVESTMENTS

Summary: The University maintains centralized management for substantially all of its cash and investments.

Working capital of individual University units is primarily invested in the University Investment Pool ("UIP"). Together with the University's short-term insurance and other benefits reserves, the UIP is invested in the Daily and Monthly Portfolios, which are principally invested in investment-grade money market securities, U.S. government and other fixed income securities, and absolute return strategies.

The University collectively invests substantially all of the assets of its endowment funds along with a portion of its insurance and benefits reserves, charitable remainder trusts and gift annuity program in the Long Term Portfolio. The longer investment horizon of the Long Term Portfolio allows for an equity-oriented strategy to achieve higher expected returns over time, and permits the use of less liquid alternative investments, providing for equity diversification beyond the stock markets. The Long Term Portfolio includes investments in domestic and non-U.S. stocks and bonds, commingled funds and limited partnerships consisting of venture capital, private equity, real estate, natural resources and absolute return strategies.

The University also separately invests certain endowments and charitable remainder trusts, unexpended bond proceeds and other funds with investment restrictions outside of the Daily, Monthly and Long Term Portfolios.

The University holds invested funds as a result of agency relationships with various groups that are considered fiduciary in nature. Funds received are invested in either UIP, or the University Endowment Fund ("UEF"), a comingled pool invested entirely in the Long Term Portfolio. The University establishes the fair value of the UIP at $1.00 per share and any participant in the pool may purchase or redeem shares at that price. The University determines the fair value of UEF shares at the end of each calendar quarter based on the fair value of the pool. Participants may purchase or redeem UEF shares at fair value at each valuation date, subject to minimum holding and notice requirements.

Given the comingled nature of the underlying pools in which the UIP and UEF invest, unitized shares are not specifically associated with individual investments. Therefore, the University's investment activities as presented within the consolidated statement of cash flows as well as this note are presented gross, with a corresponding adjustment to remove the fiduciary custodial activities that are presented within the statement of fiduciary net position and statement of changes in fiduciary net position.

NOTE 2—CASH AND INVESTMENTS, CONTINUED

Authorizations: The University's investment policies are governed and authorized by University Bylaws and the Board of Regents. The approved asset allocation policy for the Long Term Portfolio sets general targets for both equities and fixed income securities. Since diversification is a fundamental risk management strategy, the Long Term Portfolio is broadly diversified within these general categories.

The endowment spending rule provides for distributions from the UEF to the entities that benefit from the endowment fund. The annual distribution rate is 4.5 percent of the one-quarter lagged seven year moving average fair value of fund shares. To protect endowment principal in the event of a prolonged market downturn, distributions are limited to 5.3 percent of the current fair value of fund shares. Distributions are also made from the UIP based on the 90-day U.S. Treasury Bill rate. The University's costs to administer and grow the UEF and UIP are funded by investment returns.

Cash and Cash Equivalents and Unexpended Bond Proceeds: Cash and cash equivalents, which totaled $1,003,846,000 and $1,275,401,000 at June 30, 2021 and 2020, respectively, represent cash and short-term money market investments in mutual funds, overnight collective funds managed by the University's custodian or short-term highly liquid investments registered as securities and held by the University or its agents in the University's name. Of its cash and cash equivalents, the University had actual cash balances in its bank accounts in excess of Federal Deposit Insurance Corporation limits in the amount of $72,126,000 and $84,860,000 at June 30, 2021 and 2020, respectively. The University does not require its deposits to be collateralized or insured.

Unexpended bond proceeds, which totaled $52,451,000 and $125,905,000 at June 30, 2021 and 2020, respectively, represent short-term money market investments in mutual funds. These amounts are used solely for the reimbursement of qualifying expenditures for construction projects associated with certain outstanding general revenue bonds issued by the University.

Cash and cash equivalents and unexpended bond proceeds include certain securities that are subject to the leveling requirements defined by GASB. Level 1 securities, which primarily consist of money market funds and U.S. government securities, totaled $926,114,000 and $1,198,773,000 at June 30, 2021 and 2020, respectively. Level 2 securities, which primarily consist of U.S. agencies, totaled $5,500,000 and $59,000,000 at June 30, 2021 and 2020, respectively.

Investments: At June 30, 2021 and 2020, the University's investments, which are held by the University or its agents in the University's name, are summarized as follows:

(in thousands)	2021	2020
Cash equivalents, noncurrent	$ 276,168	$ 284,268
Equity securities	752,048	486,404
Fixed income securities	3,010,819	2,075,171
Commingled funds	3,190,302	2,589,411
Nonmarketable alternative investments	13,183,395	9,361,811
Other investments	5,561	11,990
	20,418,293	14,809,055
Less fiduciary custodial funds	274,374	213,617
	$ 20,143,919	$ 14,595,438

At June 30, 2021 and 2020, the fair value of the University's investments based on the inputs used to value them is summarized as follows:

			2021		
(in thousands)	Level 1	Level 2	Level 3	NAV	Total Fair Value
Cash equivalents, noncurrent	$ 276,168	-	-	-	$ 276,168
Equity securities:					
Domestic	155,737		$ 52,154		207,891
Foreign	542,969		1,188		544,157
	698,706	-	53,342	-	752,048
Fixed income securities:					
U.S. Treasury	1,887,542				1,887,542
U.S. government agency		$ 49,513			49,513
Corporate and other		1,068,479	5,285		1,073,764
	1,887,542	1,117,992	5,285	-	3,010,819
Commingled funds:					
Absolute return				$ 2,524,614	2,524,614
Domestic equities	14,060			268,714	282,774
Global equities	49			359,321	359,370
U.S. fixed income	3,092				3,092
Other	20,452				20,452
	37,653	-	-	3,152,649	3,190,302
Nonmarketable alternative investments:					
Venture capital				4,592,803	4,592,803
Absolute return				2,556,764	2,556,764
Private equity			449,800	2,460,896	2,910,696
Real estate			8,658	1,590,549	1,599,207
Natural resources			203,886	1,320,039	1,523,925
	-	-	662,344	12,521,051	13,183,395
Other investments	(2,665)	(1,235)	9,461	-	5,561
	$ 2,897,404	$ 1,116,757	$ 730,432	$ 15,673,700	20,418,293
					274,374
Less fiduciary custodial funds					$ 20,143,919

NOTE 2—CASH AND INVESTMENTS, CONTINUED

2020

(in thousands)	Level 1	Level 2	Level 3	NAV	Total Fair Value
Cash equivalents, noncurrent	$ 284,268	-	-	-	$ 284,268
Equity securities:					
Domestic	88,599		$ 52,098		140,697
Foreign	344,722		985		345,707
	433,321	-	53,083	-	486,404
Fixed income securities:					
U.S. Treasury	1,405,695				1,405,695
U.S. government agency		$ 31,848			31,848
Corporate and other		626,043	11,585		637,628
	1,405,695	657,891	11,585	-	2,075,171
Commingled funds:					
Absolute return				$ 2,154,259	2,154,259
Domestic equities	9,494			144,541	154,035
Global equities	674			261,379	262,053
U.S. fixed income	3,061				3,061
Other	16,003				16,003
	29,232	-	-	2,560,179	2,589,411
Nonmarketable alternative investments:					
Venture capital				2,673,995	2,673,995
Absolute return				2,174,643	2,174,643
Private equity			279,200	1,701,552	1,980,752
Real estate			8,331	1,347,008	1,355,339
Natural resources			160,993	1,016,089	1,177,082
	-	-	448,524	8,913,287	9,361,811
Other investments	(6)	2,467	9,529	-	11,990
	$ 2,152,510	$ 660,358	$ 522,721	$ 11,473,466	14,809,055
					213,617
Less fiduciary custodial funds					$ 14,595,438

Investments categorized as Level 1 are valued using prices quoted in active markets for those securities. Equity securities categorized as Level 3 represent investments in start-up or venture companies. Fixed income securities categorized as Level 2 represent investments valued using a matrix pricing technique, which values debt securities based on their relationship to a benchmark and the relative spread to that benchmark. Fixed income securities categorized as Level 3 represent debt investments with select venture funded University faculty start-ups. Nonmarketable alternative investments categorized as Level 3 primarily represent direct investments which are valued using models that rely on inputs which are unobservable in the market.

