THE JOHNS HOPKINS UNIVERSITY

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
The Johns Hopkins University:

Opinion

We have audited the consolidated financial statements of The Johns Hopkins University (the University), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Baltimore, Maryland
October 12, 2023

THE JOHNS HOPKINS UNIVERSITY

Consolidated Balance Sheets

June 30, 2023 and 2022

(In thousands)

Assets		2023	2022
Cash and cash equivalents	$	389,848	770,432
Operating investments		1,787,087	2,284,916
Cash, cash equivalents and operating investments		2,176,935	3,055,348
Sponsored research accounts receivable, net		640,836	617,773
Accounts receivable, net		249,370	234,369
Contributions receivable, net		954,311	269,788
Prepaid expenses and deferred charges		62,272	58,549
Student loans receivable, net		20,333	20,599
Investments		11,478,417	9,218,068
Property and equipment, net		3,544,560	3,038,744
Operating lease right-of-use assets, net		201,099	206,464
Investment in and loans to affiliates		373,430	353,439
Other assets		343,087	366,262
Postretirement assets		152,990	161,644
Interests in trusts and endowment funds held by others		128,176	129,701
Total assets	$	20,325,816	17,730,748
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	888,077	891,158
Sponsored research deferred revenues		415,547	420,765
Other deferred revenues		160,321	164,347
Debt		1,861,155	1,499,262
Operating lease liabilities		234,010	226,609
Other long-term liabilities		369,690	389,290
Pension obligations		56,020	126,924
Liabilities under split-interest agreements		65,131	66,148
Endowment and similar funds held for others		683,136	691,220
Total liabilities		4,733,087	4,475,723
Net assets:			
Without donor restrictions		4,562,033	4,071,530
With donor restrictions		11,030,696	9,183,495
Total net assets		15,592,729	13,255,025
Total liabilities and net assets	$	20,325,816	17,730,748

See accompanying notes to consolidated financial statements.

THE JOHNS HOPKINS UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022
Changes in net assets without donor restrictions:		
Operating revenues:		
Tuition and fees, net of financial aid of $532,272 and $491,411, respectively	$ 832,499	828,476
Grants, contracts, and similar agreements	1,817,999	1,653,625
Facilities and administrative cost recoveries	459,939	425,932
Applied Physics Laboratory contract revenues	2,287,586	2,046,347
Sponsored research revenues	4,565,524	4,125,904
Contributions	211,829	195,699
Net assets released from restrictions	106,213	100,079
Contributions and donor support	318,042	295,778
Clinical services, net	891,973	831,702
Reimbursements from affiliated institutions	755,641	683,013
Other revenues	186,099	172,739
Net endowment payout used to support operations	425,725	339,175
Auxiliary enterprises	104,109	102,952
Maryland State aid	64,642	45,795
Investment return	72,669	20,840
Total operating revenues	8,216,923	7,446,374
Operating expenses:		
Compensation	3,703,250	3,409,361
Benefits	1,158,120	1,041,274
Compensation and benefits	4,861,370	4,450,635
Subcontractors and subrecipients	596,136	556,753
Contractual services	1,155,299	1,083,138
Supplies, materials, and other	730,210	664,491
Depreciation	253,400	246,366
Travel	156,943	92,442
Interest	49,545	41,632
Total operating expenses	7,802,903	7,135,457
Excess of operating revenues over operating expenses	414,020	310,917

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THE JOHNS HOPKINS UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022
Other changes in net assets without donor restrictions:		
Investment return less than endowment payout	$ (24,098)	(287,581)
Change in benefit plans funded status, excluding benefit cost	57,070	102,248
Other net periodic benefit credit	84	11,102
Change in fair value of interest rate swap agreements	3,793	15,820
Other, net	36,937	9,047
Net assets released from restrictions	2,697	12,494
Other changes in net assets without donor restrictions	76,483	(136,870)
Total changes in net assets without donor restrictions	490,503	174,047
Changes in net assets with donor restrictions:		
Contributions	2,114,515	765,695
Investment return less than endowment payout	(145,705)	(1,100,380)
Net assets released from restrictions	(108,910)	(112,573)
Other, net	(12,699)	—
Total changes in net assets with donor restrictions	1,847,201	(447,258)
Total change in net assets	2,337,704	(273,211)
Net assets at beginning of year	13,255,025	13,528,236
Net assets at end of year	$ 15,592,729	13,255,025

See accompanying notes to consolidated financial statements.

THE JOHNS HOPKINS UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022
Cash flows from operating activities:		
Total change in net assets	$ 2,337,704	(273,211)
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation, amortization, and other adjustments	253,647	251,814
Noncash gift of investments	(874,715)	(542)
Contributions restricted for long-term investment	(382,807)	(493,697)
Net realized and unrealized (gains) losses from investments	(177,315)	1,100,823
Net unrealized gains from swaps	(3,793)	(15,820)
Earnings from joint ventures	(45,840)	(26,319)
Change in benefit plans’ funded status	(62,250)	(107,975)
Changes in operating assets and liabilities:		
Sponsored research and accounts receivable, net	(38,064)	(143,943)
Contributions receivable, net	(684,523)	8,111
Prepaid expenses and deferred charges	(3,723)	(5,912)
Operating lease right-of-use assets, net of operating lease liabilities	12,766	(129)
Other assets	(494)	28,766
Accounts payable and accrued expenses	(14,476)	78,362
Sponsored research, other deferred revenues and other long-term liabilities	(40,790)	41,719
Interests and liabilities related to trusts and split-interest agreements	7,892	(3,589)
Net cash provided by operating activities	283,219	438,458
Cash flows from investing activities:		
Purchases of investments	(11,319,159)	(9,692,856)
Proceeds from sales and maturities of investments	10,621,980	9,518,473
Purchases of property and equipment	(572,221)	(482,718)
Prepaid lease payments	(2,232)	(43,167)
Repayments of student loans, net of disbursements	267	369
Loans to affiliates	(185)	(10,370)
Repayments of loans from affiliates	7,115	5,470
Dividends from joint ventures, net of capital contributions	18,919	15,970
Distributions from endowment and similar funds held for others	(28,780)	(27,585)
Net cash used in investing activities	(1,274,296)	(716,414)
Cash flows from financing activities:		
Contributions restricted for long-term investment	382,807	493,697
Proceeds from new debt borrowings	300,000	—
Early retirement and refinancings of debt	(1,496)	—
Scheduled debt and finance lease payments	(70,818)	(16,482)
Net cash provided by financing activities	610,493	477,215
Net (decrease) increase in cash and cash equivalents	(380,584)	199,259
Cash and cash equivalents at beginning of year	770,432	571,173
Cash and cash equivalents at end of year	$ 389,848	770,432

See accompanying notes to consolidated financial statements.

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

(a) General

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

Education and related services (e.g., room, board, etc.) are provided to approximately 32,000 students, including 17,000 full-time students and 15,000 part-time students, and on a net basis provided approximately 10% and 11% of the University's operating revenues in fiscal 2023 and fiscal 2022, respectively. Approximately 67% of the full-time students are graduate level (including postdoctoral) and 33% are undergraduate level. Students are drawn from a broad geographic area, including most of the states in the United States and numerous foreign countries. The majority of the part-time students are graduate level students from the Baltimore-Washington, D.C. area.

Research and related services (e.g., research training) are provided through approximately 2,400 government and private sponsors. Sponsored research revenues provided approximately 56% and 55% of the University's operating revenues in fiscal years 2023 and 2022, respectively. Approximately 88% of those revenues were from departments and agencies of the United States government in fiscal years 2023 and 2022. Major government sponsors include the Department of Health and Human Services, the Department of Defense, the National Aeronautics and Space Administration, and the Agency for International Development.

