

EMORY UNIVERSITY  
**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**AUGUST 31, 2022 AND 2021**

(WITH INDEPENDENT AUDITORS' REPORT THEREON)



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

## Independent Auditors' Report

The Board of Trustees  
Emory University:

### *Opinion*

We have audited the consolidated financial statements of Emory University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and 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 Emory University and its subsidiaries as of August 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *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.

*Supplementary Information*

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

*KPMG LLP*

Atlanta, Georgia  
December 19, 2022

**EMORY UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

AUGUST 31, 2022 AND 2021 (Dollars in thousands)

	August 31, 2022	August 31, 2021
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,421,386	\$ 1,265,377
Patient accounts receivable, net	646,792	607,687
Student accounts receivable, net	14,383	18,616
Loans receivable, net	16,415	18,441
Contributions receivable, net	181,811	180,994
Other receivables, net	283,544	244,847
Prepaid expenses, deferred charges, and other assets	380,662	446,291
Investments	10,605,084	11,630,104
Interests in perpetual funds held by others	1,682,142	1,848,427
Operating lease right-of-use assets	245,976	182,372
Property and equipment, net	4,396,966	4,015,749
<b>Total assets</b>	<b>\$ 19,875,161</b>	<b>\$ 20,458,905</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable and accrued liabilities	\$ 1,043,640	\$ 1,001,352
CARES Act accrued liabilities	69,811	345,829
Deferred revenue	420,740	393,435
Interest payable	48,817	40,843
Liability for derivative instruments	87,266	211,164
Bonds and notes payable	2,947,446	2,526,137
Accrued liabilities for benefit obligations and professional liabilities	624,906	693,038
Operating lease liabilities	273,207	186,260
Finance lease liabilities	16,583	17,624
Funds held in trust for others	1,121,578	1,239,045
Annuities payable	13,951	15,843
Government advances for federal loan programs	11,887	16,719
Asset retirement obligations	89,602	85,833
<b>Total liabilities</b>	<b>6,769,434</b>	<b>6,773,122</b>
Net assets without donor restrictions, controlled by Emory	5,464,696	5,495,749
Net assets without donor restrictions related to noncontrolling interests	120,735	139,764
	5,585,431	5,635,513
Net assets with donor restrictions	7,520,296	8,050,270
<b>Total net assets</b>	<b>13,105,727</b>	<b>13,685,783</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,875,161</b>	<b>\$ 20,458,905</b>

See accompanying notes to consolidated financial statements.

# EMORY UNIVERSITY

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED AUGUST 31, 2022 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021) (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2022	Total August 31, 2021
<b>OPERATING REVENUE</b>				
Tuition and fees, net of scholarship allowance	\$ 488,367	-	\$ 488,367	\$ 416,618
Sales and services of auxiliary enterprises, net of scholarship allowance	75,724	-	75,724	37,715
Endowment spending distribution	215,461	-	215,461	206,255
Distribution from perpetual funds	42,407	-	42,407	40,418
Other investment income designated for current operations	63,617	-	63,617	58,316
Gifts and contributions for current use	65,380	13,076	78,456	98,319
Grants and contracts	632,221	-	632,221	590,964
Indirect cost recoveries	189,208	-	189,208	171,885
Net patient service revenue	5,039,219	-	5,039,219	4,803,785
Medical services	310,203	-	310,203	325,027
Independent operations	14,276	-	14,276	12,519
Other revenue	794,280	-	794,280	613,913
Net assets released from restrictions	37,970	(20,609)	17,361	23,428
<b>Total operating revenue</b>	<b>7,968,333</b>	<b>(7,533)</b>	<b>7,960,800</b>	<b>7,399,162</b>
<b>OPERATING EXPENSES</b>				
Salaries	4,138,197	-	4,138,197	3,601,666
Fringe benefits	878,882	-	878,882	799,598
Student financial aid	28,166	-	28,166	28,678
Other operating expenses	2,541,235	-	2,541,235	2,347,090
Interest on indebtedness	76,178	-	76,178	74,959
Depreciation and amortization	319,714	-	319,714	315,406
<b>Total operating expenses</b>	<b>7,982,372</b>	<b>-</b>	<b>7,982,372</b>	<b>7,167,397</b>
<b>NET OPERATING ACTIVITIES</b>	<b>(14,039)</b>	<b>(7,533)</b>	<b>(21,572)</b>	<b>231,765</b>
<b>NONOPERATING ACTIVITIES, NET</b>				
Investment return	(305,342)	(593,427)	(898,769)	2,278,965
Change in undistributed income from perpetual funds held by others	-	(45,452)	(45,452)	250,749
Gifts and contributions for capital and long-term investment	8,499	151,500	159,999	216,527
Other losses	(2,033)	-	(2,033)	(4,359)
Loss on retirement of debt	(441)	-	(441)	-
Change in fair value of derivative instruments	163,122	-	163,122	59,812
Net periodic benefit cost other than service cost	(2,601)	-	(2,601)	(669)
Changes in pension and other postretirement obligations	66,693	-	66,693	65,336
Other nonoperating items, net	8,853	9,506	18,359	(6,792)
Net assets released from restrictions	27,207	(44,568)	(17,361)	(23,428)
<b>Total nonoperating activities, net</b>	<b>(36,043)</b>	<b>(522,441)</b>	<b>(558,484)</b>	<b>2,836,141</b>
<b>CHANGE IN NET ASSETS</b>	<b>(50,082)</b>	<b>(529,974)</b>	<b>(580,056)</b>	<b>3,067,906</b>
Less change in net assets related to noncontrolling interests	(19,029)	-	(19,029)	35,294
<b>CHANGE IN NET ASSETS CONTROLLED BY EMORY</b>	<b>\$ (31,053)</b>	<b>(529,974)</b>	<b>\$ (561,027)</b>	<b>\$ 3,032,612</b>

