EMORY UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

AUGUST 31, 2021 AND 2020

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditor's Report

The Board of Trustees
Emory University:

We have audited the accompanying consolidated financial statements of Emory University and its subsidiaries, which comprise the consolidated statements of financial position as of August 31, 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 Emory University and its subsidiaries as of August 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Atlanta, Georgia
December 20, 2021

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2021 AND 2020 (Dollars in thousands)

	August 31, 2021		August 31, 2020	
ASSETS:				
Cash and cash equivalents	$	1,265,377	$	1,368,050
Patient accounts receivable, net		607,687		555,349
Student accounts receivable, net		18,616		81,136
Loans receivable, net		18,441		20,783
Contributions receivable, net		180,994		160,429
Other receivables, net		244,847		249,025
Prepaid expenses, deferred charges, and other assets		446,291		446,925
Investments		11,630,104		8,778,088
Interests in perpetual funds held by others		1,848,427		1,670,377
Operating lease right-of-use assets		182,372		212,499
Property and equipment, net		4,015,749		3,629,700
Total assets	**$**	**20,458,905**	**$**	**17,172,361**
LIABILITIES AND NET ASSETS:				
Accounts payable and accrued liabilities	$	1,001,352	$	799,140
CARES Act accrued liabilities		345,829		575,762
Deferred revenue		393,435		326,377
Interest payable		40,843		28,735
Liability for derivative instruments		211,164		270,976
Bonds and notes payable		2,526,137		2,562,915
Accrued liabilities for benefit obligations and professional liabilities		693,038		730,455
Operating lease liabilities		186,260		214,354
Finance lease liabilities		17,624		17,846
Funds held in trust for others		1,239,045		911,138
Annuities payable		15,843		14,677
Government advances for federal loan programs		16,719		19,494
Asset retirement obligations		85,833		82,615
Total liabilities		**6,773,122**		**6,554,484**
Net assets without donor restrictions, controlled by Emory		5,495,749		4,355,032
Net assets without donor restrictions related to noncontrolling interests		139,764		104,470
Total net assets without donor restrictions		5,635,513		4,459,502
Net assets with donor restrictions		8,050,270		6,158,375
Total net assets		**13,685,783**		**10,617,877**
TOTAL LIABILITIES AND NET ASSETS	**$**	**20,458,905**	**$**	**17,172,361**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED AUGUST 31, 2021 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020) (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2021	Total August 31, 2020
OPERATING REVENUE				
Tuition and fees, net of scholarship allowance	$ 416,618	-	$ 416,618	$ 455,077
Sales and services of auxiliary enterprises, net of scholarship allowance	37,715	-	37,715	62,364
Endowment spending distribution	206,255	-	206,255	204,034
Distribution from perpetual funds	40,418	-	40,418	38,797
Other investment income designated for current operations	58,316	-	58,316	59,934
Gifts and contributions for current use	57,704	40,615	98,319	112,473
Grants and contracts	590,964	-	590,964	513,925
Indirect cost recoveries	171,885	-	171,885	153,399
Net patient service revenue	4,803,785	-	4,803,785	4,191,037
Medical services	325,027	-	325,027	254,180
Independent operations	12,519	-	12,519	13,001
Other revenue	613,913	-	613,913	379,438
Net assets released from restrictions	41,581	(18,153)	23,428	14,797
Total operating revenue	**7,376,700**	**22,462**	**7,399,162**	**6,452,456**
OPERATING EXPENSES				
Salaries	3,601,666	-	3,601,666	3,367,132
Fringe benefits	799,598	-	799,598	714,223
Student financial aid	28,678	-	28,678	27,302
Other operating expenses	2,347,090	-	2,347,090	2,100,859
Interest on indebtedness	74,959	-	74,959	72,764
Depreciation and amortization	315,406	-	315,406	303,345
Total operating expenses	**7,167,397**	**-**	**7,167,397**	**6,585,625**
NET OPERATING ACTIVITIES	**209,303**	**22,462**	**231,765**	**(133,169)**
NONOPERATING ACTIVITIES, NET				
Investment return in excess of spending distribution for current operations	853,975	1,424,990	2,278,965	637,866
Change in undistributed income from perpetual funds held by others	-	250,749	250,749	(37,422)
Gifts and contributions for capital and long-term investment	12,786	203,741	216,527	77,316
Other losses	(4,359)	-	(4,359)	(4,042)
Gain on defeasance of debt	-	-	-	4,386
Change in fair value of derivative instruments	59,812	-	59,812	(32,864)
Net periodic benefit cost other than service cost	(669)	-	(669)	(7,720)
Changes in pension and other postretirement obligations	65,336	-	65,336	17,715
Other nonoperating items, net	(18,546)	11,754	(6,792)	(3,416)
Net assets released from restrictions	(1,627)	(21,801)	(23,428)	(14,797)
Total nonoperating activities, net	**966,708**	**1,869,433**	**2,836,141**	**637,022**
CHANGE IN NET ASSETS	**1,176,011**	**1,891,895**	**3,067,906**	**503,853**
Less change in net assets related to noncontrolling interests	35,294	-	35,294	(2,910)
CHANGE IN NET ASSETS CONTROLLED BY EMORY	**$ 1,140,717**	**1,891,895**	**$ 3,032,612**	**$ 506,763**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2020 (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2020
OPERATING REVENUE			
Tuition and fees, net of scholarship allowance	$ 455,077	-	$ 455,077
Sales and services of auxiliary enterprises, net of scholarship allowance	62,364	-	62,364
Endowment spending distribution	204,034	-	204,034
Distribution from perpetual funds	38,797	-	38,797
Other investment income designated for current operations	59,931	3	59,934
Gifts and contributions for current use	64,853	47,620	112,473
Grants and contracts	513,925	-	513,925
Indirect cost recoveries	153,399	-	153,399
Net patient service revenue	4,191,037	-	4,191,037
Medical services	254,180	-	254,180
Independent operations	13,001	-	13,001
Other revenue	379,438	-	379,438
Net assets released from restrictions	48,166	(33,369)	14,797
Total operating revenue	**6,438,202**	**14,254**	**6,452,456**
OPERATING EXPENSES			
Salaries	3,367,132	-	3,367,132
Fringe benefits	714,223	-	714,223
Student financial aid	27,302	-	27,302
Other operating expenses	2,100,859	-	2,100,859
Interest on indebtedness	72,764	-	72,764
Depreciation and amortization	303,345	-	303,345
Total operating expenses	**6,585,625**	**-**	**6,585,625**
NET OPERATING ACTIVITIES	**(147,423)**	**14,254**	**(133,169)**
NONOPERATING ACTIVITIES, NET			
Investment return in excess of spending distribution for current operations	305,197	332,669	637,866
Change in undistributed income from perpetual funds held by others	-	(37,422)	(37,422)
Gifts and contributions for capital and long-term investment	22,146	55,170	77,316
Other losses	(4,042)	-	(4,042)
Gain on defeasance of debt	4,386	-	4,386
Change in fair value of derivative instruments	(32,864)	-	(32,864)
Net periodic benefit cost other than service cost	(7,720)	-	(7,720)
Changes in pension and other postretirement obligations	17,715	-	17,715
Other nonoperating items, net	(2,176)	(1,240)	(3,416)
Net assets released from restrictions	5,000	(19,797)	(14,797)
Total nonoperating activities, net	**307,642**	**329,380**	**637,022**
CHANGE IN NET ASSETS	**160,219**	**343,634**	**503,853**
Less change in net assets related to noncontrolling interests	(2,910)	-	(2,910)
CHANGE IN NET ASSETS CONTROLLED BY EMORY	**$ 163,129**	**343,634**	**$ 506,763**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2021 AND 2020 (Dollars in thousands)

	August 31, 2021	August 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,067,906	$ 503,853
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions and pledge payments restricted for long-term investment and capital projects	(185,734)	(74,923)
Contributions of donated securities	(29,418)	-
Proceeds from sale of donated securities	24,664	-
Net realized and unrealized gains on investments	(2,901,679)	(970,091)
Loss on disposal of property and equipment	4,406	4,095
(Gain) loss on interests in perpetual funds held by others	(250,749)	37,422
Gain on defeasance of debt	-	(4,386)
Depreciation and amortization	311,480	298,987
Amortization of bond premiums and issuance costs	(19,953)	(5,591)
Amortization of right-of-use assets	41,749	46,033
Change in pension and other postretirement	(64,667)	(9,995)
Change in fair value of derivative instruments	(59,812)	32,864
Change in operating assets:		
Accounts and other receivables, net	14,360	(167,428)
Contributions receivable for operations	(39,232)	9,181
Prepaid expenses, deferred charges, and other assets	(53,957)	(69,413)
Change in operating liabilities:		
Accounts payable, accrued liabilities, and interest payable	186,854	68,343
CARES Act accrued liabilities	(229,933)	575,762
Asset retirement obligations	3,218	3,519
Accrued liabilities for benefit obligations and professional liabilities	27,250	88,326
Lease liabilities, net	(36,467)	(38,707)
Deferred revenue	67,058	(14,069)
Net cash (used in) provided by operating activities	**(122,656)**	**313,782**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements for loans to students	(1,903)	(2,899)
Repayment of loans from students	4,245	4,076
Proceeds from sales and maturities of investments	3,142,187	7,327,933
Purchases of investments	(3,074,681)	(6,857,730)
Purchases of property, plant, and equipment	(676,349)	(417,158)
Increase in funds held in trust for others	327,907	84,475
Net cash (used in) provided by investing activities	**$ (278,594)**	**$ 138,697**

(Continued)

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2021 AND 2020 (Dollars in thousands)

	August 31, 2021	August 31, 2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and pledge payments restricted for long-term investment and capital projects	$ 277,100	$ 148,882
Proceeds from sale of donated securities restricted for long-term investment and capital projects	4,754	-
Proceeds from bonds payable	-	1,535,171
Principal repayments of bonds payable	(16,769)	(938,336)
Payments on finance lease obligations	(1,591)	(4,087)
Change in annuities payable	1,166	(610)
Debt issuance costs	(56)	(4,003)
Change in government advances for federal loan programs	(2,775)	2,856
Borrowings on line of credit	-	275,000
Repayments on line of credit	-	(275,000)
Net cash provided by financing activities	**261,829**	**739,873**
Net change in cash, cash equivalents, and restricted cash	(139,421)	1,192,352
Cash, cash equivalents, and restricted cash at beginning of year	1,467,313	274,961
Cash, cash equivalents, and restricted cash at end of year (Note 2a)	**$ 1,327,892**	**$ 1,467,313**
Supplemental disclosures:		
Cash paid for interest	$ 93,715	$ 67,868
Accrued liabilities for property, plant, and equipment purchases	40,225	12,759

See accompanying notes to consolidated financial statements.

(1) Organization

Emory University (the University or Emory) is a private, coeducational, not-for-profit institution, located in Atlanta, Georgia. Founded in 1836, Emory owns and operates educational, research, and healthcare facilities to support its mission. Emory provides educational services to approximately 8,200 undergraduate students and 7,700 graduate and professional students within its nine schools and colleges. Included within the University is the Emory Healthcare System (Emory Healthcare), Emory Medical Care Foundation, and Emory Innovations, LLC.

Emory Healthcare consists of Emory Healthcare, Inc. (EHC) and its controlled operating companies, including Emory University Hospital Midtown (EUHM), Emory University Hospital (EUH), Emory Saint Joseph's Hospital (ESJH), EHCA Johns Creek Hospital, LLC (EJCH), Emory Rehabilitation Hospital (ERH), DeKalb Medical Center, Inc. (DMC), Decatur Health Resources, Inc. (DHR), DeKalb Medical Center Foundation (DMCF), The Emory Clinic, Inc. (TEC), Emory Specialty Associates, LLC (ESA), Emory Specialty Associates – Joint Operating Company (ESA-JOC), Wesley Woods Center of Emory University, Inc. (WWC), and Clifton Casualty Insurance Company, Ltd. (CCIC). EUH, EUHM, EJCH, ESJH, ERH, DMC, and DHR are sometimes referred to herein, collectively, as "the Hospitals."