Professional clinical services are provided by members of the University's faculty to patients at The Johns Hopkins Hospital (the Hospital) and other hospitals and outpatient care facilities in the Baltimore area and produced approximately 11% of the University's operating revenues in fiscal years 2023 and 2022. Services are predominantly provided to patients in the Baltimore area, other parts of Maryland, or surrounding states.

(b) Basis of Presentation and Use of Estimates

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

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported

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amounts of assets and liabilities and disclosures of contingencies at the dates of the consolidated financial statements and revenues and expenses recognized during the reporting periods. Actual results could differ from those estimates.

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

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

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

(c) Cash, Cash Equivalents, and Operating Investments

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

(d) Contributions

Contributions, including unconditional promises to give, are recognized at fair value in the appropriate category of net assets in the period received, except that contributions that impose restrictions met in the same fiscal year are included in net assets without donor restrictions. Unconditional promises to

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give are recognized initially at fair value considering anticipated future cash receipts and discounting such amounts at a risk-adjusted rate. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy (see note 1(f)). Amortization of the discount is included in contributions revenue. Conditional promises to give are not recognized until one or more of the barriers have been overcome for the University to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets has expired. Contributions of assets are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized. Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(e) Investments and Investment Return

Investments in United States government and agency obligations, debt securities, and directly held United States and certain international equities in common collective trust funds (CCTFs) are stated at fair value, which are determined primarily based on quoted market prices. Fair values of CCTFs, similar to mutual funds that are deemed to have a readily determinable fair value (RDFV) are based on published net asset values (NAV). Investments in private equity and venture capital, certain real estate, natural resources, certain international equities in CCTFs and absolute return funds (collectively, alternative investments) are stated at estimated fair value based on the funds' net asset values, or their equivalents (collectively, NAV) as a practical expedient. If it is probable that alternative investments will be sold for an amount different than NAV, measurement of the alternative investments will be adjusted to fair value. As of June 30, 2023, and 2022, the University had no plans or intentions to sell investments at amounts different from NAV.

The NAVs, which are estimated and reported by the general partners or investment managers, are reviewed and evaluated by the University's investment office. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments, and the differences could be significant. Investments in certain real estate assets are recorded at fair value based upon independent third-party appraisals.

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

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

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

(f) Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. As described further in the notes to the consolidated financial statements, such assets include investments, deferred compensation assets, and interests in trusts and endowment funds held by others, and such liabilities include interest rate swaps, obligations under deferred compensation arrangements, and endowment and similar funds held for others. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

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

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

(g) Split-Interest Agreements and Interests in Trusts

The University’s split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuity agreements for which the University serves as trustee. Assets held under these arrangements are included in investments and are recorded at fair value. Contribution revenues are recognized at the date the trusts or agreements are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the terms of the trusts for changes in the values of the assets, accretion of the discounts, and other changes in estimates of future benefits. As of June 30, 2023 and 2022, assets under the University’s charitable gift annuity agreements, held in a segregated account, were $54,906 and $54,865, respectively, and are classified in investments, and liabilities were $27,658 and $27,751, respectively, and are classified in liabilities under split-interest agreements.

(Dollars in thousands)

(h) Property and Equipment

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

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

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

(i) Tuition and Fees, Net of Financial Aid

Student tuition and fees are recorded as revenue in the year the related academic services are rendered, which generally aligns with the University’s fiscal year. Tuition and fees received in advance of services provided are reported in other deferred revenues and amounted to $108,495 and $113,695 at June 30, 2023 and 2022, respectively. The University provides institutional financial aid to eligible students, generally in an “aid package” that may also include loans, compensation under work-study programs, and/or grant and scholarship awards. The loans are provided primarily through programs of the United States government (including direct and guaranteed loan programs) under which the University is responsible only for certain administrative duties. The institutional grants and scholarships include awards provided from gifts and grants from private donors, income earned on endowment funds restricted for student aid, and University funds.

The composition of tuition and fees, net revenue was as follows for the years ended June 30, 2023 and 2022:

		2023	**2022**
Undergraduate programs	$	166,967	164,429
Graduate programs		606,406	610,711
Other programs		59,126	53,336
	$	832,499	828,476

(Dollars in thousands)

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

(j) Grants, Contracts, and Similar Agreements

Grants, contracts, and similar agreements are funded by various federal and private sponsors. The vast majority of such agreements are considered nonexchange transactions and restricted by sponsors for specific research or other program purposes. Revenues are recognized within net assets without donor restrictions as conditions are met, (i.e., generally as qualifying expenditures are incurred). These revenues include recoveries of facilities and administrative costs, which are generally determined as a negotiated or agreed-upon percentage of direct costs, with certain exclusions. Payments received from sponsors in advance of conditions being met are reported as sponsored research deferred revenues. Of the $415,547 in sponsored research deferred revenues as of June 30, 2023, $345,473 relates to nonexchange transactions and $70,074 relates to exchange transactions. As of June 30, 2022, of the $420,765 in sponsored research deferred revenues, $353,308 relates to nonexchange transactions and $67,457 relates to exchange transactions.

Approximately 77% and 78% of receivables related to reimbursement of costs incurred under grants and contracts as of June 30, 2023 and 2022, respectively, were from agencies or departments of the United States government. There is no assurance that sponsored research activities can and will continue to be made at current levels as awards are subject to the availability of and annual appropriation of funds. The University estimates that conditional awards outstanding as of June 30, 2023 approximate or exceed its recent annual sponsored program activity.

(k) Clinical Services, Net

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

The composition of clinical services revenue by primary payor for the years ended June 30, 2023 and 2022 was as follows:

	2023		2022	
Commercial third parties	$ 481,734	54.0 %	436,262	52.5 %
Medicare	172,037	19.3	165,072	19.9
Medicaid	84,032	9.4	78,311	9.4
Patients	80,706	9.1	75,216	9.0
All other clinical	73,464	8.2	76,841	9.2
	$ 891,973	100.0 %	831,702	100.0 %

(l) Affiliated Institutions

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

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

(m) Auxiliary Enterprises

Auxiliary enterprises, including residence halls, food service, parking, the press, and telecommunications, provide services to students, faculty, and staff. Fees for such services are recognized as revenue as the services are provided. Student related activities included in auxiliary enterprises amounted to $56,033 and $53,803 in fiscal 2023 and 2022, respectively.

(n) Other Revenues

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

(o) Insurance and Self Insurance

The University, together with other institutions, has formed captive insurance companies that arrange and provide professional liability, general liability, and property damage insurance for their shareholders. Defined portions of claims paid by these companies are self-insured. The University's claims liabilities are recognized as claims are incurred using actuarial studies based upon historical claims data, cost trends, and other actuarial estimates. Insurance expenses are recognized as operating expenses as incurred. In addition, the University is self-insured for certain other risks, primarily health, and workers' compensation. Professional insurance liabilities associated with providing clinical services are reported as gross claims on the consolidated balance sheets as other long-term liabilities, aggregated $104,591 and $109,279 as of June 30, 2023 and 2022, respectively. In addition, medical malpractice insurance recoveries of $81,267 and $81,583 as of June 30, 2023 and 2022, respectively, are reported on the consolidated balance sheets as other assets and the corresponding liabilities are reported as other long-term liabilities.