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forwards, futures and commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the statement of net position and is not represented by the contract or notional amounts of the instruments.

Fixed income securities have inherent financial risks, including credit risk and interest rate risk. Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. Nationally recognized statistical rating organizations ("NSROs"), such as S&P Global and Moody's, assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Fixed income securities considered investment grade are those rated at least BBB by S&P Global and Baa by Moody's. To manage credit risk, the University specifies minimum average and minimum absolute quality NSRO ratings for securities held pursuant to its management agreements.

The University minimizes concentration of credit risk, the risk of a large loss attributed to the magnitude of the investment in a single issuer of fixed income securities, by diversifying its fixed income issues and issuers and holding U.S. Treasury securities which are considered to have minimal credit risk. The University also manages this risk at the account level by limiting each fixed income manager's holding of any non-U.S. government issuer to 5 percent of the value of the investment account.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. Effective duration, a commonly used measure of interest rate risk, incorporates a security's yield, coupon, final maturity, call features and other embedded options into one number expressed in years that indicates how price-sensitive a security or portfolio of securities is to changes in interest rates. The effective duration of a security or portfolio indicates the approximate percentage change in fair value expected for a one percent change in interest rates. The longer the duration, the more sensitive the security or portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income securities was 3.2 years at June 30, 2021 compared to 3.6 years at June 30, 2020. The University manages the effective duration of its fixed income securities at the account level, where fixed income managers generally may not deviate from the duration of their respective benchmarks by more than 25 percent. The Monthly Portfolio held positions in bond futures at June 30, 2021 and 2020, which are used to adjust the duration of cash equivalents and the fixed income portion of the portfolios.

NOTE 2—CASH AND INVESTMENTS, CONTINUED

The composition of fixed income securities at June 30, 2021 and 2020, along with credit quality and effective duration measures, is summarized as follows:

2021

(in thousands)	U.S. Government	Investment Grade	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. Treasury	$ 1,884,675				$ 1,884,675	2.7
U.S. Treasury inflation protected	2,867				2,867	17.1
U.S. government agency	49,513				49,513	5.2
Mortgage backed		$ 40,465	$ 66	$ 10,047	50,578	1.6
Asset backed		111,033		400	111,433	0.8
Corporate and other		845,052	19,927	46,774	911,753	4.5
	$ 1,937,055	$ 996,550	$ 19,993	$ 57,221	$ 3,010,819	3.2

2020

(in thousands)	U.S. Government	Investment Grade	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. Treasury	$ 1,396,416				$ 1,396,416	2.1
U.S. Treasury inflation protected	9,279				9,279	8.0
U.S. government agency	31,848				31,848	1.7
Mortgage backed		$ 31,752	$ 299	$ 2,531	34,582	1.9
Asset backed		40,676			40,676	0.9
Corporate and other		527,843	14,431	20,096	562,370	7.8
	$ 1,437,543	$ 600,271	$ 14,730	$ 22,627	$ 2,075,171	3.6

Of the University's fixed income securities, 97 percent and 98 percent were rated investment grade or better at June 30, 2021 and 2020, respectively, and 73 percent and 75 percent of these securities consisted of either U.S. treasury and government agencies or non-U.S. government securities rated AAA/Aaa at June 30, 2021 and 2020, respectively.

Commingled (pooled) funds include Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships and corporate structures which are generally unrated and unregulated. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit the University's risk exposure to the amount of invested capital.

Nonmarketable alternative investments consist of limited partnerships and similar vehicles involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. There is not an active secondary market for these alternative investments, which are generally unrated and unregulated, and the liquidity of these investments is dependent on actions taken by the general partner. The University's limited partnerships are diversified in terms of manager selection, industry and geographic focus. At June 30, 2021 and 2020, no individual partnership investment represented 5 percent or more of total investments.

Absolute return strategies in the commingled funds and nonmarketable alternative investments classifications include long/short stock programs, merger arbitrage, intra-capital structure arbitrage and distressed debt investments. The goal of absolute return strategies is to provide, in aggregate, a return that is consistently positive and uncorrelated with the overall market.

The University's investments in commingled funds and nonmarketable alternative investments are contractual agreements that may limit the ability to initiate redemptions due to notice periods, lock-ups and gates. Additional information about current redemption terms and outstanding commitments at June 30, 2021 is summarized as follows (amounts in thousands):

	Fair Value	Remaining Life	Outstanding Commitments	Redemption Terms	Redemption Notice
Commingled funds	$ 3,190,302	N/A	$ -	Daily, monthly, quarterly and annually, with varying notice periods	Lock-up provisions range from none to five years
Nonmarketable alternative investments	$ 13,183,395	1-12 years	$ 4,622,311	Ineligible for redemption	N/A

Commingled funds have liquidity (redemption) provisions, which enable the University to make full or partial withdrawals with notice, subject to restrictions on the timing and amount. Of the University's commingled funds at June 30, 2021 and 2020, 79 percent and 74 percent, respectively, are redeemable within one year, with 65 percent and 55 percent, respectively, redeemable within 90 days under normal market conditions. The remaining amounts are redeemable beyond one year, with redemption of certain funds dependent on disposition of the underlying assets. The University's committed but unpaid obligation to nonmarketable alternative investments is further discussed in Note 14.

The University participates in non-U.S. developed and emerging markets through commingled funds invested in non-U.S./global equities and absolute return strategies. Although all of these funds are reported in U.S. dollars, price changes of the underlying securities in local markets as well as changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns. In addition, a portion of the University's equity securities and nonmarketable alternative investments are denominated in foreign currencies, which must be settled in local (non-U.S.) currencies.

Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. Forward foreign currency contracts are typically used to manage the risks related to fluctuations in currency exchange rates between the time of purchase or sale and the actual settlement of foreign securities. Various investment managers acting for the University use forward foreign exchange contracts in risk-based transactions to carry out their portfolio strategies and are subject to agreements that provide minimum diversification and maximum exposure limits by country and currency.

The value of the University's non-U.S. dollar holdings, net of the value of the outstanding forward foreign exchange contracts, totaled $1,777,448,000 or 9 percent of total investments at June 30, 2021, and $1,377,093,000 or 9 percent of total investments at June 30, 2020, and are summarized as follows:

(in thousands)	2021	2020
Euro	$ 885,763	$ 840,583
British pound sterling	279,092	173,115
Swedish krona	236,595	100,114
Canadian dollar	143,015	43,004
Japanese yen	135,042	129,016
Norwegian krone	51,616	63,875
Other	46,325	27,386
	$ 1,777,448	$ 1,377,093

NOTE 2—CASH AND INVESTMENTS, CONTINUED

The Long Term Portfolio and the Monthly Portfolio participate in a short-term, fully collateralized, securities lending program administered by the University's master custodian. Together, the Portfolios had $21,472,000 and $15,989,000 in securities loans outstanding at June 30, 2021 and 2020, respectively. At loan inception, an approved borrower must deliver collateral of cash, securities or letters of credit to the University's lending agent equal to 102 percent of fair value for domestic securities and 105 percent for foreign securities. Collateral positions are monitored daily to ensure that borrowed securities are never less than 100 percent collateralized. At June 30, 2021, collateral of $22,227,000 (104 percent of securities on loan) includes invested cash of $20,040,000 and U.S. government securities of $2,187,000, while at June 30, 2020, collateral of $16,607,000 (104 percent of securities on loan) includes invested cash of $8,728,000 and U.S. government securities of $7,879,000.