See accompanying notes to consolidated financial statements.

# EMORY UNIVERSITY

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2021 (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2021
<b>OPERATING REVENUE</b>			
Tuition and fees, net of scholarship allowance	\$ 416,618	-	\$ 416,618
Sales and services of auxiliary enterprises, net of scholarship allowance	37,715	-	37,715
Endowment spending distribution	206,255	-	206,255
Distribution from perpetual funds	40,418	-	40,418
Other investment income designated for current operations	58,316	-	58,316
Gifts and contributions for current use	57,704	40,615	98,319
Grants and contracts	590,964	-	590,964
Indirect cost recoveries	171,885	-	171,885
Net patient service revenue	4,803,785	-	4,803,785
Medical services	325,027	-	325,027
Independent operations	12,519	-	12,519
Other revenue	613,913	-	613,913
Net assets released from restrictions	41,581	(18,153)	23,428
<b>Total operating revenue</b>	<b>7,376,700</b>	<b>22,462</b>	<b>7,399,162</b>
<b>OPERATING EXPENSES</b>			
Salaries	3,601,666	-	3,601,666
Fringe benefits	799,598	-	799,598
Student financial aid	28,678	-	28,678
Other operating expenses	2,347,090	-	2,347,090
Interest on indebtedness	74,959	-	74,959
Depreciation and amortization	315,406	-	315,406
<b>Total operating expenses</b>	<b>7,167,397</b>	<b>-</b>	<b>7,167,397</b>
<b>NET OPERATING ACTIVITIES</b>	<b>209,303</b>	<b>22,462</b>	<b>231,765</b>
<b>NONOPERATING ACTIVITIES, NET</b>			
Investment return	853,975	1,424,990	2,278,965
Change in undistributed income from perpetual funds held by others	-	250,749	250,749
Gifts and contributions for capital and long-term investment	12,786	203,741	216,527
Other losses	(4,359)	-	(4,359)
Change in fair value of derivative instruments	59,812	-	59,812
Net periodic benefit cost other than service cost	(669)	-	(669)
Changes in pension and other postretirement obligations	65,336	-	65,336
Other nonoperating items, net	(18,546)	11,754	(6,792)
Net assets released from restrictions	(1,627)	(21,801)	(23,428)
<b>Total nonoperating activities, net</b>	<b>966,708</b>	<b>1,869,433</b>	<b>2,836,141</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,176,011</b>	<b>1,891,895</b>	<b>3,067,906</b>
Less change in net assets related to noncontrolling interests	35,294	-	35,294
<b>CHANGE IN NET ASSETS CONTROLLED BY EMORY</b>	<b>\$ 1,140,717</b>	<b>\$ 1,891,895</b>	<b>\$ 3,032,612</b>

See accompanying notes to consolidated financial statements.