(p) Refundable Advances from the United States Government

Funds provided by the United States government under the Federal Perkins, Nursing, and Health Professions Student Loan programs are loaned to qualified students, administered by the University, and may be reloaned after collections. These funds are ultimately refundable to the government and are included in other long-term liabilities. These advances totaled $13,560 and $13,165 as of June 30, 2023 and 2022, respectively.

(q) Income Taxes

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

(r) Leases

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

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

Operating leases are included in operating right-of-use assets, net and operating lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment, net and debt in the consolidated balance sheets. Lease expense for lease payments is recognized on a straight line basis over the lease term. Interest expense is recognized as a component of the lease payments for finance leases.

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

(s) Derivative Financial Instruments

The University and its external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the Board of Trustees. The University uses interest rate swap agreements to manage interest rate risk associated with certain variable rate debt or to adjust its debt structure. Derivative financial instruments are measured at fair value and recognized in the consolidated balance sheets as assets or liabilities, with changes in fair value recognized in the consolidated statements of activities.

(t) Deferred Compensation Plans

The University maintains deferred compensation plans for certain employees. As of June 30, 2023 and 2022, other investments, included in other assets on the consolidated balance sheets, represent investments held by the University under these deferred compensation agreements. Such amounts approximate the University's related liability to the employees and are included in other long-term liabilities. The assets and liabilities of the deferred compensation plans are categorized in Level 1 of the fair value hierarchy. The fair value of deferred compensation plan assets as of June 30, 2023 and 2022 is $175,032 and $159,293, respectively.

(u) Statement of Cash Flows Supplemental Information

Property and equipment additions included in accounts payable and accrued expenses increased $11,395 and $20,728 as of June 30, 2023 and 2022, respectively. During the year ended June 30, 2023, the University acquired finance lease right-of-use assets of $134,187 and reclassified prior year prepaid lease payments of $41,640 to finance lease right-of-use assets (see note 15). Noncash investing activities for the years ended June 30, 2023 and 2022 included $13,312 and ($100,171), respectively, attributable primarily to increases (decreases) in the fair value of endowment and similar funds held for others.

(v) Reclassifications

Certain 2022 amounts have been reclassified in order to conform to the 2023 presentation.

(w) New Accounting Standards

Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Loss: Measurement of Credit Losses on Financial Instruments*, as amended, was issued by the Financial Accounting Standards Board (FASB) in June 2016 and is effective for the University in fiscal 2024. The ASU requires credit losses to be recognized on most financial assets carried at amortized cost (such as accounts and loans receivables from students, clinical receivables and certain other instruments). Under the ASU, credit losses are estimated over the entire contractual term of the instrument (adjusted for prepayment) from the date of initial recognition. The new ASU removes the requirement that a credit loss be probable of occurring for it to be recognized and requires entities to use historical experience, current economic conditions and reasonable and supportable forecasts to estimate their future expected credit losses. The ASU is to be applied using the modified retrospective basis with a cumulative effect adjustment to net assets at the beginning of the fiscal year that it is adopted. The University is currently evaluating the expected impact of this ASU on its fiscal 2024 consolidated financial statements.

(x) Related Parties

Members of the Board of Trustees, officers, and employees are subject to the University's conflict of interest policies, under which business and financial relationships must be disclosed and are subject to review and approval. Disclosures about the University's related party transactions, including with affiliated institutions, are described in notes 1, 11, 15 and 16 to the consolidated financial statements.

(2) Applied Physics Laboratory

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

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

The largest contract is with the U.S. Navy. The current contract provides for a five-year initial term ending in September 2027, with a five-year renewal option. The initial ceiling amount is $4,396,000 and the five-year option adds $6,204,000 of ceiling for an aggregate purchase limit to $10,600,000 over the ten-year contract-ordering period ending September 2032.

Approximately 70% and 69% of APL's revenues in fiscal years 2023 and 2022 were from the Department of Defense and 23% and 21% were from the National Aeronautics and Space Administration, respectively. Contract work includes evaluation and design of various types of missile systems and command, control, and communication systems, assessment of submarine technologies, design of space systems for precision tracking, location and navigation, and conduct of space experiments. The contracts define costs for which reimbursements may be received and provide a management fee to the University. The Navy Contract requires that a portion of the fees earned under the Navy Contract are to be retained and used for various purposes, including, among other things, working capital, capital projects, and reserves.

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

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

Contracts awarded by federal and other sponsors, which are considered exchange transactions, are recognized as revenue as performance obligations are satisfied, which is generally as qualifying expenditures are incurred. Total revenue from contracts was $2,252,346 and $2,013,543 for the years ended June 30, 2023 and 2022, respectively.

(Dollars in thousands)

Total revenue from nonexchange transactions, which are primarily grants, was $35,240 and $32,804 for the years ended June 30, 2023 and 2022, respectively.

(3) Accounts Receivable

Accounts receivable, net are summarized as follows as of June 30, 2023 and 2022:

		2023	2022
Affiliated institutions, primarily the Hospital (note 11)	$	19,564	26,056
Students		42,371	47,845
Others		92,702	69,893
Total, net of allowances of $9,723 in 2023 and $9,576 in 2022		154,637	143,794
Receivables for clinical professional fees, net of explicit and implicit price concessions of $229,791 in 2023 and $196,075 in 2022		94,733	90,575
	$	249,370	234,369

The mix of gross accounts receivable for clinical professional fees from patients and third-party payors consisted of the following as of June 30, 2023 and 2022: commercial third parties 47% for both 2023 and 2022; Medicare 22% and 21%, respectively; Medicaid 14% and 13%, respectively; and patients 17% and 19%, respectively.

(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable, net are summarized as follows as of June 30, 2023 and 2022:

		2023	2022
Unconditional promises scheduled to be collected in:			
Less than one year	$	778,676	84,233
One year to five years		202,402	159,762
Over five years		39,710	47,275
		1,020,788	291,270
Less unamortized discount (interest rates ranging from 0.29% to 4.13%) and allowances for uncollectible contributions		66,477	21,482
	$	954,311	269,788

As of June 30, 2023 and 2022, 85% and 52%, respectively, of the gross contributions receivable were due from ten donors. Approximately 90% and 68% of contribution revenues in fiscal 2023 and fiscal 2022 were from ten donors. As of June 30, 2023, the University had also been informed of conditional promises to give aggregating in excess of $589,000, which have not been recognized as assets or revenues. Such gifts will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of the University.

(5) Investments and Investment Return

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

(Dollars in thousands)

Investments are summarized as follows as of June 30, 2023 and 2022:

		2023	2022
Operating investments	$	1,787,087	2,284,916
Investments		11,478,417	9,218,068
	$	13,265,504	11,502,984
Cash and cash equivalents	$	97,114	381,017
United States government and agency obligations		1,822,323	2,080,853
Debt securities		1,623,182	839,162
United States equities		1,483,896	1,458,990
International equities		1,243,313	939,428
Private equity and venture capital		2,425,874	2,241,229
Real estate		397,739	412,530
Natural resources		665,090	626,658
Absolute return		3,506,973	2,523,117
	$	13,265,504	11,502,984

Investments includes $121,450 and $402,942 of positions sold or redeemed as of June 30, 2023 and 2022, respectively, but settled in cash subsequent to the fiscal year-end. These investments are primarily included in U.S. equities, international equities, and absolute return.