Cash collateral held by the University's lending agent, along with the offsetting liability to return the collateral at loan termination, are recorded in the statement of net position. Neither the University nor its securities lending agent has the ability to pledge or sell securities received as collateral unless a borrower defaults. Securities loans may be terminated upon notice by either the University or the borrower.

NOTE 3—ACCOUNTS RECEIVABLE

The composition of accounts receivable at June 30, 2021 and 2020 is summarized as follows:

(in thousands)	2021	2020
Patient care	$ 778,548	$ 439,345
Sponsored programs	177,384	153,470
State appropriations, educational and capital	71,804	70,732
Student accounts	38,445	43,327
Other	45,947	38,500
	1,112,128	745,374
Less allowance for uncollectible accounts receivable:		
Patient care	131,628	110,131
State educational appropriations		41,664
All other	9,900	9,722
	$ 970,600	$ 583,857

During 2020, the state of Michigan experienced a reduction to its overall revenues due to the economic impact of the COVID-19 pandemic, which created uncertainty regarding the timing and amount of the University's state appropriations payments. In July 2020, the State amended its 2020 appropriations bill to replace $41,664,000 of the University's state educational appropriations with Coronavirus Relief Funds. The University considered this amendment to be a recognized subsequent event relative to contingencies that existed at June 30, 2020, and therefore established a corresponding valuation allowance as of that date.

NOTE 4—NOTES AND PLEDGES RECEIVABLE

The composition of notes and pledges receivable at June 30, 2021 and 2020 is summarized as follows:

(in thousands)	2021	2020
Notes:		
Federal student loan programs	$ 54,341	$ 63,134
University student loan funds	14,233	14,777
Other	7,909	5,664
	76,483	83,575
Less allowance for uncollectible notes	3,100	3,134
Total notes receivable, net	73,383	80,441
Gift pledges:		
Capital	94,264	119,205
Operations	212,471	186,723
	306,735	305,928
Less:		
Allowance for uncollectible pledges	7,407	7,488
Unamortized discount to present value	3,449	4,444
Total pledges receivable, net	295,879	293,996
Total notes and pledges receivable, net	369,262	374,437
Less current portion	108,708	98,723
	$ 260,554	$ 275,714

The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance for uncollectible notes only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various health professions loan programs.

Payments on pledges receivable at June 30, 2021 are expected to be received in the following years ended June 30 (in thousands):

2022	$ 92,921
2023	57,687
2024	65,712
2025	32,844
2026	21,050
2027 and after	36,521
	$ 306,735

Permanent endowment pledges do not meet eligibility requirements, as defined by GASB, until the related gift is received. Accordingly, permanent endowment pledges totaling $129,158,000 and $140,439,000 at June 30, 2021 and 2020, respectively, are not recognized as assets in the accompanying financial statements. In addition, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met due to uncertainties with regard to their realizability and valuation.

NOTE 5—CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2021 and 2020 is summarized as follows:

2021

(in thousands)	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 153,218	$ 1,897	$ 4	$ 155,111
Land improvements	163,626	5,671	1,176	168,121
Infrastructure	264,778	96		264,874
Buildings	9,608,386	516,904	55,670	10,069,620
Construction in progress	635,515	(153,610)		481,905
Equipment	2,241,083	91,249	99,717	2,232,615
Library materials	699,201	25,471		724,672
	13,765,807	487,678	156,567	14,096,918
Less accumulated depreciation	7,492,799	566,848	149,792	7,909,855
	$ 6,273,008	$ (79,170)	$ 6,775	$ 6,187,063

2020

(in thousands)	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 153,310		$ 92	$ 153,218
Land improvements	160,301	$ 3,666	341	163,626
Infrastructure	264,757	21		264,778
Buildings	9,412,876	224,134	28,624	9,608,386
Construction in progress	413,207	222,308		635,515
Equipment	2,242,493	143,259	144,669	2,241,083
Library materials	674,491	24,710		699,201
	13,321,435	618,098	173,726	13,765,807
Less accumulated depreciation	7,094,466	566,694	168,361	7,492,799
	$ 6,226,969	$ 51,404	$ 5,365	$ 6,273,008

The decrease in construction in progress of $153,610,000 in 2021 represents the amount of capital expenditures for new projects of $359,238,000 net of assets placed in service of $512,848,000. The increase in construction in progress of $222,308,000 in 2020 represents the amount of capital expenditures for new projects of $501,330,000 net of assets placed in service of $279,022,000.

NOTE 6—LONG-TERM DEBT

Long-term debt at June 30, 2021 and 2020 is summarized as follows:

(in thousands)	2021	2020
Commercial paper:		
Tax-exempt, variable rate (0.11%)*	$ 149,305	$ 133,585
Taxable, variable rate (0.08%)*	4,220	1,720
General revenue bonds:		
Series 2020A, 4.00% to 5.00% through 2050	138,430	138,430
unamortized premium	35,589	37,469
Series 2020B, taxable, 1.004% to 2.562% through 2050	850,025	850,025
Series 2019A, 5.00% through 2036	132,140	140,470
unamortized premium	20,674	23,721
Series 2019B, taxable, 2.706% to 3.416% through 2029	13,765	15,280
Series 2019C, 4.00% through 2049	61,725	61,725
unamortized premium	5,443	5,696
Series 2018A, 4.00% to 5.00% through 2048	130,025	132,640
unamortized premium	15,915	16,941
Series 2017A, 4.00% to 5.00% through 2047	420,990	434,505
unamortized premium	60,910	66,527
Series 2015, 4.00% to 5.00% through 2046	280,950	287,170
unamortized premium	38,791	41,662
Series 2014A, 4.25% to 5.00% through 2044	70,425	72,375
unamortized premium	5,201	5,621
Series 2014B, taxable, 2.922% to 3.516% through 2024	2,945	3,890
Series 2013A, 2.50% to 5.00% through 2029	40,780	42,180
unamortized premium	1,005	1,209
Series 2012A, variable rate (0.02%)* through 2036	50,000	50,000
Series 2012B, variable rate (0.01%)* through 2042	65,000	65,000
Series 2012D-1, variable rate (0.01%)* through 2025 with partial swap to fixed through 2025	48,915	52,870
Series 2012D-2, variable rate (0.02%)* through 2030 with partial swap to fixed through 2026	49,025	53,750
Series 2012E**, variable rate (0.30%)* through 2033	82,020	94,015
Series 2010A, taxable Build America Bonds, 4.926% to 5.593% through 2040	163,110	163,110
Series 2010D, taxable Build America Bonds, 3.606% to 5.333% through 2041	148,205	149,755
Series 2009B, variable rate (0.10%)* through 2039	118,710	118,710
Series 2008A, variable rate (0.01%)* through 2038	57,085	57,085
Series 2008B, variable rate (0.02%)* through 2028 with partial swap to fixed through 2026	52,715	59,035
	3,314,038	3,376,171
Less:		
Commercial paper and current portion of bonds payable	235,875	215,658
Long-term bonds payable subject to remarketing, net	300,542	441,450
	$ 2,777,621	$ 2,719,063