The consolidated financial statements include the University and all other entities in which Emory has significant financial interest and control. All significant interentity accounts and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The following significant accounting policies are used in the preparation of the accompanying consolidated financial statements:

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP).

Net assets and revenue, gains, and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations that will or may be met either by actions of the University and/or the passage of time. These net assets include donor-restricted endowments, unconditional pledges, split-interest agreements, and interests in perpetual trusts held by others. Generally, the donors of these assets permit the University to use all, or part, of the income earned and net appreciation on related investments for general or specific purposes.

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law. Expirations of 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 shown as reclassifications among the applicable classes of net assets.

The University considers the following items to be nonoperating activities: gifts and contributions for capital and long-term investment and the related net assets released from restrictions, investment return in excess of spending distribution for current operations, change in fair value of derivative instruments, pension- and postretirement-related changes and net periodic benefit cost other than service cost, and other activities, net.

(a) Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents consist primarily of bank balances and short-term money market mutual funds and treasury bills with original maturities generally 90 days or less that are not invested as part of the long-term investments. These amounts are carried at cost, which approximates fair value. Cash and cash equivalents that are part of the long-term pool are shown within investments as those funds generally are not used for daily operating purposes. Restricted cash consists of cash on hand that is restricted for a specific purpose under various capital financing arrangements or cash held for others and, therefore, not available to Emory for immediate or general business use. Restricted cash appears separately from the cash and cash equivalents on the University's consolidated statements of financial position.

The following table is a reconciliation of cash, cash equivalents, and restricted cash reported within the accompanying consolidated statements of financial position to the amounts shown in the accompanying consolidated statements of cash flows as of August 31 (in thousands):

		2021		2020
Cash and cash equivalents	$	1,265,377	$	1,368,050
Restricted cash included in investments		31,205		13,362
Restricted cash included in prepaid expenses, deferred charges, and other assets		31,310		85,901
Total cash, cash equivalents, and restricted cash	**$**	**1,327,892**	**$**	**1,467,313**

Fiscal year 2021 cash, cash equivalents, and restricted cash decreased primarily as a result of moving funds to long-term investments.

(b) Contributions Receivable, Net

Contributions to be received after one year, net of an allowance for uncollectible amounts, are discounted to their present value at credit-adjusted rates. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based on management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors.

(c) Loans Receivable, Net

Emory-funded loans to students are carried at estimated net realizable value. Loans receivable from students under certain government loan programs, carried at cost, can only be assigned to the federal government or its designees. In addition to federal direct loans (which are not reported in the consolidated financial statements), loans to qualified students are funded principally with government advances to Emory under the Perkins, Nursing, and Health Professions Student Loan Programs.

(d) Other Receivables, Net

Other receivables are recorded at net realizable value and include receivables under grants and contracts, medical services provided to other organizations, and losses recoverable from reinsurers.

(e) Investments

Investments are reported at fair value. Investments in securities and listed funds are valued using quoted prices in active markets if available; otherwise, if the market is inactive, fair value is determined by the University in accordance with its valuation policy.

Investments in alternative investment fund structures are valued using the net asset value (NAV) per share of the investment (or its equivalent), as a practical expedient, if (a) the underlying investment manager's calculation of NAV is fair value based and (b) the University does not currently have plans to sell the investment for an amount different from NAV. Valuations provided by the general partners and investment managers are evaluated by the Emory Investment Management Office and are believed to present reasonable estimates of fair value at August 31, 2021 and 2020.

Investments are exposed to several risks, which may include (but are not limited to) interest rate, liquidity, currency, market, and credit risks. The University attempts to manage these risks through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions, though it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the University's consolidated financial statements.

Investment transactions are accounted for on the trade-date basis. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis. Investment return, including realized and unrealized gains and losses, is recognized when earned and reported in the consolidated statements of activities net of external and direct internal investment expenses. Investment return, if restricted, is reported in the consolidated statements of activities as increases or decreases in net assets with donor restrictions until amounts have been appropriated and the donor-imposed or statutory time restrictions have been satisfied.

(f) Fair Value Measurements

Fair value measurements reflected in the consolidated financial statements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources and a lower priority to unobservable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured and reported at fair value are classified and disclosed within one of the following categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets as of the reporting date; valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations are determined through direct or indirect observations other than quoted market prices. The types of investments in Level 2 include certain positions in which the University is a unit of account holder within a fund or account that holds underlying assets that are traded in active exchange markets with readily available pricing.

Level 3 – Valuations for assets and liabilities that are unobservable and derived from other valuation methodologies, including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions; Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

(g) Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in the trusts are included in investments. Contribution revenue is recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits.

(h) Interests in Perpetual Funds Held by Others

The University is also the beneficiary of certain perpetual funds held and administered by others. The value of the funds' net assets (or Emory's share when there are other beneficiaries) is considered a reasonable estimate of the present value of the estimated future cash flows from these funds and is recognized in beneficial interest in perpetual funds and as contribution revenue at the date such funds are established. The largest fund of this type primarily holds shares of common stock of The Coca-Cola Company. The carrying value of Emory's interest in such perpetual funds is adjusted annually for changes in fair value.

(i) Property and Equipment, Net

Land, buildings, and equipment are recorded at cost at the date of acquisition or fair value at the date of gift to the University. Depreciation expense is based on the straight-line method over the estimated useful lives of the assets. Useful lives are as follows: buildings – 10 to 60 years, land improvements and infrastructure – 5 to 40 years, movable equipment – 3 to 20 years, fixed equipment – 3 to 30 years, software and enterprise systems – 3 to 10 years, leasehold improvements – term of the lease, and library books – 10 years. Certain assets totaling $119.2 million and $114.9 million, such as art, museum assets, and rare books, are included in property and equipment, net as of August 31, 2021 and 2020, respectively, but are not depreciated.

Property and equipment are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. There were no asset impairments for fiscal years 2021 or 2020.

(j) Net Tuition and Fees

Tuition and fees revenue is derived from degree programs and continuing education programs. Most undergraduate students receive institutional financial aid based upon academic promise and demonstrated financial need. Graduate students often receive tuition support in connection with research assistant, teaching assistant, and fellowship appointments. Student financial aid provided by the University for tuition and fees is reflected as a reduction of tuition and fees revenue from published rates.

(k) Health Insurance Plan

The University is self-insured for employee and student health insurance costs, with losses insured in excess of a maximum amount on both a per claim and annual aggregate claim amount. The self-insurance liability is based on claims filed and an estimate of claims incurred but not yet reported. Self-insurance claims are reported as net of insurance premiums collected from employees and students.

(l) Gifts and Contributions Revenue

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give, with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows, net of an allowance for uncollectible pledges. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Donor-restricted contributions are reported as revenue with donor restrictions, which increases this net asset class. If the donor stipulation is met in the year of the gift, the contribution is reflected in net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period when the asset is placed in service. Conditional promises to give are not recognized until they become unconditional; that is, when the barriers on which they depend are met.

(m) Grants and Contracts Revenue and Indirect Cost Recoveries

Funding from the federal government, corporations, or private foundations (sponsors) is recorded as grants and contracts revenue when it is for a specified activity with a defined budget, period of performance, and scope of work undertaken by the University. The agreement with the sponsor may take the form of a contract, grant, or cooperative agreement and is generally in direct support of the University's mission. Revenue is recognized when services are rendered, milestones are met, or qualifying expenses are incurred as specified in the terms and conditions of the agreements, not necessarily when payments are received. Unearned revenue results when cash is received from sponsors in advance of revenue being earned. Unearned revenue is recorded as a liability (deferred revenue) until it is earned. Amounts recorded in grants and contracts receivable are for services rendered or expenditures incurred in advance of the receipt of funds.

Indirect cost recoveries are based on negotiated rates with grantor agencies and represent recoveries of facilities and administrative costs incurred under grant and contract agreements.

(n) Patient Accounts Receivable and Concentrations

Patient accounts receivable are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Emory Healthcare analyzes contractually due amounts and provides an allowance for implicit price concessions. Accounts receivable are written off after collection efforts have been undertaken in accordance with Emory's policies.

The mix of net receivables from patients and third-party payors for the years ended August 31 is as follows:

	2021	2020
Managed care and other third-party payors	58%	55%
Medicare	31	31
Medicaid	4	8
Patients	7	6
	100%	**100%**

(o) Sales and Services of Auxiliary Enterprises and Independent Operations

An auxiliary enterprise is a nonacademic entity that exists predominantly to furnish goods and services to students, faculty, and staff. Auxiliary enterprises include residential halls, a bookstore, and parking operations. Fee charges are directly related to the costs of services provided.

Sales and services of auxiliary enterprises, net of scholarship allowance has been significantly impacted by COVID-19. In response to the pandemic and the national emergency declared in March 2020, the University closed its residential buildings for the remainder of the spring 2020 semester and issued refunds to its students for the unearned portion of housing and parking fees. Auxiliary enterprises experienced further decline in revenue, primarily due to residential building closures for fall of 2020, and the reduced number of students for the spring 2021 semester when the University's campuses opened.

Independent operations are activities that are solely owned and/or controlled by the University but are unrelated or independent of its mission. Independent operations include an externally managed conference center, hotel, and a fitness center. Fee charges are based on market rates for the services provided.

(p) Leases

The University determines whether an arrangement is a lease (operating or finance) at inception by evaluating whether the contract conveys the right to use an identified asset and whether Emory obtains substantially all of the economic benefits from and has the right to control the asset. Right-of-use (ROU) assets represent 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 ROU assets and liabilities are recognized at the lease commencement date based on present value of the lease payments over the lease term discounted using the interest rate implicit in the lease agreement or Emory's relevant incremental borrowing rate. The University's current discount rates range from 0.3% to 4.5% depending on the term of the arrangement.

(q) Income Taxes

The University is recognized as a tax-exempt organization as defined in Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the Code), and is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University is, however, subject to federal and state income tax on unrelated business income.

The Tax Cuts and Job Acts (the Act) imposes an excise tax on net investment income and excess compensation for certain organizations and established rules for calculating unrelated business income. Based on reasonable estimates under the current regulatory guidance on the Act, Emory has recognized current and deferred tax liabilities aggregating $34.6 million as of August 31, 2021 and $4.5 million as of August 31, 2020. The University also has a net operating loss carryforward related to unrelated business income aggregating $133.7 million, for which a valuation allowance is recorded as of August 31, 2021.

The University regularly evaluates its tax positions and as of August 31, 2021 and 2020, there were no material uncertain tax positions.

(r) Derivative Instruments

Certain investment strategies used by the University and its investment managers incorporate various derivative financial instruments in order to reduce volatility, manage market risk, and enhance investment returns. Such instruments are reflected at fair value and included in investments. Changes in the fair value of investment-related derivative instruments are included in investment return in excess of spending distribution for current operations on the consolidated statements of activities. The University also utilizes interest swap agreements to hedge interest rate market exposure of variable rate debt. The difference between amounts paid and received under such agreements is reported in interest expense. Changes in the fair value of these swap agreements are recognized as nonoperating activities in the consolidated statements of activities.

(s) Pension and Postretirement Benefit Plans

The University recognizes the funded status of its defined-benefit pension and postretirement benefit plans as an asset or liability and recognizes changes in funded status during the year in which the changes occur as changes in net assets without donor restrictions.

(t) COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has resulted in financial loss, stress, and hardship for many.

In 2020 and 2021, the Coronavirus Aid, Relief and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP), (collectively, the Acts) were enacted and signed into law to provide emergency grants to help individuals and businesses affected by the pandemic. Under the provisions of the CARES Act, Emory Healthcare received approximately $219.1 million in provider relief funds (PRF) from the Department of Health and Human Services (HHS) for both general and targeted distributions. Such funding was accounted for as a conditional contribution and recorded as refundable advances in CARES Act accrued liabilities in the consolidated statement of financial position as of August 31, 2020. According to HHS guidance released during fiscal year 2021, Emory Healthcare determined that the underlying conditions of the grant had been met and recognized the $219.1 million as other revenue in the accompanying consolidated statement of activities for the year ended August 31, 2021.