The following table summarizes the University's investments as of June 30, 2023 and 2022 for which NAV was used as a practical expedient to estimate fair value:

		Fair value determined using NAV		Unfunded commitments (1)		Redemption frequency	Redemption notice period
		2023	2022	2023	2022	2023	2023
United States equities	$	1,321,836	1,045,180	28,859	38,840	1% Monthly 15% Quarterly 24% Annually 60% 2- to 5-Year	0 to 150 days
International equities		876,991	751,295	—	—	37% Monthly 35% Quarterly 13% Annually 15% 3- to 5-Year	10 to 90 days
Private equity and venture capital		2,344,080	2,184,392	1,378,557	1,008,032	N/A	N/A
Real estate		318,018	317,982	102,040	79,404	N/A	N/A
Natural resources		604,919	587,795	64,942	67,145	N/A	N/A
Absolute return		3,500,610	2,523,117	312,773	623,639	See chart below	0 to 120 days (2)
	$	8,966,454	7,409,761	1,887,171	1,817,060		

(Dollars in thousands)

(1) Excludes unfunded commitments of $13,500 related to debt securities included in Level 2 as of June 30, 2023.

(2) Investments liquidated through drawdowns total $476,305 and $280,851 as of June 30, 2023 and 2022, respectively.

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

Absolute return funds, excluding drawdown funds, have the following redemption periods as of June 30, 2023 and 2022:

		2023	2022
Quarterly redemptions	$	1,244,352	593,186
Annual redemptions		129,252	255,519
Quarterly or annually over 1- to 3-year period		1,262,465	1,252,700
Rolling 3- to 5-year redemptions		388,236	140,861
	$	3,024,305	2,242,266

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

(a) United States Equities

This includes interests in commingled funds that invest primarily in publicly traded common stock of domestic companies. Funds offer redemptions monthly, quarterly, annually, or over the course of 2 to 5 years, with various notice requirements ranging from 0 to 150 days.

(b) International Equities

This includes interests in commingled funds that invest primarily in publicly traded common stock of developed and emerging market companies. Funds offer redemptions monthly, quarterly, or annually, or over the course of 3 to 5 years, with various notice requirements typically ranging from 10 to 90 days.

(c) Private Equity and Venture Capital

This includes interests in funds making investments in leveraged buyouts of both public and private companies, as well as venture capital and growth-stage investments in private companies. These investments primarily make distributions to investors through the liquidation of the underlying assets. It is expected to take up to 15 years to fully distribute these assets.

(Dollars in thousands)

(d) Real Estate

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

(e) Natural Resources

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

(f) Absolute Return

This includes interests in hedge funds, drawdown funds that implement strategies classified as long/short equity, credit and distressed debt, relative value, event-driven, or multi-strategy. Hedge funds structures have various redemption periods as summarized in the table above, with notice requirements ranging from 0 to 120 days. Drawdown funds are primarily organized as limited partnerships where distributions are made to investors through the liquidation of the underlying assets. It is expected to take up to 15 years to fully distribute these assets.

Investment return is classified in the consolidated statements of activities as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Without donor restrictions:		
Operating, including endowment payout	$ 498,394	360,015
Nonoperating	(24,098)	(287,581)
With donor restrictions	(145,705)	(1,100,380)
	$ 328,591	(1,027,946)

(Dollars in thousands)

(6) Fair Value Measurements

The following table presents investments that are measured at fair value on a recurring basis as of June 30, 2023:

	Fair value as of June 30, 2023	Level 1	Level 2	Level 3	Funds at NAV
Operating investments:					
United States government and agency obligations	$ 1,407,618	1,407,618	—	—	—
Debt securities	379,469	177,388	202,081	—	—
Total operating investments	1,787,087	1,585,006	202,081	—	—
Investments, at fair value:					
Cash and cash equivalents	97,114	97,114	—	—	—
United States government and agency obligations	414,705	292,981	121,724	—	—
Debt securities	1,243,713	1,131,451	112,262	—	—
United States equities	1,483,896	159,406	2,654	—	1,321,836
International equities	1,243,313	366,322	—	—	876,991
Private equity and venture capital	2,425,874	—	—	81,794	2,344,080
Real estate	397,739	18,121	—	61,600	318,018
Natural resources	665,090	75	—	60,096	604,919
Absolute return	3,506,973	—	—	6,363	3,500,610
Total investments, at fair value	11,478,417	2,065,470	236,640	209,853	8,966,454
Total investments	$ 13,265,504	3,650,476	438,721	209,853	8,966,454

(Dollars in thousands)

The following table presents investments that are measured at fair value on a recurring basis as of June 30, 2022:

	Fair value as of June 30, 2022	Level 1	Level 2	Level 3	Funds at NAV
Operating investments:					
United States government and agency obligations	$ 1,872,272	1,872,272	—	—	—
Debt securities	412,644	170,862	241,782	—	—
Total operating investments	2,284,916	2,043,134	241,782	—	—
Investments, at fair value:					
Cash and cash equivalents	381,017	381,017	—	—	—
United States government and agency obligations	208,581	207,458	1,123	—	—
Debt securities	426,518	426,518	—	—	—
United States equities	1,458,990	412,083	1,727	—	1,045,180
International equities	939,428	188,133	—	—	751,295
Private equity and venture capital	2,241,229	882	—	55,955	2,184,392
Real estate	412,530	18,848	—	75,700	317,982
Natural resources	626,658	—	—	38,863	587,795
Absolute return	2,523,117	—	—	—	2,523,117
Total investments, at fair value	9,218,068	1,634,939	2,850	170,518	7,409,761
Total investments	$ 11,502,984	3,678,073	244,632	170,518	7,409,761

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

(Dollars in thousands)

The following table presents the University's activity for Level 3 investments measured at fair value on a recurring basis for the years ended June 30, 2023 and 2022:

	Debt securities	U.S. equities	Private equity and venture capital	Absolute return	Real estate	Natural resources	Total
Balance as of June 30, 2021	$ 600	340	55,413	—	254,956	34,081	345,390
Transfers between levels	—	—	2,468	—	—	—	2,468
Net realized and unrealized gain (loss)	—	7,967	3,261	—	(609)	8,859	19,478
Sales and distributions	(600)	(71,848)	(10,930)	—	(191,972)	(4,668)	(280,018)
Purchases and contributions	—	63,541	5,743	—	13,325	591	83,200
Balance as of June 30, 2022	—	—	55,955	—	75,700	38,863	170,518
Transfers between levels	—	—	—	—	—	—	—
Net realized and unrealized gain (loss)	—	—	(945)	(652)	(14,100)	(4,492)	(20,189)
Sales and distributions	—	—	(786)	(1,717)	—	(7,425)	(9,928)
Purchases and contributions	—	—	27,570	8,732	—	33,150	69,452
Balance as of June 30, 2023	$ —	—	81,794	6,363	61,600	60,096	209,853

For the year ended June 30, 2023 there were no transfers between levels. For the year ended June 30, 2022, private equity assets totaling $1,357 moved from Level 3 to Level 1 due to public market events, while private equity assets totaling $3,825 moved from NAV to Level 3.