* Denotes variable rate at June 30, 2021

** Denotes variable rate bonds not subject to remarketing

NOTE 6—LONG-TERM DEBT, CONTINUED

Certain variable rate bonds have remarketing features which allow bondholders to put debt back to the University. Accordingly, these variable rate bonds are classified as current unless supported by liquidity agreements, such as lines of credit or standby bond purchase agreements, which can refinance the debt on a long-term basis. The classification of the University's variable rate bonds payable subject to remarketing at June 30, 2021 and 2020 is summarized as follows:

(in thousands)	2021	2020
Variable rate bonds payable subject to remarketing	$ 441,450	$ 456,450
Less:		
Current principal maturities	15,645	15,000
Long-term liquidity agreements:		
Unsecured lines of credit	125,263	
Long-term bonds payable subject to remarketing, net	$ 300,542	$ 441,450

The University's available lines of credit totaled $1,247,085,000 and were entirely unused at both June 30, 2021 and 2020.

In connection with certain issues of variable rate debt, the University has entered into floating-to-fixed interest rate swaps to convert all or a portion of the associated variable rate debt to synthetic fixed rates to protect against the potential of rising interest rates. The fair value, significant terms and other information about the University's interest rate swaps is discussed in Note 7.

Long-term debt activity for the years ended June 30, 2021 and 2020 is summarized as follows:

2021

(in thousands)	Beginning Balance	Additions	Reductions	Ending Balance
Commercial paper	$ 135,305	$ 164,875	$ 146,655	$ 153,525
Bonds	3,240,866		80,353	3,160,513
	$ 3,376,171	$ 164,875	$ 227,008	$ 3,314,038

2020

(in thousands)	Beginning Balance	Additions	Reductions	Ending Balance
Commercial paper	$ 145,240		$ 9,935	$ 135,305
Bonds	2,329,697	$ 1,026,022	114,853	3,240,866
Other	91		91	-
	$ 2,475,028	$ 1,026,022	$ 124,879	$ 3,376,171

The University maintains a combination of variable and fixed rate debt supported by general revenues, with effective interest rates that averaged 2.5 percent and 2.9 percent in 2021 and 2020, respectively, including federal subsidies for interest on taxable Build America Bonds.

The University utilizes commercial paper to provide interim financing for its capital improvement program. The Board of Regents has authorized the issuance of up to $300,000,000 in commercial paper backed by a general revenue pledge. Outstanding commercial paper debt is converted to long-term debt financing, as appropriate, within the normal course of business.

During 2020, the University issued $988,455,000 of General Revenue Bonds with a net original issue premium of $37,567,000, which included $138,430,000 of fixed rate, tax-exempt bonds Series 2020A and $850,025,000 of fixed rate, taxable bonds Series 2020B. Total bond proceeds of $1,026,022,000 were utilized to refund existing bonds of $26,023,000 and provide $149,700,000 for capital projects, $848,063,000 for capital projects, refunding of debt and general purposes, and $2,236,000 for debt issuance costs.

Deferred outflows associated with the University's refunding activity totaled $4,064,000 and $6,078,000 at June 30, 2021 and 2020, respectively, which will be amortized into interest expense over the remaining life of the refunded bonds.

Debt obligations are generally callable by the University and mature at various dates through fiscal 2050. Principal maturities, including interest on debt obligations, based on scheduled bond maturities for the next five years and in subsequent five-year periods are as follows:

(in thousands)	Principal	Interest*	Total
2022	$ 220,430	$ 97,256	$ 317,686
2023	81,010	95,361	176,371
2024	95,170	92,725	187,895
2025	198,705	89,470	288,175
2026	99,510	85,184	184,694
2027-2031	590,455	360,003	950,458
2032-2036	515,230	267,940	783,170
2037-2041	791,295	172,355	963,650
2042-2046	182,325	75,876	258,201
2047-2050	356,380	35,712	392,092
Total payments	3,130,510	$ 1,371,882	$ 4,502,392
Plus unamortized premiums	183,528		
	$ 3,314,038		

* Interest on variable rate debt is estimated based on rates in effect at June 30, 2021; amounts do not reflect federal subsidies to be received for Build America Bonds interest

The University maintains certain unsecured lines of credit and standby bond purchase agreements that, in accordance with GASB requirements, do not qualify to support the noncurrent classification of variable rate bonds payable subject to remarketing. If all of the variable rate bonds subject to remarketing were put back to the University and these existing unsecured lines of credit and standby bond purchase agreements were not extended upon their current expiration dates, the total principal payments due in 2022 would decrease to $204,785,000, total principal payments due in 2023 would increase to $103,775,000, total principal payments due in 2024 would decrease to $67,850,000, total principal payments due in 2025 would increase to $366,408,000 and total principal payments due in 2026 would increase to $283,732,000. Accordingly, principal payments due in subsequent years would be reduced to $521,995,000 in 2027 through 2031, $376,390,000 in 2032 through 2036, $677,945,000 in 2037 through 2041 and $171,250,000 in 2042 through 2046. Principal payments due in 2047 through 2050 would not change. There would not be a material impact on annual interest payments due to the low variable rate of interest on these bonds.

NOTE 7—DERIVATIVE INSTRUMENTS

Derivatives held by the University are recorded at fair value in the statement of net position. For hedging derivative instruments that are effective in significantly reducing an identified financial risk, the corresponding change in fair value is deferred and included in the statement of net position. For all other derivative instruments, changes in fair value are reported as investment income or loss.

NOTE 7—DERIVATIVE INSTRUMENTS, CONTINUED

Derivative instruments held by the University at June 30, 2021 and 2020 are summarized as follows:

2021

(in thousands)	Notional Amount	Fair Value
Investment derivative instruments:		
Investment portfolios:		
Futures	$ 97,399	$ (432)
Foreign currency forwards:		
Euro	193,416	(8,305)
New Zealand dollar	144,792	4,769
Swedish krona	165,644	(4,624)
Canadian dollar	83,602	(4,456)
Japanese yen	240,261	3,250
Australian dollar	140,630	3,241
All other currencies	889,389	10,842
	1,857,734	4,717
Other	25,134	248
	$ 1,980,267	$ 4,533
Floating-to-fixed interest rate swaps on debt	$ 48,815	$ (4,982)
Effective cash flow hedges:		
Floating-to-fixed interest rate swaps on debt	$ 60,760	$ (4,739)

2020

(in thousands)	Notional Amount	Fair Value
Investment derivative instruments:		
Investment portfolios:		
Futures	$ 29,957	$ (6)
Foreign currency forwards:		
Turkish lira	29,798	(8,074)
Brazil real	7,959	5,592
Norwegian krone	73,382	3,050
Indian rupee	30,362	(2,995)
Czech koruna	14,518	2,156
Mexican peso	10,890	(2,035)
All other currencies	542,244	4,431
	709,153	2,125
Other	14,082	(462)
	$ 753,192	$ 1,657
Floating-to-fixed interest rate swaps on debt	$ 52,760	$ (7,201)
Effective cash flow hedges:		
Floating-to-fixed interest rate swaps on debt	$ 71,795	$ (7,187)

The University utilizes bond futures in its investment portfolios to adjust the duration of cash equivalents and fixed income securities, while foreign currency forward contracts are utilized to settle securities and transactions denominated in foreign currencies and manage foreign exchange risk. Other derivative instruments in the University's investment portfolios consist primarily of interest rate swaps, credit default swaps and total return swaps used to carry out investment and portfolio strategies.