**EMORY UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED AUGUST 31, 2022 AND 2021 (Dollars in thousands)

	August 31, 2022	August 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (580,056)	\$ 3,067,906
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions and pledge payments restricted for long-term investment and capital projects	(114,858)	(185,734)
Contributions of donated securities	(73,017)	(29,418)
Proceeds from sale of donated securities	14,122	24,664
Equity in net losses of joint ventures	11,684	10,930
Net realized and unrealized losses (gains) on investments	686,070	(2,901,679)
Loss on disposal of property and equipment	2,098	4,406
Change in undistributed income from perpetual funds held by others	45,452	(250,749)
Loss on debt retirement	441	-
Depreciation and amortization	317,609	311,480
Amortization of bond premiums and issuance costs	(17,582)	(19,953)
Amortization of right-of-use assets	44,625	41,749
Change in pension and other postretirement	(66,693)	(64,667)
Change in fair value of derivative instruments	(123,898)	(59,812)
Change in operating assets:		
Accounts and other receivables, net	(73,569)	14,360
Contributions receivable for operations	(14,987)	(39,232)
Prepaid expenses, deferred charges, and other assets	34,319	(53,957)
Change in operating liabilities:		
Accounts payable, accrued liabilities, and interest payable	16,194	183,954
CARES Act accrued liabilities	(276,018)	(229,933)
Asset retirement obligations	3,769	3,218
Accrued liabilities for benefit obligations and professional liabilities	(1,439)	27,250
Lease liabilities, net	(19,788)	(36,467)
Deferred revenue	27,305	67,058
<b>Net cash used in operating activities</b>	<b>(158,217)</b>	<b>(114,626)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Contributions from partnerships	2,000	2,900
Disbursements for loans to students	(2,041)	(1,903)
Repayment of loans from students	4,067	4,245
Proceeds from sales and maturities of investments	4,175,363	3,131,257
Purchases of investments	(3,910,918)	(3,074,681)
Purchases of property, plant, and equipment	(682,034)	(676,349)
(Decrease) increase in funds held in trust for others	(33,934)	327,907
<b>Net cash used in investing activities</b>	<b>\$ (447,497)</b>	<b>\$ (286,624)</b>

(Continued)

**EMORY UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED AUGUST 31, 2022 AND 2021 (Dollars in thousands)

	<b>August 31, 2022</b>	<b>August 31, 2021</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions and pledge payments restricted for long-term investment and capital projects	\$ 109,028	\$ 204,401
Payments received restricted for capital projects from trust held by others	140,833	72,699
Proceeds from sale of donated securities restricted for long-term investment and capital projects	58,895	4,754
Proceeds from bonds payable, including commercial paper	662,981	-
Principal repayments of bonds payable, including commercial paper	(222,077)	(16,769)
Payments on finance lease obligations	(1,041)	(1,591)
Change in annuities payable	(1,892)	1,166
Debt issuance costs	(2,454)	(56)
Change in government advances for federal loan programs	(4,832)	(2,775)
<b>Net cash provided by financing activities</b>	<b>739,441</b>	<b>261,829</b>
Net change in cash, cash equivalents, and restricted cash	133,727	(139,421)
Cash, cash equivalents, and restricted cash at beginning of year	1,327,892	1,467,313
<b>Cash, cash equivalents, and restricted cash at end of year (Note 2a)</b>	<b>\$ 1,461,619</b>	<b>\$ 1,327,892</b>
<b>Supplemental disclosures:</b>		
Cash paid for interest	\$ 103,410	\$ 93,715
Accrued liabilities for property, plant, and equipment purchases	42,807	40,225

See accompanying notes to consolidated financial statements.

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

### (1) Organization

Emory University (the University or Emory) is a private, coeducational, not-for-profit institution, located in Atlanta, Georgia. Founded in 1836, Emory owns and operates educational, research, and healthcare facilities to support its mission. Emory provides educational services to approximately 8,155 undergraduate students and 7,754 graduate and professional students within its nine schools and colleges. Included within the University is the Emory Healthcare System (Emory Healthcare), Emory Medical Care Foundation, and Emory Innovations, LLC.