(7) Property and Equipment

Property and equipment, net, are summarized as follows as of June 30, 2023 and 2022:

	2023	2022	Range of useful lives
Land	$ 143,115	130,717	N/A
Land improvements	119,016	118,857	15 years
Buildings and leasehold improvements	4,400,441	4,072,432	10–40 years
Equipment	1,303,689	1,209,787	7–15 years
Capitalized software costs	141,682	137,548	3–10 years
Library collections	417,234	398,941	25 years
Construction in progress	1,040,062	756,366	N/A
	7,565,239	6,824,648	
Less accumulated depreciation and amortization	4,020,679	3,785,904	
	$ 3,544,560	3,038,744	

(Dollars in thousands)

(8) Debt

Debt is summarized as follows as of June 30, 2023 and 2022:

		2023	2022
Bonds payable, net	$	1,404,176	1,114,246
Notes payable – taxable		261,733	265,684
Commercial paper revenue notes – taxable		70,000	70,000
Finance lease obligations (note 15)		125,246	49,332
	$	1,861,155	1,499,262

(a) Bonds Payable

Bonds payable were 1) issued by the Maryland Health and Higher Educational Facilities Authority (MHHEFA) or 2) taxable bonds issued directly, and consist of the following as of June 30, 2023 and 2022:

		2023	2022
Revenue Bonds Series 2005A, variable effective rate (3.68%), due July 2036	$	69,265	69,265
Taxable Bonds 2013 Series A, 4.08%, due through July 2053		355,000	355,000
Revenue Bonds Series 2013B, 4.25% to 5.00%, due through July 2041		65,250	73,845
Taxable Bonds 2015 Series A, 3.75%, due through July 2045		150,000	150,000
Taxable Bonds 2020 Series A, 1.97% to 2.81%, due through January 2060		470,000	470,000
Taxable Bond 2022 Series A, 4.705% due through July 2032		300,000	—
Subtotal		1,409,515	1,118,110
Premium and discount, net		1,018	1,272
Debt issuance cost, net		(6,357)	(5,136)
	$	1,404,176	1,114,246

The bonds payable outstanding as of June 30, 2023 and 2022 are unsecured general obligations of the University. The loan agreements generally provide for semiannual payments of interest.

(Continued)

(Dollars in thousands)

(b) Notes Payable – Taxable

Notes payable – taxable consist of the following as of June 30, 2023 and 2022:

	2023	2022
Note, 2.74%, due November 2023	$ 25,000	25,000
Note, 2.89%, due November 2024	19,855	20,945
Note, 2.90%, due November 2024	20,898	21,689
Note, 2.94%, due November 2027	24,000	25,000
Note, 3.83%, due October 2028	25,000	25,000
Note, 3.92%, due November 2028	46,980	48,050
Notes, 4.16%, due May 2048	50,000	50,000
Note, 4.50%, due November 2049	50,000	50,000
	$ 261,733	265,684

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

(c) Commercial Paper

Under the commercial paper program, the University may have commercial paper outstanding of up to $600,000. The notes are unsecured, bear interest at rates that are fixed at the date of issue and may have maturities up to 270 days from the date of issue. The taxable notes outstanding as of June 30, 2023 and 2022 bear interest at a weighted average rate of 5.20% and 1.75%, respectively.

(d) Other Credit Agreements

The following summarizes the University's standby liquidity and line of credit agreements with several commercial banks as of June 30, 2023:

Amount	Maturity	Purpose
$ 100,000	March 2024	Revolving line of credit
100,000	September 2023	Standby liquidity agreement
50,000	December 2025	Standby liquidity agreement
200,000	April 2026	Standby liquidity agreement
50,000	September 2023	Line of credit
50,000	March 2024	Line of credit
100,000	October 2025	Line of credit
100,000	March 2026	Line of credit

The University may borrow up to $100,000 under a revolving line of credit designated for working capital purposes at APL. Advances under the revolving line of credit are unsecured, due on demand,

(Dollars in thousands)

and bear interest at a rate that varies based on certain market indices. There were no borrowings on the revolving line of credit as of June 30, 2023 and 2022.

To support liquidity under the bond and commercial paper revenue notes programs, the University has three standby liquidity agreements with commercial banks. These agreements are intended to enable the University to fund the purchase of variable rate demand bonds, in the event they are unable to be tendered and not remarketed, and to pay the maturing principal of and interest on commercial paper notes in the event they cannot be remarketed. Advances under these agreements are unsecured, bear interest at a rate that varies based on certain market indices, and are due by the stated expiration date unless extended by a term loan. There were no borrowings under any of the University's standby credit facilities during fiscal 2023 and 2022. The University also has four lines of credit available for liquidity purposes.

(e) Interest Rate Swap Agreements

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

The following table summarizes the general terms of the University's fixed payor swap agreements as of June 30, 2023:

Effective date		Notional amount	Termination date	Interest rate paid	Interest rate received
June 2005	$	69,265	July 2036	3.87 %	SIFMA, 4.18% as of June 30, 2023
July 2007		4,485	July 2027	3.45	67% of 1-month LIBOR, 3.48% as of June 30, 2023
Total	$	73,750			

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

The fair value of each swap is the estimated amount the University would receive or pay to terminate the swap agreement at the reporting date considering current interest rates and creditworthiness of the swap counterparties. The aggregate fair value of the University's interest rate swap agreements as of June 30, 2023 and 2022 was a liability of $5,802 and $9,595, respectively, excluding accrued interest, and is reported as other long-term liabilities. Changes in the fair value of the interest rate swap agreements are reported as nonoperating activities. The change in fair value was a gain of $3,793 and $15,820 in fiscal 2023 and 2022, respectively.

(Dollars in thousands)

The University is required to post collateral under these agreements when certain thresholds are exceeded. As of June 30, 2023 and 2022, the required collateral was $0.

(f) Annual Principal Payments

The following table summarizes the aggregate annual maturities of bonds payable, notes payable, as well as taxable commercial paper, for the five fiscal years subsequent to June 30, 2023:

		Bonds payable	Notes payable	Commercial paper notes	Total
2024	$	—	30,375	—	30,375
2025		—	43,093	—	43,093
2026		—	4,280	—	4,280
2027		—	4,380	—	4,380
2028		—	21,110	—	21,110
Thereafter		1,409,515	158,495	70,000	1,638,010
	$	1,409,515	261,733	70,000	1,741,248

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

(g) Interest Costs

Total interest costs incurred and paid were $62,390 in 2023 and $52,361 in 2022, of which $13,829 in 2023 and $10,810 in 2022 were capitalized.

(9) Net Assets

Net assets without donor restrictions consists of the following as of June 30, 2023 and 2022:

		2023	2022
Net investment in plant	$	1,683,405	1,539,481
Board-designated endowments		2,598,872	1,170,661
Undesignated		279,756	1,361,388
	$	4,562,033	4,071,530

(Dollars in thousands)

Net assets with donor restrictions consists of the following as of June 30, 2023 and 2022:

		2023	2022
Donor-restricted endowment funds	$	7,939,993	7,073,811
Contributions receivable for endowment		746,890	69,612
Contributions receivable for operating		196,266	180,661
Contributions restricted for facilities		1,141,716	942,260
Land subject to time and purpose restrictions		35,600	27,700
Perpetual trusts for scholarship and program support		73,085	73,889
Other contributions, including annuities and other trusts		897,146	815,562
	$	11,030,696	9,183,495

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

(10) University Endowment

The University's endowment consists of approximately 4,600 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

(Dollars in thousands)

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

Endowment net assets consist of the following as of June 30, 2023:

		Without donor restrictions	With donor restrictions	Total
Investments by type of fund:				
Donor-restricted endowments:				
Historical gift value	$	—	6,452,987	6,452,987
Appreciation		—	1,487,006	1,487,006
Board-designated endowments		2,598,872	—	2,598,872
Total endowment net assets	$	2,598,872	7,939,993	10,538,865

Endowment net assets consist of the following as of June 30, 2022:

		Without donor restrictions	With donor restrictions	Total
Investments by type of fund:				
Donor-restricted endowments:				
Historical gift value	$	—	5,392,848	5,392,848
Appreciation		—	1,680,963	1,680,963
Board-designated endowments		1,170,661	—	1,170,661
Total endowment net assets	$	1,170,661	7,073,811	8,244,472

As of June 30, 2023, donor-restricted endowments with an original gift value of $439,074 were underwater by $31,913. As of June 30, 2022, donor-restricted endowments with an original gift value of $372,203 were underwater by $25,891. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments and authorized appropriation that was deemed prudent.