In connection with certain issues of variable rate debt, the University has entered into floating-to-fixed interest rate swaps to convert all or a portion of the associated variable rate debt to synthetic fixed rates to protect against the potential of rising interest rates. The fair value of these swaps generally represent the estimated amount that the University would pay to terminate the swap agreements at the statement of net position date, taking into account current interest rates and creditworthiness of the underlying counterparty. The valuation inputs used to determine the fair value of these instruments are considered Level 2, as they rely on observable inputs other than quoted market prices. The notional amount represents the underlying reference of the instrument and does not represent the amount of the University's settlement obligations.

At June 30, 2021 and 2020, the fair value of floating-to-fixed interest rate swaps associated with the University's variable rate debt is ($9,721,000) and ($14,388,000), respectively, and is included in the statement of net position as a component of other liabilities. The deferred outflows associated with the fair value of swaps deemed effective cash flow hedges totaled $3,550,000 and $5,474,000 at June 30, 2021 and 2020, respectively.

The change in fair value of derivative instruments, which includes realized gains and losses on positions closed, for the years ended June 30, 2021 and 2020 is summarized as follows:

(in thousands)	2021	2020
Investment derivative instruments:		
Investment portfolios:		
Futures	$ 25,502	$ 25,144
Foreign currency forwards	13,688	53,557
Other	731	(28,758)
	$ 39,921	$ 49,943
Floating-to-fixed interest rate swaps on debt	$ 2,219	$ 234
Effective cash flow hedges:		
Floating-to-fixed interest rate swaps on debt	$ 2,448	$ (927)

The University's interest rate swaps, along with their associated variable rate debt and significant terms, are summarized below.

The floating-to-fixed interest rate swap associated with the Series 2008B General Revenue Bonds has a notional amount of $36,000,000 and $42,320,000 at June 30, 2021 and 2020, respectively, covering a portion of the principal outstanding and the notional amount decreases as principal on the underlying bonds is repaid. The University makes payments based on a fixed rate of 3.105 percent and receives variable rate payments from the swap counterparty based on 68 percent of the One-Month USD LIBOR, until the swap terminates in April 2026. The University has the option to terminate the swap upon five business days written notice and payment of the fair market compensation for the value of the swap. This swap is considered an effective hedge at June 30, 2021 and 2020 and has a fair value of ($3,017,000) and ($4,560,000), respectively.

The floating-to-fixed interest rate swap associated with the Series 2012D-2 General Revenue Bonds has a notional amount of $24,760,000 and $29,475,000 at June 30, 2021 and 2020, respectively, covering a portion of the principal outstanding and the notional amount decreases as principal on the underlying bonds is repaid. The University makes payments based on a fixed rate of 3.229 percent and receives variable rate payments from the swap counterparty based on 68 percent of the One-Month USD LIBOR, until the swap terminates in December 2025. The University has the option to terminate the swap upon five business days written notice and payment of the fair market compensation for the value of the swap. This swap is considered an effective hedge at June 30, 2021 and 2020 and has a fair value of ($1,722,000) and ($2,627,000), respectively.

NOTE 7—DERIVATIVE INSTRUMENTS, CONTINUED

The first floating-to-fixed interest rate swap associated with the Series 2012D-1 General Revenue Bonds has a notional amount of $44,670,000 at both June 30, 2021 and 2020, covering a portion of the principal outstanding and the notional amount decreases as principal on the underlying bonds is repaid. The University makes payments based on a fixed rate of 4.705 percent and receives variable rate payments from the swap counterparty based on the floating Securities Industry and Financial Markets Association ("SIFMA") Municipal Index through the final maturity dates of the underlying bonds in December 2024. The counterparty has the option of terminating the swaps if for any 180-day period the average variable rate is more than 7.0 percent. During 2020, this swap was determined to be ineffective and was reclassified from an effective cash flow hedge to an investment derivative instrument. This swap has a fair value of ($4,886,000) and ($6,858,000) at June 30, 2021 and 2020, respectively.

The second floating-to-fixed interest rate swap associated with the Series 2012D-1 General Revenue Bonds has a notional amount of $4,145,000 and $8,090,000 at June 30, 2021 and 2020, respectively, covering a portion of the principal outstanding and the notional amount decreases as principal on the underlying bonds is repaid. The University makes payments based on a fixed rate of 4.685 percent and receives variable rate payments based on the floating SIFMA Municipal Index through the final maturity dates of a portion of the underlying bonds in December 2021. The counterparty has the option of terminating the swaps if for any 180-day period the average variable rate is more than 7.0 percent. During 2020, this swap was determined to be ineffective and was reclassified from an effective cash flow hedge to an investment derivative instrument. This swap has a fair value of ($96,000) and ($343,000) at June 30, 2021 and 2020, respectively.

Using rates in effect at June 30, 2021, the projected cash flows for the floating-to-fixed interest rate swaps deemed effective cash flow hedges, along with the debt service requirements of the associated variable rate debt, are summarized as follows:

	Variable Rate Bonds		Swap	Total
(in thousands)	Principal	Interest	Payments, Net	Payments
2022	$ 11,490	$ 19	$ 1,741	$ 13,250
2023	11,925	17	1,362	13,304
2024	12,410	15	971	13,396
2025	12,940	12	559	13,511
2026	12,045	10	157	12,212
2027-2030	40,930	13		40,943
	$ 101,740	$ 86	$ 4,790	$ 106,616

By using derivative financial instruments to hedge exposures to changes in interest rates, the University is exposed to termination risk and basis risk. There is termination risk with floating-to-fixed interest rate swaps as the University or swap counterparty may terminate a swap if the other party fails to perform under the terms of the contract or its credit rating falls below investment grade. Termination risk is the risk that the associated variable rate debt no longer carries a synthetic fixed rate and if at the time of termination a swap has a negative fair value, the University is liable to the counterparty for payment equal to the swap's fair value. The University is also exposed to basis risk as a portion of the variable payments paid to the University by the counterparties are based on a percentage of LIBOR. Basis risk is the risk that changes in the relationship between SIFMA and LIBOR may impact the synthetic fixed rate of the variable rate debt. At June 30, 2021 and 2020, the University is not exposed to credit risk as the swaps have negative fair values.

The University is subject to collateral requirements with its counterparties on certain derivative instrument positions. To meet trading margin requirements for bond futures, the University had cash and U.S. government securities with a fair value of $7,477,000 and $366,000 at June 30, 2021 and 2020, respectively, on deposit with its futures broker as collateral.

NOTE 8—SELF-INSURANCE

The University is self-insured for medical malpractice, workers' compensation, directors' and officers' liability, property damage, auto liability and general liability through Veritas Insurance Corporation. The University is also self-insured for various employee benefits through internally maintained funds.

Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at present value, discounted at a rate of 5 percent.

Changes in the total reported liability for insurance and benefits obligations for the years ended June 30, 2021 and 2020 are summarized as follows:

(in thousands)	**2021**	**2020**
Balance, beginning of year	$ 303,431	$ 231,912
Claims incurred and changes in estimates	948,519	825,721
Claim payments	(812,102)	(754,202)
Balance, end of year	439,848	303,431
Less current portion	269,789	144,827
	$ 170,059	$ 158,604

NOTE 9—PENSION PLAN

Metropolitan Hospital has a noncontributory, single-employer defined benefit pension plan, which covered substantially all employees prior to being frozen at December 31, 2007. The plan generally provides benefits based on each employee's years of service and final average earnings, as defined, and does not provide any automatic or ad-hoc cost of living adjustments. The Metropolitan Hospital Board of Directors has the authority to establish and amend benefit provisions of the plan.