During fiscal year 2020, Emory Healthcare also received approximately $285.2 million in advance payments, that must be repaid, through the Centers for Medicare & Medicaid Services (CMS) COVID-19 Accelerated and Advance Payments (CAAP) Program to provide necessary funds when there is a disruption in claims submissions and processing or in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. Repayment of outstanding CAAP amounts began in April 2021 and will occur monthly over a 29-month period to end in August 2023. As of August 31, 2021, CMS had recouped approximately $64.0 million of advanced payments received by Emory Healthcare. As such, approximately $221.2 million and $285.2 million, respectively, is reflected in CARES Act accrued liabilities in the accompanying 2021 and 2020 consolidated statements of financial position.

Through August 31, 2021, the Department of Education awarded $39.5 million in Higher Education Emergency Relief Funds (HEERF) to the University under the Acts, of which $33.9 million was approved for payment to Emory and $21.5 million was received as of August 31, 2021. The University distributed $9.8 million to students and allocated $11.7 million to qualifying COVID-related expenses in fiscal year 2021. Emory recognized Grants and contracts revenue of $11.6 million related to these expenditures, while $9.9 million was included in CARES Act accrued liabilities in the accompanying 2021 consolidated statement of financial position.

The CARES Act allows employers to defer deposits and payments of the employer's share of Social Security taxes incurred between March 27, 2020 and December 31, 2020. As of August 31, 2021 and 2020, Emory has deferred payments of $114.7 million and $67.4 million, respectively, of employer taxes that are included in CARES Act accrued liabilities in the accompanying consolidated statements of financial position. Fifty percent of the deferred payments must be paid by December 31, 2021, with the remainder by December 31, 2022.

(u) New Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement: Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. ASU No. 2018-13 eliminates, modifies, and adds certain disclosures on fair value measurements. ASU No. 2018-13 is effective for fiscal periods beginning after December 15, 2019. The University has adopted the ASU for the year ended August 31, 2021. The impact of adopting the new guidance was not significant to the University's consolidated financial statements.

(v) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the University's consolidated financial statements subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, the determination of the allowances for price concessions for medical services, reserves for employee and student healthcare and workers' compensation claims, accrued professional and general liability costs, estimated third-party settlements, and actuarially determined benefit liabilities.

(w) Conflict of Interest Policies

University trustees, directors, principal officers, and key employees may periodically be directly or indirectly associated with companies doing business with the University. The University requires annual disclosure of significant financial interests in, or employment or board service with, entities doing business with the University. The annual disclosures cover these key officials and their immediate family members.

When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict. The written conflict of interest policy for the University requires, among other things, that no member of a governing board may participate in any decision in which he or she (or an immediate family member) has a material financial interest.

(x) Investments in Joint Ventures

Emory accounts for its investments in joint ventures over which it has significant influence but not a controlling interest, using the equity method. Investments in joint ventures are generally included in investments in the accompanying consolidated statements of financial position. Regarding investments in which Emory has guaranteed obligations of a joint venture or is otherwise committed to provide further financial support for the joint venture for additional losses in excess of Emory's contributed capital, estimated obligations to the related unconsolidated joint venture are included in accounts payable and accrued liabilities in the accompanying consolidated statements of financial position.

(3) Contributions Receivable

Contributions receivable as of August 31 consist of the following (in thousands):

		2021		2020
UNCONDITIONAL PROMISES EXPECTED TO BE COLLECTED IN:				
Less than one year	$	76,980	$	122,430
One year to five years		118,402		42,804
Over five years		1,229		4,787
Gross contributions receivable		196,611		170,021
Less:				
Allowance for uncollectible amounts		(10,243)		(4,861)
Discount to present value		(5,374)		(4,731)
Contributions receivable, net	**$**	**180,994**	**$**	**160,429**

At August 31, 2021 and 2020, the five largest outstanding donor pledge balances represented 71% and 74%, respectively, of Emory's gross contribution receivables. Contribution receivables are discounted at rates ranging from 3.5% to 4.3%.

As of August 31, 2021, the University had received bequest intentions and conditional promises of approximately $53.6 million. These intentions to give are not recognized as assets or revenue and, if received, will generally be restricted for purposes stipulated by the donor.

(4) Revenue from Contracts with Students and Sponsors

(a) Contracts

The University recognizes revenue, when its customers obtain control of promised goods or services, in an amount that reflects the consideration that the University expects to receive in exchange for those goods or services.

(b) Contract Balances

Accounts receivable are recorded only when the University's right to consideration is unconditional (i.e., the contract is noncancelable – generally after the expiration of a student withdrawal period).

Deferred revenue relates to payments received in advance of performance under contracts with customers. Emory invoices customers (i.e., students) for education and residential services and customers transfer consideration before the University has transferred promised goods or services to its customers. At each reporting date, Emory records all prepayment amounts associated with educational services that have not yet been delivered as deferred revenue.

The University records accounts receivable and related contract liabilities for noncancelable contracts with customers when there is a right to consideration.

(c) Significant Judgments

Emory applies the portfolio approach to educational and residential services (room and board) and to patient services due to the large volume of similar contracts and similar customer classes.

Emory considers education and residential service as separate and distinct performance obligations. Since students receive instruction and housing concurrently during the academic term, they simultaneously receive and use all the benefits that Emory provides in the performance of the contracts. Therefore, the performance obligations associated with academic programs are satisfied over time and revenue recognized as the related services are performed.

Tuition and fees are recognized in the fiscal year in which the academic programs and residential services are provided. Revenue is reflected in the consolidated statements of activities for the portion that is completed by the end of the fiscal year. The remaining performance obligation that will be completed in the following fiscal year remains a liability on the consolidated statements of financial position.

Emory provides institutionally funded grants and scholarships to students, who either demonstrate financial need or qualify academically, as a form of price reduction up to and equal to amounts owed by students to the University. Institutional resources provided in excess of amounts owed by the students to Emory are recorded as scholarship expenses. Students receive Title IV financial aid, state funds, and employer reimbursements. Emory accounts for the payment as a third-party payment on behalf of an identified customer to an existing exchange transaction, and therefore, the grant or loan amount does not reduce the transaction price.

Auxiliary enterprises revenue includes revenue from residential services, parking operations, bookstore, conference services, and other miscellaneous activities. Within auxiliary enterprises, Emory considers parking service agreements to be distinct performance obligations that are billed to students in advance and payments due prior to the start of each academic term. Prepayments are reflected on the consolidated statements of financial position as deferred revenue and recognized as revenue ratably over the period during which the parking services are rendered. Sales of goods within auxiliary enterprises generally occur as a point of sale transaction, and the revenue is recognized as the sale occurs. Any discounts are factored into the selling price at the point of sale.

Emory considers revenue from clinical trial agreements to be exchange transactions where revenue is recognized as services are performed, billed, and the University has contractual right to consideration. Revenue related to clinical trial agreements included in grants and contracts revenue in the consolidated statements of activities for the years ended August 31, 2021 and 2020 totaled $57.5 million and $54.6 million, respectively.

The University recognizes revenue from nonrefundable, up-front fees allocated to a license at a point in time when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For agreements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the University recognizes revenue when the related sales occur.

The University has contractual agreements with Grady Memorial Hospital where practicing interns and medical residents of the Emory School of Medicine receive clinical training and faculty provide teaching, medical care, and hospitalization services. The School of Medicine is reimbursed for expenses incurred for interns and medical residents based on the costs for labor and reimbursed for the faculty teaching, administrative, and clinical services based on the number of interns and residents trained and time spent performing clinical and administrative services. Medical services revenue is recognized as services are performed and the customer receives and uses the benefits of the services.

The University also has affiliation and administrative services agreements with Children's Healthcare of Atlanta and the Emory + Children's Pediatric Institute, where it provides various administrative services. Revenue is recorded as other revenue in the consolidated statements of activities as the University satisfies the performance obligation over time. The customer simultaneously receives and consumes the benefits as the University performs.

(d) Disaggregation of Student Revenue

The following table provides the components of tuition and fees and student-related auxiliary enterprises revenue for the year ended August 31, 2021 (in thousands):

		Tuition and Fees	Auxiliary Enterprises	Total
Undergraduate programs	$	407,437	17,730	425,167
Graduate and professional programs		327,774	340	328,114
Total at published rates		**735,211**	**18,070**	**753,281**
Less institutional aid for undergraduate programs		(158,755)	(3,984)	(162,739)
Less institutional aid for graduate and professional programs		(167,801)	(103)	(167,904)
Tuition and fees and auxiliary enterprises, net of institutional aid		**408,655**	**13,983**	**422,638**
Other academic programs		7,963	–	7,963
Total tuition and fees and auxiliary enterprises	**$**	**416,618**	**13,983**	**430,601**

The following table provides the components of tuition and fees and student-related auxiliary enterprises revenue for the year ended August 31, 2020 (in thousands):

		Tuition and Fees	Auxiliary Enterprises	Total
Undergraduate programs	$	439,894	38,450	478,344
Graduate and professional programs		317,229	910	318,139
Total at published rates		**757,123**	**39,360**	**796,483**
Less institutional aid for undergraduate programs		(162,077)	(5,755)	(167,832)
Less institutional aid for graduate and professional programs		(157,328)	(181)	(157,509)
Tuition and fees and auxiliary enterprises, net of institutional aid		**437,718**	**33,424**	**471,142**
Other academic programs		17,359	3,010	20,369
Total tuition and fees and auxiliary enterprises	**$**	**455,077**	**36,434**	**491,511**

(5) Grants and Contracts

The University receives grants and contracts revenue from federal, state, corporate, and private sources. If resource providers do not receive commensurate benefit (only indirect benefit because the research findings serve the general public) in exchange and the results are maintained and can be used by the University, such grants and contracts are considered contributions.

Most Emory nonexchange, sponsored research agreements are conditional contributions as the agreements include both a right of return or release of assets and a barrier that Emory must overcome to be entitled to the consideration. These agreements become unconditional as barriers are satisfied. The University recognizes revenue associated with these sponsored agreements as qualifying allowable expenses are incurred or a measurable performance-related barrier is achieved in accordance with the terms and conditions of the agreements. Conditional contributions are recognized as deferred revenue if assets are transferred in advance or not recognized at all until the conditions have been substantially met or explicitly waived by the sponsoring entity, at which point the contributions are recognized as unconditional. Conditional agreements with sponsor-imposed restrictions that expire simultaneously with the satisfaction of the specified conditions are reported as net assets without donor restrictions.

The following table presents Emory's sources of grants and contracts revenue (including indirect cost recoveries) for the years ended August 31 (in thousands):

	2021		2020	
	Grants	Contracts	Grants	Contracts
Federal government	$ 582,992	2,454	$ 500,823	1,021
Other government	1,658	151	1,770	207
Corporate	14,634	50,226	16,248	50,162
Private institutions	106,109	4,625	93,884	3,209
Total	**$ 705,393**	**57,456**	**$ 612,725**	**54,599**

As of August 31, 2021 and 2020, Emory had unexpended grant awards of $834.5 million and $739.2 million, respectively, for which revenue will be recognized when conditions have been met or performance obligations have been satisfied.

(6) Net Patient Services Revenue and Receivables

Emory Healthcare has agreements with government and other third-party payors that provide for reimbursement to Emory Healthcare at amounts different from established rates.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Emory Healthcare believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in Emory Healthcare's hospitals receiving inpatient, outpatient, or emergency services. Emory Healthcare measures the performance obligation from admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to Emory Healthcare's patients and customers in a retail setting (e.g., pharmaceuticals), and Emory Healthcare does not believe it is required to provide additional goods or services related to that sale.

Emory Healthcare determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Emory Healthcare policy, and implicit price concessions provided to patients. Emory Healthcare determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Emory Healthcare provides care to patients regardless of their ability to pay. Emory Healthcare has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles).

The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Emory Healthcare expects to collect based on its collection history with those patients considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for implicit price concessions based upon historical write-off experience by payor category and adjusts the allowance as appropriate.