(Continued)

(Dollars in thousands)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2021	$	1,326,013	7,989,266	9,315,279
Investment return		(169,288)	(793,896)	(963,184)
Contributions and designations		66,612	189,425	256,037
Appropriation for expenditure		(52,676)	(310,984)	(363,660)
Endowment net assets, June 30, 2022		1,170,661	7,073,811	8,244,472
Investment return		85,565	169,230	254,795
Contributions and designations		1,435,682	1,056,181	2,491,863
Appropriation for expenditure		(93,036)	(359,229)	(452,265)
Endowment net assets, June 30, 2023	$	2,598,872	7,939,993	10,538,865

Appropriation for expenditure with donor restrictions for the years ended June 30, 2023 and 2022 includes $26,540 and $24,485, respectively, not used in current year operations but which is intended for future use.

Endowments are to be utilized for the following purposes as of June 30, 2023:

		Without donor restrictions	With donor restrictions	Total
Faculty support	$	317,644	2,914,318	3,231,962
Scholarship support		166,340	3,525,146	3,691,486
Program support		2,007,428	862,233	2,869,661
Research		107,460	638,296	745,756
	$	2,598,872	7,939,993	10,538,865

Endowments are to be utilized for the following purposes as of June 30, 2022:

		Without donor restrictions	With donor restrictions	Total
Faculty support	$	332,414	2,522,654	2,855,068
Scholarship support		206,609	3,285,610	3,492,219
Program support		484,108	617,016	1,101,124
Research		147,530	648,531	796,061
	$	1,170,661	7,073,811	8,244,472

(Continued)

(Dollars in thousands)

(11) Affiliated Institutions

Reimbursements from affiliated institutions consist of the following for the years ended June 30, 2023 and 2022:

		2023	2022
Johns Hopkins Health System	$	68,285	58,852
Johns Hopkins Hospital		364,678	335,935
Johns Hopkins Bayview Medical Center		103,716	91,499
Other Johns Hopkins entities		170,567	147,625
Other affiliated medical institutions		48,395	49,102
	$	755,641	683,013

(a) The Johns Hopkins Health System (JHHS)

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

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

In fiscal 2023, the University and JHHS entered into a conditional agreement whereby JHHS may provide annual funding to the School of Medicine, aggregating to a maximum of $450,000 over a seven-year period, to support the research and educational missions of the School. The funding will be subject to evaluation and approval annually by the JHHS Board of Trustees. In fiscal 2023, $75,000 was received and reported in the consolidated statement of activities as contributions in changes in net assets without donor restrictions. Future contributions have not been recognized in the consolidated financial statements due to the conditional nature of the agreement.

In fiscal 2021, JHHS provided an unconditional pledge of $66,000 to support the recruitment of clinical faculty at the School of Medicine, which was reported in the consolidated statement of activities as contributions in changes in net assets with donor restrictions. Amounts received from JHHS in FY23 and FY22 amounted to $6,074 and $751, respectively.

(b) The Hospital

The Hospital is a member of JHHS and serves as the primary teaching facility of the University's School of Medicine. Because of the closely related nature of their operations, the University and the Hospital share facilities and provide services to each other to fulfill their purposes more effectively. The sharing of facilities and services is negotiated annually and set forth in a Joint Administrative Agreement (JAA). Charges to the Hospital under the JAA, related primarily to the provision of professional medical services from the University, aggregated $294,708 in fiscal 2023 and $269,373 in fiscal 2022. Charges to the University under the JAA, related primarily to contractual services, aggregated $52,505 in fiscal 2023 and $51,810 in fiscal 2022, and are included in operating expenses in the consolidated statements of activities.

(c) Johns Hopkins Bayview Medical Center (JHBMC)

JHBMC is a community-based teaching hospital and long-term care facility. The University and JHBMC also share facilities and provide services to each other and negotiate the costs annually under a JAA. Charges to JHBMC under the JAA, related primarily to the provision of professional medical services from the University, aggregated $92,681 in fiscal 2023 and $83,901 in fiscal 2022.

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

In July 2007, the University and JHHEFI entered into an agreement whereby JHHEFI transferred approximately $381,000 to the University to invest in the University's Endowment Investment Pool (EIP) and have the University manage these assets on JHHEFI's behalf. The funds were invested with other University assets in the University's name and title, and in accordance with the University's EIP investment policies and objectives. JHHEFI receives payouts as determined by their Board of Trustees and may terminate the agreement upon 180 days' written notice with liquidations to be made over a three-year period as specified in the agreement. The assets are included in investments in the consolidated balance sheets, and a corresponding liability of $553,712 and $557,033 is included in endowment and similar funds held for others as of June 30, 2023 and 2022, respectively. The corresponding liability has a fair value measurement of Level 3. JHHEFI's assets represent approximately 7.2% of the combined investment pool of $7,638,201 as of June 30, 2023.

(e) Jointly Owned Entities

As of June 30, 2023 and 2022, the University and JHHS and its affiliates jointly own several entities that are accounted for on the equity method. The University's aggregate investments in and advances to these joint ventures was $359,367 and $347,138 as of June 30, 2023 and 2022, respectively. Equity in operating earnings of affiliates aggregated approximately $45,127 in fiscal 2023 and $30,866 in fiscal 2022.

In 2005, one of these entities, JHMI Utilities LLC, was formed to provide utility services for the East Baltimore campus. The University and Hospital, each owning 50% of JHMI Utilities LLC, provide all of its funding, including debt service, through payments for services received. Utility and telecommunications services provided to the University in fiscal 2023 and 2022 were $32,195 and $31,571, respectively. JHMI Utilities LLC has an agreement with the University to finance a portion of the costs of installation of, and subsequent upgrades to, an enterprise information technology system that provides integrated patient care information and service across JHM. The project has been successfully implemented with the total project cost at approximately $323,000 as of June 30, 2023. The cost of implementing the enterprise information technology strategy was financed through a combination of loans from, or guarantees by, the University and JHHS. The University committed to funding up to $36,800 of the project. As of June 30, 2023 and 2022, $6,200 and $10,300, respectively,

(Continued)

(Dollars in thousands)

was outstanding on the loan. In addition, the University has agreed to guarantee a pooled loan of up to $5,700.

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

The following table summarizes the aggregate condensed financial information of the jointly owned entities and the University's proportionate share of the entities as of and for the years ended June 30, 2023 and 2022, respectively:

	2023		2022	
	Total	University interest	Total	University interest
Assets	$ 1,626,159	665,424	1,390,647	589,464
Liabilities	958,556	389,130	783,412	332,329
Operating revenues	3,431,416	1,379,503	3,340,454	1,339,182
Operating expenses	3,305,143	1,334,376	3,256,458	1,308,316

(12) Pension and Postretirement Benefit Plans

The University has several benefit plans that are available to substantially all full-time employees. Most of these plans are qualified defined contribution plans for which the University's policy is to fund benefit costs as earned. The University also has a defined benefit pension plan covering bargaining unit employees and those classified as support staff. Benefit plan expenses were $308,299 in fiscal 2023 and $283,992 in fiscal 2022, including $288,788 and $265,859, respectively, related to defined contribution plans. Of the total benefit expense, APL's defined contribution plan accounted for $110,633 in fiscal 2023 and $102,214 in fiscal 2022.