The annual pension expense and net pension liability is actuarially calculated using the entry age normal level percent of pay method. Metropolitan Hospital has elected to measure the net pension liability one year prior to the fiscal year end reporting date and amounts measured at June 30, 2020 and 2019 were determined based on an actuarial valuation at October 1, 2019 and 2018, respectively. There are no significant changes known which would impact the net pension liability between the measurement date and the reporting date, other than typical plan experience.

For purposes of the June 30, 2020 and 2019 measurement dates, the number of plan participants consisted of the following:

	2020	**2019**
Active participants	493	545
Vested terminated participants	810	867
Retirees, beneficiaries and disabled participants	465	405
	1,768	1,817

NOTE 9—PENSION PLAN, CONTINUED

Changes in the reported net pension liability for the years ended June 30, 2021 and 2020 are summarized as follows:

2021			
(in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, beginning of year	$ 75,964	$ 77,211	$ (1,247)
Interest cost	4,687		4,687
Changes in assumptions	(3,540)		(3,540)
Differences between expected and actual plan experience	(1,662)		(1,662)
Benefit payments	(7,714)	(7,714)	-
Contributions from the employer		900	(900)
Net investment income:			
Expected investment earnings		4,797	(4,797)
Differences between expected and actual investment earnings		(1,137)	1,137
Balance, end of year	$ 67,735	$ 74,057	$ (6,322)

2020			
(in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, beginning of year	$ 74,209	$ 77,127	$ (2,918)
Interest cost	4,957		4,957
Changes in assumptions	3,713		3,713
Differences between expected and actual plan experience	(124)		(124)
Benefit payments	(6,791)	(6,791)	-
Contributions from the employer		1,244	(1,244)
Net investment income:			
Expected investment earnings		5,205	(5,205)
Differences between expected and actual investment earnings		426	(426)
Balance, end of year	$ 75,964	$ 77,211	$ (1,247)

The plan fiduciary net position as a percentage of the total pension liability was 109 percent and 102 percent at June 30, 2021 and 2020, respectively.

Significant actuarial assumptions used at the June 30, 2020 and 2019 measurement dates are as follows:

	2020	2019
Discount rate	7.0%	6.5%
Inflation	2.0%	2.0%
Investment rate of return	7.0%	6.5%
Mortality table	Pri-2012, Scale MP-2019	RP-2014 Employee and Healthy Annuitant, Scale MP-2018

Discount rates are based on the expected rate of return on pension plan investments. The projection of cash flows used to determine the single discount rate for each fiscal year end assumed that employer contributions will be made based on the minimum contribution projection under provisions of ERISA and the Pension Protection Act of 2006, including MAP-21, for future years. Based on the stated assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments of 7.0 percent and 6.5 percent at June 30, 2020 and 2019, respectively, was determined using the expected future rates of return for the target asset allocation of the portfolio. The target allocation and best estimate geometric rates of return by asset class are summarized as follows:

	2020		2019	
	Portfolio Allocation	Long-Term Expected Return	Portfolio Allocation	Long-Term Expected Return
U.S. large cap	25.0%	7.9%	25.0%	6.4%
U.S. mid cap	10.5%	8.6%	10.5%	7.2%
U.S. small cap	6.5%	9.1%	6.5%	7.8%
International developed	14.0%	6.2%	14.0%	5.1%
Emerging market	9.0%	5.7%	9.0%	5.2%
STRIPs	7.0%	4.6%	7.0%	4.5%
Corporate 10+ year	28.0%	4.6%	28.0%	4.9%

A one-percentage point change in the discount rate would impact the reported net pension liability at June 30, 2021 and 2020 as follows:

	2021		2020	
(in thousands)	1% Decrease	1% Increase	1% Decrease	1% Increase
Net pension liability	$ 7,463	$ (6,250)	$ 8,757	$ (7,292)

NOTE 9—PENSION PLAN, CONTINUED

The components of pension (income) expense for the years ended June 30, 2021 and 2020 are summarized as follows:

(in thousands)	2021	2020
Interest cost	$ 4,687	$ 4,957
Expected investment earnings	(4,797)	(5,205)
Amortization of deferred outflows and deferred inflows	(1,139)	817
	$ (1,249)	$ 569

Deferred outflows and deferred inflows related to the reported net pension liability at June 30, 2021 and 2020 are summarized as follows:

	2021		2020	
(in thousands)	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Changes in assumptions	$ 526	$ 2,021	$ 2,119	$ 44
Differences between expected and actual plan experience		966	217	70
Differences between expected and actual investment earnings	1,377	988	701	2,069
	1,903	3,975	3,037	2,183
Contributions made after measurement date	891		900	
	$ 2,794	$ 3,975	$ 3,937	$ 2,183

Deferred outflows and deferred inflows related to changes in assumptions and differences between expected and actual experience will be recognized into expense in the following years ended June 30 based upon the average future work life expectancy of plan participants (in thousands):

2022	$ (2,081)
2023	(361)
2024	142
2025	228
	$ (2,072)

The inputs used to determine the fair value of the plan's investments reported at June 30, 2021 and 2020 are summarized as follows:

2021				
(in thousands)	Level 1	Level 2	NAV	Total Fair Value
Equity securities	$ 49,482			$ 49,482
Fixed income securities		$ 24,326		24,326
Nonmarketable alternative investments			$ 249	249
	$ 49,482	$ 24,326	$ 249	$ 74,057

2020				
(in thousands)	Level 1	Level 2	NAV	Total Fair Value
Equity securities	$ 52,917			$ 52,917
Fixed income securities		$ 22,818		22,818
Nonmarketable alternative investments			$ 1,476	1,476
	$ 52,917	$ 22,818	$ 1,476	$ 77,211

NOTE 10—POSTEMPLOYMENT BENEFITS

The University provides retiree health and welfare benefits, primarily medical, prescription drug, dental and life insurance coverage, to eligible retirees and their eligible dependents. Substantially all full-time regular University employees may become eligible for these benefits if they reach retirement age while working for the University. For employees retiring on or after January 1, 1987, contributions toward health and welfare benefits are shared between the University and the retiree and can vary based on date of hire, date of retirement, age and coverage elections.

The University also provides income replacement benefits, retirement savings contributions, and health and life insurance benefits to substantially all regular University employees that are enrolled in a University sponsored long-term disability plan and qualify, based on disability status while working for the University, to receive basic or expanded long-term disability benefits. Contributions toward the expanded long-term disability plan are shared between the University and employees and vary based on years of service, annual base salary and coverage elections. Contributions toward the basic long-term disability plan are paid entirely by the University.

These postemployment benefits are provided through single-employer plans administered by the University. The Executive Vice Presidents of the University have the authority to establish and amend benefit provisions of the plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10—POSTEMPLOYMENT BENEFITS, CONTINUED

Actuarial projections of postemployment benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided and announced future changes at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The University's reported liability for postemployment benefits obligations is calculated using the entry age normal level percent of pay method. The University has elected to measure the total postemployment liability one year prior to the fiscal year end reporting date and amounts measured at June 30, 2020 and 2019 were determined based on an actuarial valuation at January 1, 2020 and 2019, respectively. There are no significant changes known which would impact the total postemployment liability between the measurement date and the reporting date, other than typical plan experience.