Patient service revenue, net of contractual adjustments, implicit price concessions, and other discounts recognized from major payor sources for the years ended August 31 is as follows (in thousands):

		2021		2020
Medicare	$	1,474,617	$	1,213,659
Medicaid		178,384		180,758
Managed care and other third-party payors		3,092,695		2,728,112
Patients		58,089		68,508
Net patient service revenue	**$**	**4,803,785**	**$**	**4,191,037**

The composition of net patient service revenue based on the Emory Healthcare lines of business for the years ended August 31 is as follows (in thousands):

		2021		2020
Services lines:				
Hospital – inpatient	$	2,141,460	$	1,876,358
Hospital – outpatient		1,585,008		1,407,373
Physician services		1,077,317		907,306
Net patient service revenue	**$**	**4,803,785**	**$**	**4,191,037**

Emory Healthcare provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than their established rates and such amounts are not included in net patient service revenue.

Data is maintained to identify and monitor the level of charity care provided, including the amount of charges foregone and actual costs for services furnished under its charity and indigent care policies.

The cost of charity care provided totaled $124.6 million and $130.3 million for the years ended August 31, 2021 and 2020, respectively. Emory Healthcare estimated these costs by applying a ratio of cost to gross charges to the gross uncompensated charges associated with providing care to the charity patients.

(7) Other Revenue

The major components of other sources of operating revenue for the years ended August 31 are as follows (in thousands):

		2021		2020
Retail pharmaceutical sales	$	198,358	$	140,598
CARES Act provider relief fund		219,139		–
Other		196,416		238,840
Other revenue	**$**	**613,913**	**$**	**379,438**

(8) Liquidity and Availability

Emory regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also maximizing the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of August 31, 2021 and 2020, the following financial assets could readily be made available within one year of the statements of financial position date to meet cash needs for general expenditures (in thousands):

		2021		2020
TOTAL ASSETS	**$**	**20,458,905**	**$**	**17,172,361**
Less:				
Property and equipment, net		(4,015,749)		(3,629,700)
Interest in perpetual trusts held by others		(1,848,427)		(1,670,377)
Donor-restricted and board-designated endowment funds		(7,974,988)		(5,889,384)
Other investments		(3,589,504)		(2,884,965)
Prepaid expenses, deferred charges, and other assets		(446,291)		(446,925)
Operating lease right-of-use assets		(182,372)		(212,499)
Contributions receivable, net		(180,994)		(160,429)
Loans receivable, net		(18,441)		(20,783)
Add:				
Endowment payout in following year		215,002		203,790
Contributions receivable due within one year for operations		76,980		122,430
Financial assets available to meet cash needs for general expenditures within one year	**$**	**2,494,121**	**$**	**2,583,519**

The University has $2,494.1 million of financial assets as of August 31, 2021 to meet cash needs for general expenditures, consisting of cash of $1,265.4 million, accounts receivable of $871.1 million, contributions receivable, less than one year of $77.0 million, payout on with and without donor-restricted endowment funds of $215.0 million, and other operating investments of $65.6 million.

(9) Investments

The following table summarizes investments as of August 31 (in thousands):

		2021	2020
Short-term investments and cash equivalents [(a)]	$	717,537 $	384,127
Public equity [(b)]		4,689,741	3,663,833
Absolute return/fixed income [(c) (g)]		1,693,687	1,852,781
Private equity/venture capital [(d)]		3,649,517	2,196,033
Real assets [(e)]		822,990	650,838
Derivative instruments [(f)]		42,034	2,890
Total investments at fair value		11,615,506	8,750,502
Joint ventures (equity method)		14,598	27,586
Total investments	**$**	**11,630,104 $**	**8,778,088**

a) Includes short-term U.S. and non-U.S. Treasury securities with maturities of less than one year, as well as funds that invest in these types of investments.

b) Includes domestic and international stocks, as well as interests in funds that invest in both long only and long/short equity-based strategies; certain investments in funds may be subject to restrictions that limit the University's ability to withdraw capital until (i) certain "lock-up period" has expired or (ii) until certain underlying investments designated as "illiquid" or "side pockets" are sold. In addition, fund investments in this category may be subject to restrictions limiting the amount the University is able to withdraw as of a given redemption date. Also includes $115.0 million and $0.0 million in investment subscriptions paid in advance as well as $220.0 million and $0.0 million in investment proceeds receivable as of August 31, 2021 and 2020, respectively.

c) Includes directly-held actively traded global fixed-income securities (such as government bonds and corporate bonds) or commingled funds holding such securities of $851.4 million and $889.3 million and investments in multistrategy or credit funds, as well as opportunistic absolute return funds intended to enhance diversification and reduce correlation to public equity of $842.3 million and $963.5 million as of August 31, 2021 and 2020, respectively; certain fund investments included in this category may hold marketable securities and be subject to redemption terms governed by the respective fund agreement or may contain illiquid investments and, therefore, offer no liquidity over the fund life. Such funds holding illiquid investments are expected to yield liquidating distributions over the next seven years.

d) Includes illiquid investments in private and public companies, both domestically and internationally; the majority of these investments are held through funds and also include buyout, venture capital, private debt, high yield, and subordinated debt strategies. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds, which are expected to occur over the next 12 years.

e) Includes investments in oil and gas, commodities, timber, and real estate, the majority of which are held through commingled funds; the nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds, which are expected to occur over the next 11 years.

f) Includes investments in equity options, swaps, and forwards value at fair value of each underlying investments

g) Amounts presented net of $0.0 million and $7.2 million of net pending trade payables related to unsettled forward purchases and sales of such securities as of August 31, 2021 and 2020, respectively.

As of August 31, 2021, the related unfunded commitments of the University's alternative investments valued using the practical expedient and limitations and restrictions on the University's ability to redeem or sell are summarized as follows (in thousands):

		Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Absolute return	$	593,597	30-360 days or not eligible	31-306 days
Private equity/venture capital		728,742	not eligible	not eligible
Public equity		118,000	30-360 days	10-180 days
Real assets		353,876	not eligible	not eligible
	$	**1,794,215**		

Unfunded commitments are generally expected to be called by funds within five years of fund inception.

(10) Endowment Net Assets

The University's endowed assets (the Endowment) consist of 2,250 individual funds established for a variety of purposes, including with donor restriction endowment funds and without donor restrictions funds designated by the Board of Trustees to function as endowments. The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The University follows the State of Georgia's Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides standards for managing investments of institutional funds and spending from endowments. The University classifies as donor-restricted historical value net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is classified as restricted appreciation until those amounts are appropriated for expenditures by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the University, and the investment policies of the University.

The endowment funds subject to UPMIFA are true endowments and do not include perpetual funds held by others, long-term investments, annuity funds, funds held in trust for others, and miscellaneous investments. As of August 31, 2021, 68.6% of the investments described in note 9 are classified as endowed net assets. Endowment funds are categorized in the following net asset classes as of August 31 (in thousands):

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds						
Appreciation	$ –	4,469,428	4,469,428	$ –	3,050,330	3,050,330
Historical value	–	1,148,348	1,148,348	–	1,105,996	1,105,996
Total donor restricted	**–**	**5,617,776**	**5,617,776**	**–**	**4,156,326**	**4,156,326**
Funds functioning as endowments or board-designated	2,357,212	–	2,357,212	1,733,058	–	1,733,058
Total endowment net assets	**$ 2,357,212**	**5,617,776**	**7,974,988**	**$ 1,733,058**	**4,156,326**	**5,889,384**

The following table represents endowment net asset composition by purpose as of August 31 (in thousands):

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Student financial aid	$ 235,097	1,147,799	1,382,896	$ 168,002	852,068	1,020,070
Academic, research, and program support	1,258,129	4,148,567	5,406,696	933,303	3,062,131	3,995,434
Capital projects, real estate, and infrastructure	863,986	321,410	1,185,396	631,753	242,127	873,880
Total endowment net assets	**$ 2,357,212**	**5,617,776**	**7,974,988**	**$ 1,733,058**	**4,156,326**	**5,889,384**

Changes in endowment funds by net asset classification for the years ended August 31 are summarized as follows (in thousands):

		Without Donor Restrictions	With Donor Restrictions	Total
Balance as of August 31, 2019	**$**	**1,602,867**	**3,796,655**	**5,399,522**
Investment return:				
Investment income		5,896	13,974	19,870
Net realized and unrealized gains on investments		196,339	488,317	684,656
Total investment return		202,235	502,291	704,526
Cash contributions		4,527	38,636	43,163
Additions of funds for endowments		–	4,792	4,792
Transfers of institutional funds for endowments without donor restrictions		3,719	–	3,719
Withdrawal of board-designated funds for strategic initiatives		(9,080)	–	(9,080)
Appropriations for expenditure		(64,604)	(168,834)	(233,438)
Appropriations for capital purposes		(6,606)	(17,214)	(23,820)
Balance as of August 31, 2020	**$**	**1,733,058**	**4,156,326**	**5,889,384**
Investment return:				
Investment income		4,214	10,062	14,276
Net realized and unrealized gains on investments		660,156	1,597,142	2,257,298
Total investment return		664,370	1,607,204	2,271,574
Cash contributions		7,425	41,693	49,118
Additions of funds for endowments		–	535	535
Transfers of institutional funds for endowments without donor restrictions		32,608	–	32,608
Withdrawal of board-designated funds for strategic initiatives		(8,534)	–	(8,534)
Appropriations for expenditure		(65,091)	(170,612)	(235,703)
Appropriations for capital purposes		(6,624)	(17,370)	(23,994)
Balance as of August 31, 2021	**$**	**2,357,212**	**5,617,776**	**7,974,988**

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the donor's original contribution. No significant deficiencies of this nature are reported in net assets with donor restrictions.

(c) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment and seek to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested within risk tolerances of the University to provide an expected total return in excess of spending and inflation over the long term.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University employs a diversified asset allocation strategy across public equity, absolute return/fixed income, private equity/venture capital, real assets, and derivative instruments to achieve its long-term return objectives within a prudent risk framework. The Endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees. The portfolio is periodically rebalanced to the target weightings for each asset class.

(e) Relationship between Investment Objectives and Spending Policy

The University's Board of Trustees has established a spending policy that determines how endowment distributions are made.

The University employs a total return endowment spending policy that establishes the amount of endowment investment return available to support current operating and capital needs. The distribution of endowment investment return in 2021 and 2020 was based on 4.8% of the average fair value of the endowment over the previous 12 months ended on August 31. The University considers the expected return on its endowment, including the effect of inflation in setting the annual appropriation amount. Accordingly, the University expects the current spending policy to allow its endowment to maintain its purchasing power if projected growth rates are achieved. Additional real growth will be provided through new gifts and any excess investment return. The payout rate is approved annually by the Board of Trustees as part of the budget process.

(11) Fair Values of Assets and Liabilities

The following table summarizes the valuation of the University's assets and liabilities according to the fair value hierarchy levels as of August 31, 2021 (in thousands):

			Fair Value Hierarchy			
		Investments Measured at NAV [2]	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
FINANCIAL ASSETS:						
Short-term investments and cash equivalents	$	–	160,664	556,873	–	717,537
Public equity		4,215,093	469,059	5,586	3	4,689,741
Absolute return/fixed income		842,309	192,496	658,882	–	1,693,687
Private equity/venture capital		3,639,503	–	–	10,014	3,649,517
Real assets		820,907	8	1,625	450	822,990
Derivative instruments		–	–	42,034	–	42,034
Total investments at fair value		9,517,812	822,227	1,265,000	10,467	11,615,506
Interests in perpetual funds held by others [1]		–	–	–	1,848,427	1,848,427
Total assets at fair value		**9,517,812**	**822,227**	**1,265,000**	**1,858,894**	**13,463,933**
FINANCIAL LIABILITIES:						
Derivative instruments – interest rate swaps		–	–	(211,164)	–	(211,164)
Funds held in trust for others [3]		(1,239,045)	–	–	–	(1,239,045)
Total liabilities at fair value	**$**	**(1,239,045)**	**–**	**(211,164)**	**–**	**(1,450,209)**

The following table summarizes the valuation of the University's assets and liabilities according to the fair value hierarchy levels as of August 31, 2020 (in thousands):

			Fair Value Hierarchy			
		Investments Measured at NAV (2)	Level 1	Level 2	Level 3	Total Fair Value
FINANCIAL ASSETS:						
Short-term investments and cash equivalents	$	–	229,026	155,101	–	384,127
Public equity		3,398,975	259,516	5,340	3	3,663,834
Absolute return/fixed income		963,452	151,780	737,548	–	1,852,780
Private equity/venture capital		2,174,383	–	–	21,651	2,196,034
Real assets		648,682	31	1,674	450	650,837
Derivative instruments		–	–	2,890	–	2,890
Total investments at fair value		7,185,492	640,353	902,553	22,104	8,750,502
Interests in perpetual funds held by others (1)		–	–	–	1,670,377	1,670,377
Total assets at fair value		**7,185,492**	**640,353**	**902,553**	**1,692,481**	**10,420,879**
FINANCIAL LIABILITIES:						
Derivative instruments – interest rate swaps		–	–	(270,976)	–	(270,976)
Funds held in trust for others (3)		(911,138)	–	–	–	(911,138)
Total liabilities at fair value	**$**	**(911,138)**	**–**	**(270,976)**	**–**	**(1,182,114)**

(1) Primarily invested in The Coca-Cola Company.