Effective July 1, 2011, the University closed the support staff pension plan to new participants other than bargaining unit employees. In addition, the University offered a choice to current participants between the current support staff pension plan and its 403(b) plan. The University has retiree benefits plans that provide postretirement medical benefits to employees, including those at APL, who meet specified minimum age and service requirements at the time they retire. The University pays a portion of the cost of participants' medical insurance coverage. The University's portion of the cost for an individual participant depends on various factors, including the age, years of service, and time of retirement or retirement eligibility of the participant. The University has established a trust fund for its retiree benefits plans and intends to make contributions to the fund approximately equal to the annual net postretirement benefit cost. In fiscal year 2022, the University completed an experience study to review the assumptions used to calculate the benefit obligation of the pension and postretirement plans. The study resulted in a revision to some assumptions and gains. In fiscal years 2023 and 2022, the pension benefit obligation significantly decreased due to an increase in discount rates from the prior year.

(Dollars in thousands)

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

The University uses a June 30 measurement date for its defined benefit pension plan and retiree benefit plans. Information relating to the benefit obligation, assets, and funded status of the defined benefit pension plan and the postretirement benefit plans as of and for the years ended June 30, 2023 and 2022 is summarized as follows:

		Pension plan		Postretirement plans	
		2023	**2022**	**2023**	**2022**
Change in benefit obligation:					
Benefit obligation at beginning of year	$	727,410	923,248	157,853	282,555
Service cost		10,072	15,344	3,657	8,613
Interest cost		32,812	24,771	7,647	7,087
Participant contributions		—	—	13,607	11,983
Plan amendment		—	—	9,577	—
Actuarial gain		(45,140)	(208,022)	(3,379)	(128,909)
Benefits paid		(28,595)	(27,931)	(26,225)	(24,130)
Medicare subsidies received		—	—	677	654
Benefit obligation at end of year		696,559	727,410	163,414	157,853
Change in plan assets:					
Fair value of plan assets at beginning of year		600,486	731,123	319,497	401,425
Actual return on plan assets		49,244	(119,849)	9,428	(71,873)
University contributions		19,404	17,143	—	—
Participant contributions		—	—	13,027	13,421
Benefits paid		(28,595)	(27,931)	(26,225)	(24,130)
Medicare subsidies received		—	—	677	654
Fair value of plan assets at end of year		640,539	600,486	316,404	319,497
Funded status recognized as (pension obligation) postretirement asset, net	$	(56,020)	(126,924)	152,990	161,644

The accumulated benefit obligation for the pension plan was $680,919 and $707,909 as of June 30, 2023 and 2022, respectively.

(Dollars in thousands)

The table below reflects the net pension and postretirement benefit cost reported in operating as benefits expense and nonoperating as other net periodic benefit cost for the years ended June 30, 2023 and 2022:

	Pension plan		Postretirement plans	
	2023	2022	2023	2022
Operating:				
Service cost	$ 10,072	15,344	3,657	8,613
Total operating, included in benefits expense	10,072	15,344	3,657	8,613
Nonoperating:				
Interest cost on accumulated benefit obligation	32,812	24,771	7,647	7,087
Amortization of prior service cost	624	531	1,708	505
Expected return on plan assets	(28,253)	(33,601)	(12,619)	(15,914)
Amortization of actuarial loss (gain)	4,149	10,098	(6,152)	(4,579)
Total nonoperating	9,332	1,799	(9,416)	(12,901)
Total net pension and postretirement benefit cost (credit)	$ 19,404	17,143	(5,759)	(4,288)

The table below reflects the changes in plan assets, pension obligations, and postretirement assets recognized as nonoperating items for the years ended June 30, 2023 and 2022:

	Pension plan		Postretirement plans	
	2023	2022	2023	2022
New prior service cost	$ —	—	9,577	—
Net gain for the year	(66,131)	(54,572)	(188)	(41,121)
Amortization of prior service cost	(624)	(531)	(1,708)	(505)
Amortization of net (gain) loss	(4,149)	(10,098)	6,153	4,579
Net (credit) cost recognized in nonoperating activities	$ (70,904)	(65,201)	13,834	(37,047)

(Dollars in thousands)

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

	Pension plan		Postretirement plans	
	2023	2022	2023	2022
Weighted average assumptions used to determine benefit obligations at June 30:				
Discount rate	5.12 %	4.61 %	5.10%–5.12%	4.57%–4.60%
Average rate of compensation increase	2.90	2.90	N/A	N/A
Rate of increase in healthcare costs for next year	N/A	N/A	6.30	5.80
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	4.61 %	2.72 %	4.59%–4.60%	2.60%–2.79%
Expected rate of return on plan assets	5.50	5.50	4.00	4.00
Rate of compensation increase	2.90	2.90	N/A	N/A
Rate of increase in healthcare costs	N/A	N/A	6.60	6.00

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

The rate of increase in healthcare costs was assumed to begin with an initial rate of 6.6% in 2023 and decrease to 4.0% in 2046 and to remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the reported postretirement benefit cost and obligation.

(a) Plans' Assets

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

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

(Dollars in thousands)

(b) Pension Plan

The following table presents the fair value and categorization within the fair value hierarchy of the assets of the defined benefit pension plan as of June 30, 2023 and 2022 are as follows:

	2023			2022		
	Total	**Level 1**	**Funds at NAV**	**Total**	**Level 1**	**Funds at NAV**
Cash and cash equivalents	$ 5,270	5,270	—	928	928	—
Fixed income securities	196,870	189,117	7,753	209,667	203,869	5,798
United States equities and international equities	272,240	227,804	44,436	283,296	251,051	32,245
Absolute return	166,159	—	166,159	106,595	—	106,595
Total	$ 640,539	422,191	218,348	600,486	455,848	144,638

(c) Postretirement Plans

The following table presents the fair value and categorization within the fair value hierarchy of the assets of the postretirement plans as of June 30, 2023 and 2022 are as follows:

	2023			2022		
	Total	**Level 1**	**Funds at NAV**	**Total**	**Level 1**	**Funds at NAV**
Cash and cash equivalents	$ 8,627	8,627	—	5,062	5,062	—
Fixed income securities	218,613	218,613	—	227,265	227,265	—
United States equities and international equities	20,886	1,483	19,403	36,630	19,355	17,275
Absolute return	68,278	—	68,278	50,540	—	50,540
Total	$ 316,404	228,723	87,681	319,497	251,682	67,815

The Plans have no unfunded commitments to fund managers as of June 30, 2023 and 2022.

The University's target asset allocations for the pension plan and the postretirement plans as of June 30, 2023 and 2022 are as follows:

	Pension plan		Postretirement plans	
	2023	**2022**	**2023**	**2022**
Fixed income securities	40 %	30 %	75 %	75 %
United States equities and international equities	50	60	15	15
Absolute return	10	10	10	10
Total	100 %	100 %	100 %	100 %

 (Continued)

(Dollars in thousands)

(d) Cash Flows

The University expects to contribute $11,760 to the pension plan in fiscal 2024.

Employer benefits expected to be paid, net of expected retiree contributions to be received in the five years subsequent to June 30, 2023 and in aggregate for the five fiscal years thereafter, are as follows:

		Pension plan	Postretirement plans
2024	$	34,098	11,747
2025		36,087	11,971
2026		38,032	12,014
2027		39,914	12,069
2028		41,718	12,136
2029–2033		229,645	60,345

There are no Medicare subsidies to be received in future years.