For purposes of the June 30, 2020 and 2019 measurement dates, the number of plan participants consisted of the following:

2020

	Retiree Health and Welfare	Long-term Disability
Active employees	44,746	38,181
Retirees receiving benefits	11,125	
Surviving spouses	883	
Participants receiving disability benefits		555
	56,754	38,736

2019

	Retiree Health and Welfare	Long-term Disability
Active employees	43,380	37,042
Retirees receiving benefits	10,785	
Surviving spouses	898	
Participants receiving disability benefits		560
	55,063	37,602

Changes in the reported total liability for postemployment benefits obligations for the years ended June 30, 2021 and 2020 are summarized as follows:

2021

(in thousands)	Retiree Health and Welfare	Long-term Disability	Total
Balance, beginning of year	$ 3,172,947	$ 304,541	$ 3,477,488
Service cost	118,293	33,632	151,925
Interest cost	114,122	11,299	125,421
Changes in assumptions	713,614	17,606	731,220
Differences between expected and actual plan experience	26,070	(7,294)	18,776
Benefit payments	(61,750)	(30,934)	(92,684)
Balance, end of year	4,083,296	328,850	4,412,146
Less current portion	62,869	32,712	95,581
	$ 4,020,427	$ 296,138	$ 4,316,565

2020

(in thousands)	Retiree Health and Welfare	Long-term Disability	Total
Balance, beginning of year	$ 2,815,041	$ 299,014	$ 3,114,055
Service cost	102,097	32,018	134,115
Interest cost	111,804	12,219	124,023
Changes in assumptions	156,047	(1,270)	154,777
Differences between expected and actual plan experience	44,773	(6,543)	38,230
Benefit payments	(56,815)	(30,897)	(87,712)
Balance, end of year	3,172,947	304,541	3,477,488
Less current portion	61,750	30,934	92,684
	$ 3,111,197	$ 273,607	$ 3,384,804

Since a portion of retiree medical services will be provided by the University's health system, the reported liability for postemployment benefits obligations is net of the related margin and fixed costs associated with providing those services which totaled $794,964,000 and $628,624,000 at June 30, 2021 and 2020, respectively.

The University's liability for postemployment benefits obligations is not reduced by the anticipated Medicare Retiree Drug Subsidy for future periods. This subsidy would reduce the total postemployment benefits liability by approximately $443,000,000 and $353,000,000 at June 30, 2021 and 2020, respectively.

Assets used to fund postemployment benefits are not maintained in a separate legal trust. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently pays for postemployment benefits on a pay-as-you-go basis. The University's reported postemployment benefits obligations at June 30, 2021 and 2020 as a percentage of covered payroll of $4,255,709,000 and $4,214,627,000 were 104 percent and 83 percent, respectively.

NOTE 10—POSTEMPLOYMENT BENEFITS, CONTINUED

Significant actuarial assumptions used at the June 30, 2020 and 2019 measurement dates are as follows:

	2020	2019
Discount rate*	2.21%	3.50%
Inflation rate	2.00%	2.00%
Immediate/ultimate administrative trend rate	0.0%/3.0%	0.0%/3.0%
Immediate/ultimate medical trend rate	6.0%/4.5%	6.0%/4.5%
Immediate/ultimate Rx trend rate	7.25%/4.5%	7.5%/4.5%
Increase in compensation rate**	0.0%/0.0%/3.75%	4.00%
Mortality table***	PUB-2010 Teachers Head Count Table, Scale MP-2019	PUB-2010 Teachers Head Count Table, Scale MP-2018
Average future work life expectancy (years):		
Retiree health and welfare	9.04	9.03
Long-term disability	11.46	11.34

* Bond Buyer 20-year General Obligation Municipal Bond Index as of the last publication of the measurement period

** Beginning with the June 30, 2020 measurement date, estimates are provided for faculty, staff and union employees

*** Based on the University's study of mortality experience from 2015-2019

A one-percentage point change in the discount rate and assumed health care cost trend rates would impact the reported total liability for postemployment benefits obligations at June 30, 2021 and 2020 as follows:

2021

(in thousands)	1% Decrease	1% Increase
Discount rate:		
Retiree health and welfare	$ 948,617	$ (726,846)
Long-term disability	$ 12,530	$ (10,140)
Health care cost trend rates:		
Retiree health and welfare	$ (807,936)	$ 1,102,842
Long-term disability	$ (17,191)	$ 17,486

2020

(in thousands)	1% Decrease	1% Increase
Discount rate:		
Retiree health and welfare	$ 692,685	$ (534,811)
Long-term disability	$ 10,615	$ (10,820)
Health care cost trend rates:		
Retiree health and welfare	$ (588,152)	$ 793,519
Long-term disability	$ (10,598)	$ 10,829

The components of postemployment benefits expense for the years ended June 30, 2021 and 2020 are summarized as follows:

2021

(in thousands)	Retiree Health and Welfare	Long-term Disability	Total
Service cost	$ 118,293	$ 33,632	$ 151,925
Interest cost	114,122	11,299	125,421
Amortization of deferred outflows and deferred inflows	82,332	3,346	85,678
	$ 314,747	$ 48,277	$ 363,024

2020

(in thousands)	Retiree Health and Welfare	Long-term Disability	Total
Service cost	$ 102,097	$ 32,018	$ 134,115
Interest cost	111,804	12,219	124,023
Amortization of deferred outflows and deferred inflows	508	2,446	2,954
	$ 214,409	$ 46,683	$ 261,092

Deferred outflows and deferred inflows related to the reported total liability for postemployment benefits obligations at June 30, 2021 and 2020 are summarized as follows:

	2021		2020	
(in thousands)	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Changes in assumptions	$ 905,690	$ 329,105	$ 300,209	$ 384,678
Differences between expected and actual plan experience	111,758	16,253	102,910	10,669
	1,017,448	345,358	403,119	395,347
Benefit payments made after measurement date	95,581		92,684	
	$ 1,113,029	$ 345,358	$ 495,803	$ 395,347

Deferred outflows and deferred inflows related to changes in assumptions and the differences between expected and actual plan experience will be recognized into expense in the following years ended June 30 based upon the average future work life expectancy of plan participants (in thousands):

2022	$ 85,678
2023	85,678
2024	85,678
2025	85,678
2026	73,656
2027 and beyond	255,722
	$ 672,090

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11—RETIREMENT PLAN

The University has a defined contribution retirement plan for all qualified employees through TIAA and Fidelity Management Trust Company ("FMTC") mutual funds. All regular and supplemental instructional and primary staff are eligible to participate in the plan based upon age and service requirements. Participants maintain individual contracts with TIAA, or accounts with FMTC, and are fully vested.

For payroll covered under the plan, eligible employees generally contribute 5 percent of their pay and the University generally contributes 10 percent of employees' pay to the plan. The University contribution commences after an employee has completed one year of employment. Participants may elect to contribute additional amounts to the plans within specified limits that are not matched by University contributions. Contributions and covered payroll under the plan (excluding participants' additional contributions) for the years ended June 30, 2021 and 2020 are summarized as follows:

(in thousands)	2021	2020
University contributions	$ 264,244	$ 324,186
Employee contributions	$ 170,622	$ 169,014
Payroll covered under plan	$ 4,255,709	$ 4,214,627
Total payroll	$ 4,400,615	$ 4,389,523

NOTE 12—NET POSITION

The composition of net position at June 30, 2021 and 2020 is summarized as follows:

(in thousands)	2021	2020
Net investment in capital assets	$ 3,677,053	$ 3,767,199
Restricted:		
Nonexpendable:		
Permanent endowment corpus	2,625,459	2,483,225
Expendable:		
Net appreciation of permanent endowments	3,684,197	2,055,430
Funds functioning as endowment	2,973,422	2,259,664
Restricted for operations and other	924,677	851,709
Unrestricted	5,622,372	3,109,773
	$ 19,507,180	$ 14,527,000

Unrestricted net position is not subject to externally imposed stipulations; however, it is subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Regents. At June 30, 2021 and 2020, substantially all of the unrestricted net position has been designated for various academic programs, research initiatives and capital projects.