(2) Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(3) Emory uses net asset value of units held as an estimate for fair value.

The following tables present a summary of the University's activity for investment categorized in Level 3 for the years ended August 31, 2021 and 2020 (in thousands):

2021				
		Purchases	Sales	Transfer out (1)
Private equity/venture capital	$	9,411	(749)	(46,148)
Real assets		–	(47)	–
Total Investment		**9,411**	**(796)**	**(46,148)**
Interests in perpetual funds held by others		105,000	**–**	**(177,699)**
Total assets	**$**	**114,411**	**(796)**	**(223,847)**

2020				
		Purchases	Sales	Transfer out
Private equity/venture capital	$	59	(38)	–
Real assets		–	(472)	–
Total Investment		**59**	**(510)**	**–**
Interests in perpetual funds held by others		35,000	**–**	**(84,777)**
Total assets	**$**	**35,059**	**(510)**	**(84,777)**

(1) Private equity/venture capital transfer out is due to directly held shares of a private company exchanged for shares of a public company as a result of an IPO. Interests in perpetual funds held by others transfer out is due to funds released from operations.

(12) Derivative Instruments and Hedging Activities

(a) Investments

Investment strategies employed by Emory and investment managers retained by Emory may incorporate futures, options, swaps, and other derivative instruments to adjust elements of investment exposures to various securities, markets, and currencies without taking a position in the underlying assets. These instruments expose Emory to risk of an unexpected movement in the fair value of the underlying security, a counterparty failing to meet its obligations, and, in certain circumstances, not being able to unwind a position at current fair value due to market illiquidity. Emory has established procedures to monitor and manage these risks.

Emory's investment-related derivative exposures, categorized by primary underlying risk, as of and for the years ended August 31 are as follows (in thousands):

2021		Notional Amount (1)	Asset Fair Value	Liability Fair Value	Total Earnings (2)
Foreign exchange contracts	$	175,251	87,626	(87,625)	5,712
Equity contracts (3)		282,228	45,356	(3,323)	76,332
Total (4)	**$**	**457,479**	**132,982**	**(90,948)**	**82,044**

2020		Notional Amount (1)	Asset Fair Value	Liability Fair Value	Total Earnings (2)
Interest-rate contracts	$	–	–	–	2,974
Foreign exchange contracts		27	14	(14)	1,690
Equity contracts (3)		133,704	14,288	(11,398)	(19,418)
Credit contracts		–	–	–	(74)
Total (4)	**$**	**133,731**	**14,302**	**(11,412)**	**(14,828)**

(1) The notional amount is representative of the absolute value of the open contracts as of August 31, 2021 and 2020, except as otherwise discussed below in (3).

(2) Gains on derivative instruments incurred during the fiscal year are included in the consolidated statements of activities in investment return in excess of spending distribution for current operations in nonoperating activities.

(3) The notional value for options is presented on a net delta-adjusted basis.

(4) Derivatives are held primarily with six counterparties. No cash collateral is pledged or held as of August 31, 2021 and 2020.

(b) Debt

Historically, as a component of the debt portfolio, the University entered into interest rate swap agreements that effectively convert a portion of variable rate debt to fixed rates and are used to manage interest rate risk. Since the inception of the interest rate swap agreements, the debt portfolio has changed to incorporate fixed rate debt not associated with derivatives. The University's exchange arrangements are exposed to credit loss in the event of nonperformance by the counterparty and to interest rate risk driven by any potential basis risk with variable rate debt. Certain of the University's derivative instruments contain provisions requiring long-term, unsecured debt to be maintained at specified credit ratings from Moody's Investors Service and Standard and Poor's Ratings Service. If the ratings of the University's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivative instruments in net liability positions. At August 31, 2021, the University's long-term debt ratings exceeded these benchmarks.

At August 31, 2021, Emory had eight interest rate swap agreements expiring on various dates ranging from September 1, 2035 through December 1, 2042. These agreements require Emory to pay fixed interest rates to the counterparties varying from 3.2% to 3.6% in exchange for variable rate payments from the counterparties based on a percentage of the three-month LIBOR.

Net settlement transactions related to the agreements described above resulted in interest expense totaling \$10.9 million and \$12.3 million, interest expenses related to nonintegrated agreements are reflected as nonoperating loss of \$10.2 million and \$2.6 million during 2021 and 2020, respectively. The fair value of each exchange agreement is estimated based on pricing models that utilize significant observable inputs, such as relevant current interest rates, that reflect assumptions on the amount the University would receive or pay to terminate the agreement at the reporting date. As such, the University's exchange agreements are categorized as Level 2 in the fair value hierarchy.

The aggregate fair value of all derivative instruments with credit risk-related contingent features that are in a liability position was $211.2 million and $271.0 million, collateralized by $31.3 million and $85.9 million of cash on August 31, 2021 and 2020, respectively. Collateral postings are reported in prepaid expenses, deferred charges, and other assets in the accompanying consolidated statements of financial position.

The following table summarizes the debt-related derivative instruments as of and for the years ended August 31 (in thousands):

Interest Rate Swaps				**2021**		**2020**	
Inception	**Maturity**		**Notional Amount [1]**	**Liability Fair Value**	**Unrealized Gain**	**Liability Fair Value**	**Unrealized Loss**
August 4, 2005	September 1, 2035	$	125,000	(34,362)	10,016	$ (44,378)	(5,951)
August 25, 2005	September 1, 2035		40,000	(11,557)	3,473	(15,030)	(2,066)
December 1, 2007	September 1, 2035		75,000	(24,632)	6,595	(31,227)	(3,726)
May 1, 2008	September 1, 2038		75,000	(29,366)	7,731	(37,097)	(3,587)
December 1, 2008	December 1, 2042		100,000	(40,150)	11,957	(52,107)	(7,376)
December 1, 2009	September 1, 2035		75,000	(24,957)	6,628	(31,585)	(3,097)
June 23, 2015	September 1, 2035		125,000	(34,583)	9,939	(44,522)	(5,281)
June 23, 2015	September 1, 2035		40,000	(11,557)	3,473	(15,030)	(1,780)
Total		**$**	**655,000**	**(211,164)**	**59,812**	**$ (270,976)**	**(32,864)**

[1] The notional amount is the predetermined dollar amount on which the exchanged interest payments are based.

Emory is exposed to financial loss in the event of nonperformance by a counterparty to any of the financial instruments described above. General market conditions could impact the credit standing of the counterparties and, therefore, potentially impact the value of the instruments. Emory management, with consultation from third-party financial advisers, controls this counterparty credit risk by considering the credit rating, business risk, and reputation of any counterparty before entering into a transaction, monitoring for any change in the credit standing of its counterparty during the life of the transaction, and requiring collateral be posted when predetermined thresholds are crossed. The swaps are exchanged with five counterparties.

(13) Property and Equipment, Net

Property and equipment, net as of August 31 is summarized as follows (in thousands):

		2021		2020
Land and improvements	$	242,799	$	241,771
Buildings and improvements		4,097,752		3,963,022
Equipment		2,968,148		2,824,581
Finance lease ROU assets (note 14)		22,190		20,820
Library and museum assets		507,039		483,366
Construction in progress		684,704		300,607
		8,522,632		7,834,167
Less: accumulated depreciation		(4,499,275)		(4,200,109)
Less: accumulated amortization of finance leases		(7,608)		(4,358)
Total property, plant, and equipment, net	**$**	**4,015,749**	**$**	**3,629,700**

The University has identified asset retirement obligations predominantly from commitments to remove asbestos and lead paint in the University's facilities at the time of major renovation or demolition. The liability was estimated using an inflation rate of 5.0% and discount rate of 4.7%. The liability for asset retirement obligations at August 31, 2021 and 2020 is $85.8 million and $82.6 million, respectively.

(14) Leases

The University has operating and finance leases for office buildings, research and development facilities, hospital and educational buildings, and certain equipment. Leases have remaining lease terms of 1 year to 25 years, some of which include purchase options or options to extend the leases.

Operating leases are included in operating lease right-of-use assets and operating lease liabilities, finance leases are included in property, plant, and equipment, net, and finance lease liabilities in the consolidated statements of financial position. Operating lease right-of-use (ROU) assets include any lease payments made and include lease incentives. Renewal options are excluded from the calculation of lease liabilities unless it is reasonably assured that the renewal option will be exercised. Costs associated with operating lease ROU assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Finance lease ROU assets are amortized within operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest-method over the lease term. Variable lease costs, such as common area maintenance, property taxes, and insurance are expensed as incurred.

Emory has lease agreements with lease and nonlease components. The University elected a practical expedient, primarily for its copier leases, whereby nonlease components are not separated from the lease component. This results in all of the lease and nonlease components being combined, and accounted for, as a single lease component and included in the measurement of the ROU assets and lease liabilities.

The components of lease expense for the year ended August 31, are as follows (in thousands):

		2021		2020
Finance lease cost	$	4,569	$	7,881
Amortization of ROU assets		3,250		4,358
Interest on lease liabilities		1,319		3,523
Operating lease cost		38,689		41,977
Short-term lease cost		15,194		15,963
Total lease expense	**$**	**58,452**	**$**	**65,821**

Aggregate future payments under noncancelable operating and finance leases as of August 31, 2021 are as follows (in thousands):

		Operating Leases	Finance Leases
2022	$	39,908	1,679
2023		33,216	1,429
2024		29,554	1,119
2025		23,280	1,070
2026		17,088	1,044
Thereafter		62,596	20,060
Total lease payments		205,642	26,401
Less: amounts representing interest		(19,382)	(8,777)
Total obligation	**$**	**186,260**	**17,624**

The University has entered into a lease for space to serve as an expanded point of entry for imaging and surgical cases for Emory Healthcare, referred to as the Muscoskeletal Outpatient Center (MSK Center) at its Executive Park property. The University obtained the right of use of the asset with the corresponding lease effective September 13, 2021 aggregating $71.1 million.