(13) Functional Expense Information

Operating expenses by nature and function are summarized as follows for the year ended June 30, 2023:

		2023 Programs							
		Instruction, research and clinical practice	APL	Student services	Auxiliaries	Libraries	Total Programs	Institutional support	Total expenses
Compensation	$	2,256,351	1,043,963	82,581	30,674	13,131	3,426,700	276,550	3,703,250
Benefits		568,902	473,015	23,382	9,614	4,096	1,079,009	79,111	1,158,120
Subcontractors and subrecipients		368,429	227,707	—	—	—	596,136	—	596,136
Contractual services		718,606	101,920	70,657	54,729	7,440	953,352	201,947	1,155,299
Supplies, materials and other		424,401	208,219	7,518	29,955	7,501	677,594	52,616	730,210
Depreciation		106,921	87,047	6,132	8,463	18,185	226,748	26,652	253,400
Travel		121,976	24,025	4,270	561	272	151,104	5,839	156,943
Interest		34,114	—	1,669	3,446	717	39,946	9,599	49,545
Total	$	4,599,700	2,165,896	196,209	137,442	51,342	7,150,589	652,314	7,802,903

(Dollars in thousands)

Operating expenses by nature and function are summarized as follows for the year ended June 30, 2022:

	2022 Programs							
	Instruction, research and clinical practice	APL	Student services	Auxiliaries	Libraries	Total Programs	Institutional support	Total expenses
Compensation	$ 2,085,964	957,709	70,907	21,001	14,449	3,150,030	259,331	3,409,361
Benefits	514,731	421,713	19,837	5,838	4,113	966,232	75,042	1,041,274
Subcontractors and subrecipients	349,070	207,683	—	—	—	556,753	—	556,753
Contractual services	680,443	92,523	63,707	52,257	9,831	898,761	184,377	1,083,138
Supplies, materials and other	399,719	169,960	9,008	29,251	7,908	615,846	48,645	664,491
Depreciation	95,027	86,252	4,402	8,288	17,931	211,900	34,466	246,366
Travel	68,759	17,316	2,531	226	215	89,047	3,395	92,442
Interest	27,923	—	1,063	2,805	657	32,448	9,184	41,632
Total	$ 4,221,636	1,953,156	171,455	119,666	55,104	6,521,017	614,440	7,135,457

Costs related to the operation and maintenance of property, including depreciation of property and equipment and interest on related debt, are allocated to program and supporting activities based upon periodic inventories of facilities. Other net periodic benefit credit recorded in nonoperating expense was $84 and $11,102 for the years ended June 30, 2023 and 2022, respectively.

(14) Liquidity and Availability

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

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

	2023	2022
Cash and cash equivalents	$ 389,848	747,526
Operating investments	755,870	421,522
Sponsored research accounts receivable, net	640,836	617,773
Accounts receivable, net	249,369	234,369
Contributions receivable, net	49,591	35,056
Expected endowment payout for upcoming fiscal year	562,020	434,300
Investments in and loans to affiliates	5,102	7,209
Payout from interests in trusts and endowment funds held for others	4,697	4,406
Financial assets available to meet general expenditures over the next year	$ 2,657,333	2,502,161

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

(Dollars in thousands)

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

(15) Leases

The University leases facilities used in its academic and research operations under long-term operating and finance leases, including certain facilities from the Hospital under a renewable one year lease. This lease provides for a rent equal to the cost to the Hospital for maintaining the facilities and has been renewed for the year ending June 30, 2024.

For the years ended June 30, 2023 and 2022, the components of lease expense are as follows:

		2023	2022
Lease cost:			
Finance lease expense:			
Amortization of right-of-use assets	$	4,452	4,452
Interest on lease obligations		2,881	3,225
Operating lease expense		53,812	53,999
Variable lease expense		47,131	47,748
Short-term lease expense		4,697	4,554
Total lease expense	$	112,973	113,978
Other information:			
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	$	52,590	20,873
Weighted average remaining lease term:			
Finance leases		29.91 yrs.	6.77 yrs.
Operating leases		6.91 yrs.	6.60 yrs.
Weighted average discount rate:			
Finance leases		5.29 %	6.38 %
Operating leases		3.25	2.38

(Dollars in thousands)

Payments due include options, where reasonably certain, to extend operating leases through fiscal year 2107 and are summarized below as of June 30, 2023:

	Affiliates	Others	Total
2024	$ 13,809	37,577	51,386
2025	12,259	31,750	44,009
2026	9,249	26,522	35,771
2027	5,291	23,918	29,209
2028	2,366	21,989	24,355
After 2028	2,183	79,196	81,379
	45,157	220,952	266,109
Less amounts representing interest	2,080	30,019	32,099
Total operating lease liabilities	$ 43,077	190,933	234,010

Payments due for finance leases through fiscal year 2031 are summarized below as of June 30, 2023:

2024	$ 50,262
2025	34,121
2026	19,650
2027	17,065
2028	12,810
After 2028	6,735
	140,643
Less amounts representing interest	15,397
Total finance lease liabilities	$ 125,246

As of June 30, 2023, the gross amount of finance right-of-use assets and accumulated depreciation thereon are reflected in property and equipment and amounted to $253,385 and $51,358, respectively.

The following presents supplemental cash flow information for the years ended June 30, 2023 and 2022 as it relates to cash paid for amounts included in the measurement of lease liabilities:

	2023	2022
Operating cash flows for operating leases	$ 51,816	53,851
Operating cash flows for finance leases	2,881	5,059
Financing cash flows for finance leases	58,273	3,225

In June 2021, the University signed a 40-year lease agreement with the Hospital for approximately 65% of the total space in a research facility scheduled to be completed before the end of fiscal 2026. Two of the three wings in the facility are expected to be available for use during fiscal 2025. The University will be responsible for approximately 65% of the total core and shell costs, which are estimated to range from $300,000 to $320,000, and will fund its share of these costs as prepayments under the lease on a monthly basis during the construction and renovation period. In addition, the University will fund its own tenant improvements during this period. As of June 30, 2023, the University's estimated aggregate remaining minimum lease payments were $89,055, which have been included within payments due for finance leases from fiscal 2024 through fiscal 2026 in the table above. In 2023, the University made prepayments on the lease of $54,863 and $43,167 as of June 30, 2023 and 2022, respectively. In fiscal 2023, the lease commenced on two of the three wings, creating a finance right-of-use asset and a finance lease liability of $175,827 and $81,557, respectively, at June 30, 2023. The finance right-of-use asset is included in property and equipment, net and the finance lease liability is included in debt. Prepayments of $3,760 related to the third wing are included in other assets at year end.

(16) Other Commitments and Contingencies

(a) Guarantees

The University and the Hospital have also provided guarantees of principal and interest payments related to loans granted to JHMI Utilities LLC under the MHHEFA Pooled Loan Program. As of June 30, 2023, the University's guarantee amounted to $5,700 and continues until maturity of the loans occurring through 2029. No guarantee obligation has been recognized.

(b) Regulatory and Legal Matters

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

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

(i) Specific Matter

In January 2022, class action lawsuits were filed against multiple peer universities alleging violations of the antitrust laws; in February 2022, the University was added as a defendant in the suits. Defendants' Motions to Dismiss were denied in August 2022, and the case proceeded into the discovery phase, which is ongoing. The claims in the litigation allege that the defendants conspired in violation of the antitrust laws through their involvement with the "Section 568 Presidents Group," formed originally in the 1990s following congressional enactment of an exemption from the antitrust laws for so-called "need blind" institutions of higher education. The University continues to vigorously defend this lawsuit. While the outcome cannot currently be determined, the University does not believe the matter will have a material adverse effect on its financial position.

(17) Subsequent Events

The University evaluated subsequent events through October 12, 2023, which is the date the consolidated financial statements were issued. There were no additional matters that required adjustment to or disclosure in the consolidated financial statements.