NOTE 13—FEDERAL DIRECT LENDING PROGRAM

The University distributed $311,608,000 and $316,410,000 during the years ended June 30, 2021 and 2020, respectively, for student loans through the U.S. Department of Education ("DoED") Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements. The statement of net position includes a receivable of $1,065,000 and $1,604,000 at June 30, 2021 and 2020, respectively, for DoED funding received subsequent to distribution.

NOTE 14—COMMITMENTS AND CONTINGENCIES

Authorized expenditures for construction and other projects unexpended at June 30, 2021 were $1,130,427,000. Of these expenditures, the University expects that $1,033,751,000 will be funded by internal sources, gifts, grants and proceeds from borrowings; $44,225,000 by the State Building Authority and the remaining $52,451,000 will be funded using unexpended bond proceeds.

Under the terms of various limited partnership agreements approved by the Board of Regents or University officers, the University is obligated to make periodic payments for advance commitments to venture capital, private equity, real estate, natural resources and absolute return strategies. At June 30, 2021, the University had committed, but not paid, a total of $4,622,311,000 in funding for these alternative investments. Based on historical capital calls and discussions with those managing the limited partnerships, outstanding commitments for such investments are anticipated to be paid in the following years ended June 30 (in thousands):

2022	$ 1,703,560
2023	1,078,304
2024	594,724
2025	464,645
2026	285,849
2027 and beyond	495,229
	$ 4,622,311

These commitments are generally able to be called prior to an agreed commitment expiration date and therefore may occur earlier or later than estimated.

The University has entered into capital and operating leases for certain space and equipment, which expire at various dates through 2039. Outstanding commitments for these leases are expected to be paid in the following years ended June 30:

(in thousands)	Capital	Operating
2022	$ 8,310	$ 46,027
2023	8,392	40,038
2024	8,280	35,771
2025	8,482	31,992
2026	8,619	21,435
2027-2031	45,572	46,828
2032-2036	38,376	16,984
2037-2039	9,936	
	135,967	$ 239,075
Less amount representing interest	58,076	
Present value of minimum lease payments	$ 77,891	

Operating lease expenses totaled $48,247,000 and $49,215,000 in 2021 and 2020, respectively.

Substantial amounts are received and expended by the University under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, patient care and other programs. The University believes that any liabilities arising from such audits will not have a material effect on its financial position.

The University is a party to various pending legal actions and other claims in the normal course of business, and is of the opinion that the outcome of these proceedings will not have a material adverse effect on its financial position.

NOTE 14—COMMITMENTS AND CONTINGENCIES, CONTINUED

The University has been served with complaints (or waived service) in cases brought by plaintiffs who allege that Robert Anderson, a former University doctor who died in 2008, sexually assaulted them decades ago. The extent of the impact to the University's financial position and results of operations arising from these complaints cannot be fully determined at this time.

The COVID-19 pandemic and related actions taken by federal and state governments in response may materially impact the University's financial position and its results of operations, including those related to instruction, research, patient care and other auxiliary activities. While the University continues to design and execute plans to mitigate these risks, the extent of the impact to the University will depend on future developments beyond its control, including the overall duration and spread of the outbreak, and cannot be fully determined at this time.

Event Subsequent to the Original Issuance of the Financial Statements (Unaudited): On January 18, 2022, the University and attorneys for approximately 1,050 claimants who alleged abuse by the late University doctor Robert Anderson reached a settlement agreement that would resolve those survivors' claims against the University pending documentation and approval by the Board of Regents; the claimants, as recommended by their attorneys; and the federal court overseeing the process. The total amount for the settlement is $490,000,000. Of that total, $460,000,000 will be available to the approximately 1,050 claimants, and $30,000,000 would be reserved for future claimants who choose to participate in the settlement before July 31, 2023.

NOTE 15—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the years ended June 30, 2021 and 2020 are summarized as follows:

2021

(in thousands)	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 1,092,866	$ 82,550			$ 1,175,416
Research	616,727	236,466			853,193
Public service	191,972	95,896			287,868
Academic support	310,667	49,516			360,183
Student services	107,156	24,979			132,135
Institutional support	191,449	165,771			357,220
Operations and maintenance of plant	93,937	177,968			271,905
Auxiliary enterprises	3,532,681	1,781,221			5,313,902
Depreciation			$ 566,848		566,848
Scholarships and fellowships				$ 200,431	200,431
	$ 6,137,455	$ 2,614,367	$ 566,848	$ 200,431	$ 9,519,101

2020

(in thousands)	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 1,074,171	$ 130,602			$ 1,204,773
Research	603,920	258,893			862,813
Public service	137,962	68,472			206,434
Academic support	294,759	65,199			359,958
Student services	106,563	25,959			132,522
Institutional support	209,173	78,203			287,376
Operations and maintenance of plant	91,458	232,618			324,076
Auxiliary enterprises	3,531,907	1,714,668			5,246,575
Depreciation			$ 566,694		566,694
Scholarships and fellowships				$ 173,073	173,073
	$ 6,049,913	$ 2,574,614	$ 566,694	$ 173,073	$ 9,364,294

NOTE 16—UM HEALTH

Condensed financial information for UM Health, a blended component unit, before the elimination of certain intra-University transactions, at and for the years ended June 30, 2021 and 2020 is as follows:

(in thousands)	2021	2020
Condensed Statement of Net Position		
Assets:		
Current assets	$ 126,853	$ 128,493
Noncurrent assets	296,484	265,182
Total assets	423,337	393,675
Deferred outflows	2,589	5,535
Liabilities:		
Current liabilities	87,493	86,184
Noncurrent liabilities	210,574	220,892
Total liabilities	298,067	307,076
Deferred inflows	6,288	4,662
Net position:		
Net investment in capital assets	61,043	31,229
Restricted:		
Nonexpendable	682	682
Expendable	14,853	14,252
Unrestricted	44,993	41,309
Total net position	$ 121,571	$ 87,472
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Operating revenues	$ 508,348	$ 465,138
Operating expenses other than depreciation expense	459,556	439,535
Depreciation expense	22,459	21,195
Operating income	26,333	4,408
Nonoperating (expenses) revenues, net	(2,855)	9,144
Other expenses, net	(2,379)	(4,572)
Net revenues before transfers	21,099	8,980
Transfers from other University units	13,000	
Increase in net position	34,099	8,980
Net position, beginning of year	87,472	78,492
Net position, end of year	$ 121,571	$ 87,472
Condensed Statement of Cash Flows		
Net cash provided by operating activities	$ 37,892	$ 71,492
Net cash provided by noncapital financing activities	2,463	36,339
Net cash used in capital and related financing activities	(56,575)	(44,128)
Net cash provided by (used in) investing activities	4,939	(1,220)
Net (decrease) increase in cash and cash equivalents	(11,281)	62,483
Cash and cash equivalents, beginning of year	68,660	6,177
Cash and cash equivalents, end of year	$ 57,379	$ 68,660