Supplemental cash flow information related to leases for the year ended August 31 is as follows (in thousands):

	2021	2020
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 38,499	$ 41,811
Operating cash flows from finance leases	3,250	3,523
Financing cash flows from finance leases	1,591	4,087
Right-of-use assets obtained in exchange for new lease obligations		
Operating leases	16,054	15,253
Finance leases	1,369	311
Weighted-average remaining lease term -- finance lease	22 years	24 years
Weighted-average remaining lease term -- operating lease	8 years	8 years
Weighted-average discount rate -- finance lease	3.72%	3.82%
Weighted-average discount rate -- operating lease	2.06%	2.00%

(15) Bonds and Notes Payable

Bonds and notes payable, including unamortized premiums, discounts, and issuance costs, consisted of the following as of August 31 (dollars in thousands):

	Average Interest Rate	Final Maturity	Outstanding Principal 2021	Outstanding Principal 2020
Tax-exempt, fixed-rate revenue bonds:				
2020 Series B	4.63%	September 1, 2041	$ 486,470	$ 486,470
2019 Series A	4.96	September 1, 2039	209,665	218,115
2019 Series B	5.00	September 1, 2048	39,725	39,725
2016 Series A	4.62	October 1, 2046	130,030	130,030
2016 Series B	4.20	October 1, 2043	195,750	201,280
2013 Series A	5.00	October 1, 2043	178,460	180,605
Total tax-exempt, fixed-rate revenue bonds			**1,240,100**	**1,256,225**
Tax-exempt, variable-rate revenue bonds:				
2013 Series B (1)	0.48	October 1, 2039	135,100	135,100
Total tax-exempt, variable-rate revenue bonds			**135,100**	**135,100**
Taxable, fixed-rate revenue bonds:				
2020 Series A	2.41	September 1, 2050	943,750	943,750
1994 Series C	8.00	October 1, 2024	2,945	3,545
1991 Series	8.85	April 1, 2022	41	85
Total taxable, fixed-rate revenue bonds			**946,736**	**947,380**
Commercial Paper:				
2008 Program 1 - Taxable	2.13	April 1, 2047	–	–
Total Commercial Paper			**–**	**–**
Unamortized bond premiums			212,772	233,401
Bond issuance costs			(8,571)	(9,191)
Total bonds and notes payable			**$ 2,526,137**	**$ 2,562,915**

(1) 2013 Series B bonds are floating rate notes and the interest rate is based on a spread to The Securities Industry and Financial Markets Association Index (SIFMA).

The University incurred interest expense of $75.0 million and $72.2 million in 2021 and 2020, respectively, net of capitalized interest of $2.8 million and $1.5 million in 2021 and 2020, respectively. During 2021, the average interest rate on the University's tax-exempt variable demand bonds was 0.48%. Related indices for this period were 0.06% for tax-exempt debt (SIFMA).

As of August 31, 2021, the aggregate annual maturities of bonds and notes payable for the next five years and thereafter are as follows (in thousands):

		2021
PAYABLE IN FISCAL YEAR:		
2022	$	11,536
2023		11,345
2024		11,450
2025		19,305
2026		300,690
Thereafter		1,967,610
		2,321,936
Unamortized net premium		212,772
Unamortized net bond issuance costs		(8,571)
	$	**2,526,137**

During 2020, the University refunded its 1994 Series B bonds, 1995 Series B bonds, 1999 Series B bonds, 2011 Series A bonds, and a portion of the 2005 Series B bonds and 2008 taxable Commercial Paper program totaling $332.6 million with proceeds from the University's issuance of 2020 Series A bonds. Additionally, the University funded $600.0 million for general corporate purposes with proceeds from the University's issuance of the 2020 Series A bonds. The University also refunded its 2005 Series C bonds, 2013 Series C bonds, 2010 tax-exempt Commercial Paper program, and a portion of the 2005 Series B bonds and 2008 taxable Commercial Paper program totaling $603.2 million with proceeds from the 2020 Series B bonds. The University recognized a net accounting gain of $4.4 million in conjunction with issuance of the 2020 Series A and 2020 Series B bonds, which is included in nonoperating activities, net in the accompanying 2020 consolidated statement of activities.

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During 2020, the outstanding 2010 tax-exempt commercial paper of $164.4 million was refunded as part of the 2020 Series B bonds issuance and the program expired.

The 2008 taxable Commercial Paper program of $350.0 million had an outstanding balance of $0.0 million and $0.0 million, as of August 31, 2021 and 2020, respectively, under this program.

The University has a standby credit facility to enable the University to purchase tendered variable rate debt in the event of a failed remarketing. Currently, it has one diversified facility totaling $175.0 million that is committed for this sole purpose and cannot be used for operating needs of the University. There were no draws against this line of credit in 2021 or 2020.

Emory Healthcare entered into an affiliation agreement with one of its payors effective June 11, 2018, which was renewed in June 2020. This affiliation agreement includes, among other provisions, a $100.0 million line of credit to Emory University, which can be utilized for any purpose that advances the charitable mission of Emory Healthcare. The affiliation agreement was renewed but the affiliated line of credit was terminated effective February 8, 2021. The University entered into a syndicated line of credit of $750.0 million on April 16, 2021 that expires April 2026. There is also no outstanding balance as of August 31, 2021.

The University has a letter of credit with a commercial bank totaling $1.1 million. There were no outstanding balances as of August 31, 2021 or 2020. The letter of credit agreement expires March 2022.

The terms of the University's long-term debt provide for certain financial and nonfinancial covenants, including provisions as to the use of the proceeds, limits as to arbitrage and bond issuance costs, and various other administrative requirements.

(16) Net Assets

The following is a summary of net assets as of August 31 (in thousands):

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Emory undesignated funds	$ 1,742,921	–	1,742,921	$ 1,457,398	–	1,457,398
Endowment funds	2,357,212	5,617,776	7,974,988	1,733,058	4,156,326	5,889,384
Investment in plant	1,535,380	–	1,535,380	1,269,046	–	1,269,046
Interest in perpetual funds held by others	–	1,848,427	1,848,427	–	1,670,377	1,670,377
Contributions receivable, net	–	180,994	180,994	–	160,429	160,429
Annuity and other split-interest agreements	–	12,081	12,081	–	8,810	8,810
Capital projects and other donor purposes	–	390,992	390,992	–	162,433	162,433
	$ 5,635,513	**8,050,270**	**13,685,783**	**$ 4,459,502**	**6,158,375**	**10,617,877**

(17) Retirement and Deferred Compensation Plans

The University has a defined-contribution plan under the Code, Section 403(b), covering eligible employees. The University contributes an amount equal to 6% of each eligible employee's compensation to the plan as well as a supplemental contribution of 3% based on a 1.5 to 1 match of employee contributions of up to 2% of compensation. Employer contributions cliff vest after three years of service.

Emory Healthcare sponsors a retirement plan, covering most full-time employees, under which annuities are purchased with contributions made by Emory Healthcare. Benefits to eligible employees were based on a formula defined in the plan. Benefits are paid as a monthly annuity at age 65 or an eligible employee can elect a reduced benefit as early as age 55. The benefits are vested only to the extent of the annuities purchased. Benefits were frozen as of 12/31/2011. Emory Healthcare also has a defined-contribution plan under the Code, Section 403(b), covering eligible employees. Emory Healthcare contributes an amount equal to 2% of each eligible employee's compensation to the plan as well as a supplemental contribution of up to 5% based on a 1 to 1 match of employee contributions of up to 4% for eligible employees with less than 10 years of service and 5% if 10 or more years of service. Employer contributions cliff vest after three years of service.

TEC sponsors a defined-contribution plan under the Code, Section 403(b), The Emory Clinic, Inc. Retirement Savings Plan covering eligible employees. TEC contributes an amount equal to 6% of each eligible employee's compensation to the plan as well as a supplemental contribution of 3% based on a 1.5 to 1 match of employee contributions of up to 2% of compensation. Employer contributions cliff vest after three years of service.

Retirement expense totaled $150.5 million and $154.9 million during 2021 and 2020, respectively, and is included in fringe benefits expense in the accompanying consolidated statements of activities.

The University sponsors the Code Section 457(b) Deferred Compensation Plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees who are eligible for participation and elect to make salary deferrals under the Deferred Compensation Plan. These assets are fully vested and available to the participating employees at the time of termination of employment from the University. As of August 31, 2021 and 2020, respectively, the University held assets of $215.7 million and $170.5 million under the Retirement Plan. These assets are included in other assets, which are designated by the University to pay future salary deferral plan payments. The assets are held in separate investment funds for which the majority are classified as Level 1 in the fair value hierarchy. Associated liabilities for the obligations of $215.7 million and $170.5 million as of August 31, 2021 and 2020, respectively, are included in accrued liabilities for benefit obligations and professional liabilities and considered Level 2 in the fair value hierarchy.

(18) Pension Plans – Emory Healthcare

Emory Healthcare sponsors a defined-benefit pension plan (the Plan). The Plan was curtailed effective December 31, 2011. The terms of the curtailment generally provide that no further benefit accrual under the Plan is provided for service after the effective date nor will new entrants into the Plan be permitted after the effective date.

The Plan's investment objectives are to protect long-term asset value by applying prudent, low-risk, high-quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the Plan's investment policy. Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives.

The Plan's expected long-term rate of return on assets is determined by reviewing the historical return of each asset category comprising the Plan's target asset allocation.

The Joint Operating Company (JOC) assumed certain defined-benefit pension liabilities covering certain employees of the entities contributed to the JOC by Saint Joseph's Health System SJHS (the SJHS Pension Plan). The plan was curtailed, effective December 31, 2011, and the JOC has agreed to provide for funding of the plan, generally over 10 years, beginning in fiscal year 2015, subject to certain terms and conditions.

The SJHS Pension Plan's expected long-term rate of return on assets is determined by reviewing the historical return of each asset category comprising the plan's target asset allocation.

In connection with the acquisition of DRHS, Emory Healthcare assumed sponsorship of DRHS' trusteed noncontributory, defined-benefit pension plan on September 1, 2018. Prior to the acquisition, the DRHS Pension Plan had been permanently frozen effective December 31, 2008 as a result of DRHS' Board of Directors approving such action.

Given the curtailment of the plans, the accumulated benefit obligations at August 31, 2021 and 2020 are the same as the projected benefit obligations.

The changes in the projected benefit obligations as of and for the years ended August 31 are as follows (in thousands):

	2021		2020		
	Emory Healthcare	**SJHS**	**Emory Healthcare**	**SJHS**	**DRHS**
Projected benefit obligation, beginning of year	$ 430,110	180,725	$ 341,188	176,513	64,408
Interest cost	9,724	4,803	11,106	5,335	628
Actuarial (gain) loss	2,454	(2,175)	23,551	5,338	(3,228)
Plan combinations	–	–	61,547	–	(61,547)
Benefits paid	(9,447)	(6,769)	(7,282)	(6,461)	(261)
Projected benefit obligation, end of year	**$ 432,841**	**176,584**	**$ 430,110**	**180,725**	**–**

On December 31, 2019, the DRHS pension plan was merged into the Emory Healthcare Plan. Liabilities and assets were re-measured as of the date of the merger. The result was a liability transfer of $61.5 million, an asset transfer of $60.0 million, and a transfer of unrecognized net loss of $6.0 million for the plan combination.

The changes in the fair value of plan assets, funded status of the plans, and the status of amounts recognized in the accompanying consolidated statements of financial position as of and for the years ended August 31 are as follows (in thousands):

	2021		2020		
	Emory Healthcare	SJHS	Emory Healthcare	SJHS	DRHS
Fair Value of plan assets, beginning of year	$ 319,729	144,088	$ 228,046	127,001	62,160
Actual return on plan assets	51,255	18,727	36,490	17,134	(1,924)
Employer contributions	7,864	7,385	2,500	6,414	–
Plan combinations	–	–	59,975	–	(59,975)
Benefits paid	(9,447)	(6,769)	(7,282)	(6,461)	(261)
Fair value of plan assets, end of year	**$ 369,401**	**163,431**	**$ 319,729**	**144,088**	**–**
Funded status - accrued pension cost recognized in the consolidated statements of financial position	$ (63,440)	(13,153)	$ (110,381)	(36,637)	–

The components of net periodic pension cost for the years ended August 31 are as follows (in thousands):

	2021		2020		
	Emory Healthcare	SJHS	Emory Healthcare	SJHS	DRHS
Interest cost	$ 9,724	4,803	$ 11,106	5,335	628
Expected return on assets	(15,451)	(9,379)	(12,065)	(8,567)	(621)
Amortization of prior service cost	–	(438)	–	(438)	–
Amortization of net loss	3,731	2,487	2,832	2,654	91
Net periodic pension cost	**$ (1,996)**	**(2,527)**	**$ 1,873**	**(1,016)**	**98**

Net periodic pension costs are recognized as employees render the services necessary to earn the pension and postretirement benefits.

Weighted average assumptions used to determine benefit obligations in the accompanying consolidated statements of financial position as of August 31 are as follows:

	2021		2020		
	Emory Healthcare	SJHS	Emory Healthcare	SJHS	DRHS
Discount rate	2.73%	2.68%	2.78%	2.71%	—%
Expected long-term rate of return on plan assets	5.20	6.50	4.65	6.75	–

Weighted average assumptions used to determine net periodic pension cost for the years ended August 31 are as follows:

	2021		2020		
	Emory Healthcare	SJHS	Emory Healthcare	SJHS	DRHS
Discount rate	2.78%	2.71%	3.11%	3.08%	3.14%
Expected long-term rate of return on plan assets	5.20	6.50	4.65	6.75	3.50

The following tables summarize the plan assets, which are recorded at fair value as of August 31 as follows (in thousands):

2021									
		Emory			Fair Value Hierarchy			Total	Target (1)
		Healthcare	SJHS	Total	Level 1	Level 2	NAV	Fair Value	Allocation
INVESTMENTS:									
Short-term investments and cash equivalents	$	1,075	5,780	6,855	4,422	–	2,433	6,855	—%
Public equity		150,441	44,406	194,847	17,928	133,118	43,801	194,847	60
Absolute Return		31,539	–	31,539	12,825	–	18,714	31,539	4
Private equity/ venture capital		5,106	–	5,106	–	–	5,106	5,106	2
Fixed income		181,240	100,534	281,774	9,199	269,675	2,900	281,774	30
Managed funds		–	12,711	12,711	–	–	12,711	12,711	4
Total investments	**$**	**369,401**	**163,431**	**532,832**	**44,374**	**402,793**	**85,665**	**532,832**	**100%**

2020									
		Emory			Fair Value Hierarchy			Total	Target (1)
		Healthcare	SJHS	Total	Level 1	Level 2	NAV	Fair Value	Allocation
INVESTMENTS:									
Short-term investments and cash equivalents	$	528	6,392	6,920	(378)	1,362	5,936	6,920	—%
Public equity		209,979	72,528	282,507	28,583	209,979	43,945	282,507	60
Fixed income		109,222	49,294	158,516	–	158,516	–	158,516	30
Managed funds		–	15,874	15,874	–	–	15,874	15,874	10
Total investments	**$**	**319,729**	**144,088**	**463,817**	**28,205**	**369,857**	**65,755**	**463,817**	**100%**

(1) While each plan has an individual target asset allocation, the percentage represents the averages for all plans assets.

Cash Flows

Emory Healthcare expects to contribute $0.0 million to the Emory Healthcare Pension Plan, and $3.9 million to the SJHS Pension Plan during fiscal year 2022.

Expected Future Benefit Payments

Emory Healthcare annual future benefit payments, excluding lump-sum settlements, are expected to range from $12.0 million to $17.6 million for the next five years. SJHS Pension Plan annual future benefit payments, excluding lump-sum settlements, are expected to range from $7.3 million to $8.5 million for the next five years.

Other Items

Emory Healthcare uses the straight-line method to amortize prior service cost for both plans.

(19) Postretirement Healthcare and Life Insurance Benefits

The University sponsors a postretirement life insurance and healthcare benefits plan. Participants hired after 2002 pay the full retiree-specific premium equivalent and are therefore assumed to pay the full cost of their coverage. The University and Emory Healthcare each fund a separate trust (VEBA Trust) for retiree health and life benefits. The assets of the VEBA Trust are invested primarily in equity and fixed-income securities. The University funds these benefits only to the extent of current retiree claims. The University measures its participation in the VEBA Trust at August 31 each fiscal year.

The changes in the accumulated postretirement benefit obligation (APBO) as of August 31 are as follows (in thousands):

		2021				2020
		Emory University	Emory Healthcare	Total		Total
APBO, beginning of year	$	136,735	72,844	209,579	$	200,735
Service cost		1,936	501	2,437		2,610
Interest cost		3,076	1,575	4,651		5,633
Actuarial losses (gains)		4,045	1,204	5,249		6,262
Benefits paid		(4,239)	(2,584)	(6,823)		(5,661)
APBO, end of year	**$**	**141,553**	**73,540**	**215,093**	**$**	**209,579**

Discount rate to determine APBO as of August 31, 2021 and 2020 was 2.7% and 2.8%, respectively.

The changes in the fair value of plan assets, funded status of the plan, and the status of the accrued postretirement benefit obligation recognized in the accompanying consolidated statements of financial position as of and for the years ended August 31 are as follows (in thousands):

		2021				2020
		Emory University	Emory Healthcare	Total		Total
Fair value of plan assets, beginning of year	$	80,685	17,098	97,783	$	90,530
Actual return on plan assets		16,977	2,415	19,392		9,016
Benefits paid from plan assets		–	–	–		(1,763)
Fair value of plan assets, end of year	**$**	**97,662**	**19,513**	**117,175**	**$**	**97,783**
Funded status – accrued postretirement benefit cost recognized in the consolidated statements of financial position	$	**(43,891)**	**(54,027)**	**(97,918)**	**$**	**(111,796)**

The components of net periodic postretirement benefit cost for the years ended August 31 are as follows (in thousands):

		2021				2020
		Emory University	Emory Healthcare	Total		Total
Service cost of benefits earned	$	1,936	501	2,437	$	2,610
Interest cost on APBO		3,076	1,575	4,651		5,633
Expected return on plan assets		(5,285)	(1,120)	(6,405)		(6,250)
Recognized net actuarial loss		3,579	3,367	6,946		7,382
Net periodic postretirement benefit cost	**$**	**3,306**	**4,323**	**7,629**	**$**	**9,375**

Discount rate and expected return on plan assets used to determine net periodic postretirement benefit cost for the years ended August 31, 2021 and 2020 was 2.8% and 3.1%, respectively, and 6.6% and 7.0%, respectively.

The amounts accumulated in net assets without donor restrictions follow as of August 31 (in thousands):

		2021				2020
		Emory University	Emory Healthcare	Total		Total
Net unrecognized actuarial loss	$	56,550	26,045	82,595	$	97,309
Prior service cost		(56)	–	(56)		(86)
Total	**$**	**56,494**	**26,045**	**82,539**	**$**	**97,223**

In fiscal year 2022, net unrecognized actuarial losses of $2.7 million for Emory University and $2.9 million for Emory Healthcare are expected to be amortized from net assets without donor restrictions into net periodic postretirement benefit cost.

Plan Assets

The Investment Committee of Emory University's Board of Trustees approves the investment guidelines and asset allocation targets for the pension benefits and postretirement benefits plans.

The primary objective of the investments is to ensure the solvency of the plans over time to meet plan obligations. The secondary objective is to meet or exceed the plans' actuarial assumed rate of return over time without taking excess risk. The funds are diversified by asset class in accordance with established allocation targets and rebalanced as needed. Specific investments are apportioned to a combination of institutional pooled funds and mutual funds.

The following table summarizes the VEBA Trust assets for the University and Emory Healthcare as of August 31 (in thousands):

2021

		Fair Value Hierarchy			Target	Total Asset
	Total Fair Value	Level 1	Level 2	NAV	Allocation	Allocation
Fixed income	$ 19,215	9,784	9,431	–	15%	16%
Public equity	83,615	8,931	49,291	25,393	70	71
Absolute return	12,308	6,694	–	5,614	10	11
Private Equity/ Venture Capital	1,824	–	–	1,824	5	2
Short-term investment and cash equivalent	213	213	–	–	–	–
Total investments	**$ 117,175**	**25,622**	**58,722**	**32,831**	**100%**	**100%**

2020

		Fair Value Hierarchy			Target	Total Asset
	Total Fair Value	Level 1	Level 2	NAV	Allocation	Allocation
Fixed income	$ 20,924	13,998	6,926	–	25%	21%
Public equity	76,861	17,750	44,352	14,759	75	79
Short-term investment and cash equivalent	(2)	(2)	–	–	–	–
Total investments	**$ 97,783**	**31,746**	**51,278**	**14,759**	**100%**	**100%**

Cash Flows

Emory University and Emory Healthcare expect to contribute $4.6 million and $2.7 million, respectively, to the postretirement benefit plan during fiscal year 2022.

Expected Future Benefit Payments

Annual future benefit payments are expected to range from $4.5 million to $5.6 million for Emory University and from $2.7 million to $3.3 million for Emory Healthcare for the next five years.

(20) Functional Expenses

The consolidated statements of activities present expenses by natural classification. The University also summarizes expenses by functional classification, in accordance with its mission. The University's primary program services are instruction, research, public service, and the delivery of healthcare and medical services. Expenses for academic support, institutional support, and independent operations/auxiliary enterprises are generally incurred in support of these primary program activities, with academic support being related to student financial aid. Capital and plant expenditures, costs for operation and maintenance of plant, interest on indebtedness, and depreciation and amortization are allocated using a variety of cost allocation techniques, such as square footage and time and effort.

The consolidated statements of activities include the following functional expenses for the years ended August 31 (in thousands, net of the cost allocations and recharges referenced above):

2021

		Instruction	Research	Academic Support and Scholarship and Fellowship	Institutional Support	Public Service	*Healthcare and Medical Services	Independent Operations and Auxiliary	Total
Salaries	$	305,359	265,913	90,250	155,355	58,372	2,628,942	97,475	3,601,666
Fringe benefits		80,373	74,468	25,061	28,524	16,650	539,118	35,404	799,598
Student financial aid		–	–	28,678	–	–	–	–	28,678
Other operating expenses		54,970	210,471	58,698	26,322	45,565	1,921,526	29,538	2,347,090
Interest on indebtedness		6,338	10,089	4,029	2,034	1,594	32,144	18,731	74,959
Depreciation and amortization		30,007	50,238	18,115	25,967	8,259	161,504	21,316	315,406
Total expenses	**$**	**477,047**	**611,179**	**224,831**	**238,202**	**130,440**	**5,283,234**	**202,464**	**7,167,397**

* Healthcare and Medical Services – The portion of patient care services related to Emory Healthcare expense is $5.0 billion. Healthcare administrative costs are $432.1 million, included therein.

2020

		Instruction	Research	Academic Support and Scholarship and Fellowship	Institutional Support	Public Service	*Healthcare and Medical Services	Independent Operations and Auxiliary	Total
Salaries	$	310,588	250,500	90,830	161,045	55,504	2,398,787	99,878	3,367,132
Fringe benefits		74,597	62,373	22,334	20,294	14,054	499,813	20,758	714,223
Student financial aid		–	–	27,302	–	–	–	–	27,302
Other operating expenses		55,590	198,984	56,377	4,898	42,579	1,715,070	27,361	2,100,859
Interest on indebtedness		7,046	11,216	4,479	2,261	1,771	27,072	18,919	72,764
Depreciation and amortization		29,537	49,476	17,832	25,563	8,130	155,687	17,120	303,345
Total expenses	**$**	**477,358**	**572,549**	**219,154**	**214,061**	**122,038**	**4,796,429**	**184,036**	**6,585,625**

* Healthcare and Medical Services – The portion of patient care services related to Emory Healthcare expense is $4.6 billion. Healthcare administrative costs are $445.8 million, included therein.

Costs related to the University's 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 information reported in the space study and debt financing records. Total amounts allocated in 2021 and 2020 were $190.6 million and $175.8 million, respectively. Fundraising costs were approximately $41.3 million and $40.0 million in 2021 and 2020, respectively.

(21) Medical Professional and General Liability Insurance Coverage

CCIC, Emory Healthcare's wholly owned offshore captive insurer, provides claims-made primary medical professional and general liability coverage for the University, the Hospitals, Emory Clinic, Emory Specialty Associates, and Wesley Woods Center.

As of August 31, 2021 and 2020, the University has recorded an accrual for estimated losses associated with all retained CCIC risks of approximately $255.5 million (discounted 2.5%) and $262.1 million (discounted at 2.5%), respectively.

Emory has purchased layered excess and umbrella insurance and reinsurance coverage beyond the amounts retained by CCIC, through various carriers, for a total of $105.0 million per claim and in the aggregate.

The estimated liability for professional and general liability claims will be significantly affected if current and future claims differ from historical trends. While the University monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and general liability accruals, the complexity of the claims, the extended period of time to settle the claims, and the wide range of potential outcomes complicate the estimation. The University's management believes adequate provision has been made for the related risk.

(22) Related-Party Transactions

The Carter Center, Inc. (CCI) is a nonprofit organization founded by former U.S. President Jimmy Carter and Rosalynn Carter, which sponsors various domestic and international programs. The Board of Trustees of CCI comprises 16 to 28 members, including its founders, and others as elected half by the University, including the University's president, and half by the Carter Center class trustees. The University's Board of Trustees has the authority to approve amendments to CCI's articles of incorporation and bylaws. Funds held in trust for others include $1.165 billion and $866.1 million, representing CCI's investment in the University's long-term investment portfolio as of August 31, 2021 and 2020, respectively. CCI is permitted partial withdrawals of up to 10% per year (inclusive of regular spending payouts), with 30 days' written notice prior to a calendar quarter or fiscal year end. A full withdrawal request by CCI requires at least one years' written notice and is subject to a multi-year distribution schedule in line with the duration of the long-term investment portfolio, as agreed upon by both CCI and the University.

Emory University and Children's Healthcare of Atlanta, Inc. (Children's), a Georgia nonprofit corporation, established the Emory + Children's Pediatric Institute (the Institute) effective September 1, 2018 under a Master Affiliation Agreement (the affiliation agreement). Under the terms of the affiliation agreement, approximately 350 Emory University School of Medicine Department of Pediatrics faculty physicians and PhD researchers transferred to the Institute and became employees thereof. The affiliation agreement restructured previous arrangements between the parties for pediatric teaching, research, and related clinical services. The ownership of the Institute is 50% Emory University and 50% Children's, with equal representation on the governing board. The funding obligations of each party are specified by the affiliation agreement, and each party funds its mission-related expenses. The University reports research and teaching expenses provided by these 350 faculty members in salaries, fringe benefits, professional fees and purchased services, and other operating expenses in the consolidated statements of activities.

(23) Commitments and Contingencies

Emory University and Emory Healthcare are in the process of constructing, renovating, and equipping certain facilities for which the outstanding commitments at August 31, 2021 totaled $217.7 million and $493.6 million, respectively.

Expenditures and indirect costs related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. The amounts, if any, of expenditures which may be disallowed by the granting agencies, cannot be determined at this time, although management expects they will not have a material effect on the University's consolidated financial statements.

Lawsuits and claims have been filed against the University in the ordinary course of business. As one of the nation's largest research universities and academic medical centers, the University has active litigation that takes several forms. The University's policy is to accrue for litigation and claims when such amounts are probable and can be reasonably estimated based on consultation with external legal counsel and Emory General Counsel review.

In addition, the University is subject to many federal and state regulations, and as a result, there may be one or more pending government investigations ongoing at any time. While the outcome of many of these actions is not presently determinable, it is the opinion of management that any resulting liability from these actions will not have a material adverse effect on the consolidated statements of financial position or operating results of the University. The University also has a comprehensive program of primary and excess insurance. Management of the University believes any current pending lawsuit subjecting the University to liability would not have a materially adverse effect on the University's consolidated statements of financial position.

Emory Healthcare and SJHS have a JOC under the name of Emory/Saint Joseph's, Inc. to further the respective missions of Emory Healthcare and CHE Trinity Health. Under the JOC Contribution Agreement, Emory Healthcare maintains a 51% controlling ownership interest in the JOC. SJHS has a noncontrolling membership interest in the JOC of 49%. Effective August 31, 2014, CHE Trinity Health has a put right, as defined in the JOC Contribution Agreement, that may be exercised at any time with written notice to Emory Healthcare. Upon the occurrence of such event, Emory Healthcare may be required to purchase from SJHS its noncontrolling interest in the JOC.

As part of the terms of the Definitive Agreement to acquire DRHS, Emory Healthcare committed $239.0 million on capital projects to benefit DRHS and its affiliates over a 7-year period, beginning September 1, 2018. Such period may be extended under certain circumstances to a period of no more than 10 years. The outstanding commitment amount based on the terms of the Definitive Agreement totaled approximately $120.0 million as of August 31, 2021.

(24) Subsequent Events

Emory has evaluated subsequent events after the consolidated statements of financial position date of August 31, 2021 through December 20, 2021, the date the consolidated financial statements were available to be issued and noted that there are no other items to disclose.

SUPPLEMENTARY INFORMATION

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
STATEMENTS OF FINANCIAL POSITION - SUPPLEMENTARY INFORMATION
SCHEDULE 1

AUGUST 31, 2021 AND 2020 (Dollars in thousands)

	August 31, 2021	August 31, 2020
ASSETS:		
Cash and cash equivalents	$ 529,586	$ 640,687
Student accounts receivable, net	18,616	81,136
Loans receivable, net	18,441	20,783
Contributions receivable, net	180,994	160,429
Other receivables, net	185,308	180,104
Prepaid expenses, deferred charges, and other assets	198,088	201,745
Investments	11,117,694	8,338,921
Interests in perpetual funds held by others	1,848,427	1,670,377
Operating lease right-of-use assets	18,055	27,556
Property and equipment, net	2,202,256	2,067,448
Due from affiliates	810,745	704,491
Total assets	**$ 17,128,210**	**$ 14,093,677**
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued liabilities	$ 297,789	$ 208,501
CARES Act accrued liabilities	56,403	33,085
Deferred revenue	311,548	242,931
Interest payable	38,803	28,735
Liability for derivative instruments	211,164	270,976
Bonds and notes payable	2,526,137	2,562,915
Accrued liabilities for benefit obligations and professional liabilities	199,995	181,175
Operating lease liabilities	19,709	29,298
Finance lease liabilities	17,624	17,846
Funds held in trust for others	1,239,045	911,138
Annuities payable	15,843	14,677
Government advances for federal loan programs	16,719	19,494
Asset retirement obligations	60,004	57,436
Total liabilities	**5,010,783**	**4,578,207**
Net assets without donor restrictions	4,116,822	3,392,244
Net assets with donor restrictions	8,000,605	6,123,226
Total net assets	**12,117,427**	**9,515,470**
TOTAL LIABILITIES AND NET ASSETS	**$ 17,128,210**	**$ 14,093,677**

See accompanying independent auditors' report.

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
STATEMENTS OF ACTIVITIES - SUPPLEMENTARY INFORMATION
SCHEDULE 2

YEAR ENDED AUGUST 31, 2021 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020) (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2021	Total August 31, 2020
OPERATING REVENUE				
Tuition and fees, net of scholarship allowance	$ 416,618	-	$ 416,618	$ 455,077
Sales and services of auxiliary enterprises, net of scholarship allowance	37,715	-	37,715	62,363
Endowment spending distribution	206,255	-	206,255	204,034
Distribution from perpetual funds	40,418	-	40,418	38,797
Other investment income designated for current operations	56,134	-	56,134	54,873
Gifts and contributions for current use	57,691	40,615	98,306	94,945
Grants and contracts	590,964	-	590,964	513,925
Indirect cost recoveries	171,885	-	171,885	153,399
Medical services	325,028	-	325,028	254,179
Independent operations	12,519	-	12,519	13,001
Other revenue	103,922	-	103,922	130,773
Net assets released from restrictions	34,854	(18,153)	16,701	7,842
Total operating revenue	**2,054,003**	**22,462**	**2,076,465**	**1,983,208**
Operating support from Emory Healthare	103,518	-	103,518	95,274
Total operating revenue and other support	**2,157,521**	**22,462**	**2,179,983**	**2,078,482**
OPERATING EXPENSES				
Salaries	1,210,400	-	1,210,400	1,198,919
Fringe benefits	315,050	-	315,050	263,303
Student financial aid	28,678	-	28,678	27,302
Other operating expenses	459,173	-	459,173	365,075
Interest on indebtedness	43,145	-	43,145	46,060
Depreciation and amortization	159,387	-	159,387	153,058
Total operating expenses	**2,215,833**	**-**	**2,215,833**	**2,053,717**
NET OPERATING ACTIVITIES	**(58,312)**	**22,462**	**(35,850)**	**24,765**
NONOPERATING ACTIVITIES, NET				
Investment return in excess of spending distribution for current operations	824,728	1,424,988	2,249,716	608,180
Change in undistributed income from perpetual funds held by others	-	250,749	250,749	(37,422)
Gifts and contributions for capital and long-term investment	9,900	203,860	213,760	74,924
Other losses	(4,474)	-	(4,474)	(4,245)
Gain on defeasance of debt	-	-	-	4,386
Change in fair value of derivative instruments	59,812	-	59,812	(32,864)
Net periodic benefit cost other than service cost	(1,370)	-	(1,370)	(2,161)
Changes in pension and other postretirement obligations	15,465	-	15,465	3,638
Other nonoperating items, net	(126,271)	(2,879)	(129,150)	(58,371)
Net assets released from restrictions	5,100	(21,801)	(16,701)	(7,842)
Total nonoperating activities, net	**782,890**	**1,854,917**	**2,637,807**	**548,223**
CHANGE IN NET ASSETS	**724,578**	**1,877,379**	**2,601,957**	**572,988**
BEGINNING NET ASSETS	**3,392,244**	**6,123,226**	**9,515,470**	**8,942,482**
ENDING NET ASSETS	**$ 4,116,822**	**8,000,605**	**$ 12,117,427**	**$ 9,515,470**

See accompanying independent auditors' report.

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
STATEMENT OF CASH FLOWS - SUPPLEMENTARY INFORMATION
SCHEDULE 3

YEAR ENDED AUGUST 31, 2021 (Dollars in thousands)

		August 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	2,601,957
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions and pledge payments restricted for long-term investment and capital projects		(171,439)
Contributions of donated securities		(29,193)
Proceeds from sale of donated securities		24,452
Net realized and unrealized gains on investments		(2,863,303)
Loss on disposal of property and equipment		4,474
Gain on interests in perpetual funds held by others		(250,749)
Depreciation and amortization		155,461
Amortization of bond premiums and issuance costs		(19,953)
Amortization of right-of-use assets		7,266
Change in pension and other postretirement		(9,856)
Change in fair value of derivative instruments		(59,812)
Change in operating assets:		
Accounts and other receivables, net		57,316
Contributions receivable for operations		(39,232)
Prepaid expenses, deferred charges, and other assets		(50,934)
Due to/from affiliates		(106,254)
Change in operating liabilities:		
Accounts payable, accrued liabilities, and interest payable		86,132
CARES Act accrued liabilities		23,348
Asset retirement obligations		2,568
Accrued liabilities for benefit obligations and professional liabilities		28,676
Lease liabilities, net		(4,105)
Deferred revenue		68,617
Net cash used in operating activities		**(544,563)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements of loans to students		(1,903)
Repayment of loans from students		4,245
Proceeds from sales and maturities of investments		2,910,995
Purchases of investments		(2,826,465)
Purchases of property, plant, and equipment		(283,429)
Increase in funds held in trust for others		327,907
Net cash provided by investing activities	$	**131,350**

(Continued)

EMORY UNIVERSITY (EXCLUDING EMORY HEALTHCARE)
STATEMENT OF CASH FLOWS - SUPPLEMENTARY INFORMATION
SCHEDULE 3

YEAR ENDED AUGUST 31, 2021 (Dollars in thousands)

		August 31, 2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and pledge payments restricted for long-term investment and capital projects	$	262,805
Proceeds from sale of donated securities restricted for long-term investment and capital projects		4,741
Proceeds from bonds payable		-
Principal repayments of bonds payable		(16,769)
Payments on finance lease obligations		(1,591)
Debt issuance costs		(56)
Change in annuities payable		1,166
Change in government advances for federal loan programs		(2,775)
Net cash provided by financing activities		**247,521**
Net change in cash, cash equivalents, and restricted cash		(165,692)
Cash, cash equivalents, and restricted cash at beginning of year		726,588
Cash, cash equivalents, and restricted cash at end of year	$	**560,896**

See accompanying independent auditor's report.