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

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

### (2) Summary of Significant Accounting Policies

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

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

Net assets and revenue, gains, and losses are classified based on the existence or absence of externally imposed restrictions.

Accordingly, net assets of the University are classified and reported as follows:

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

Noncontrolling interests in net assets are reported in the accompanying consolidated statements of financial position as a separate component of net assets without donor restrictions.

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

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions and shown as reclassifications among the applicable classes of net assets.

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

#### (a) Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents consist primarily of bank balances and short-term money market mutual funds and treasury bills with original maturities generally 90 days or less that are not invested as part of the long-term investments. These amounts are carried at cost, which approximates fair value. Cash and cash equivalents that are part of the long-term pool are shown within investments as those funds generally are not used for daily operating purposes. For purposes of the statements of cash flows, activity related to liabilities with original maturities of three months or less is presented net.

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

Restricted cash consists of cash on hand that is restricted for a specific purpose under various capital financing arrangements or cash held for others and, therefore, not available to Emory for immediate or general business use. Restricted cash appears separately from the cash and cash equivalents on the University's accompanying consolidated statements of financial position.

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

	2022	2021
Cash and cash equivalents	\$ 1,421,386	\$ 1,265,377
Restricted cash included in investments	40,233	31,205
Restricted cash included in prepaid expenses, deferred charges, and other assets	–	31,310
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 1,461,619</b>	<b>\$ 1,327,892</b>

Included within 2022 cash and cash equivalents is \$216.3 million of 2022 bond proceeds (note 12).

### (b) Contributions Receivable, Net

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

### (c) Loans Receivable, Net

Loans receivable represents the outstanding loan balance due under Emory-funded and various federal government loan programs offered to graduate and undergraduate students less allowances for bad debt. Loans to students are carried at the estimated net realizable value. Interest earned on these loan programs is recognized as operating revenue in the accompanying consolidated statements of activities. Loans receivable from students under certain government loan programs, carried at cost, can only be assigned to the federal government or its designees. In addition to federal direct loans (which are not reported in the accompanying consolidated financial statements), loans to qualified students are funded

principally with government advances to Emory under the Perkins, Nursing, and Health Professions Student Loan Programs.

### (d) Student Accounts and Other Receivables, Net

Student accounts and other receivables are recorded at net realizable value and include receivables from students, sponsors, other organizations, and reinsurers.

### (e) Investments

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

Investments in alternative investment fund structures are valued using the net asset value (NAV) per share of the investment (or its equivalent), as a practical expedient, if (a) the underlying investment manager's calculation of NAV is fair value based and (b) the University does not currently have plans to sell the investment for an amount different from NAV. Valuations provided by the general partners and investment managers are evaluated by the Emory Investment Management Office at August 31, 2022 and 2021.

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

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

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

### **(f) Fair Value Measurements**

The University uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable input to the extent possible. The University determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

*Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

*Level 2* – Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* – Unobservable inputs for the asset and liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

### **(g) Split-Interest Agreements**

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

### **(h) Interests in Perpetual Funds Held by Others**

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

value of Emory's interest in such perpetual funds is adjusted monthly for changes in fair value.

### **(i) Property and Equipment, Net**

Land, buildings, and equipment are recorded at cost at the date of acquisition or fair value at the date of gift to the University. Depreciation expense is based on the straight-line method over the estimated useful lives of the assets. Useful lives are as follows: buildings – 10 to 60 years, land improvements and infrastructure – 5 to 40 years, movable equipment – 3 to 20 years, fixed equipment – 3 to 30 years, software and enterprise systems – 3 to 10 years, leasehold improvements – term of the lease, and library books – 10 years. Certain assets totaling \$121.4 million and \$119.2 million, such as art, museum assets, and rare books, are included in property and equipment, net as of August 31, 2022 and 2021, respectively, but are not depreciated.

If circumstances require property and equipment to be tested for impairment, the University compares undiscounted cash flows expected to be generated by the property and equipment to its carrying amount. If the carrying amount exceeds the undiscounted cash flows, an impairment is recognized to the extent that the carrying amount exceeds its fair value. There were no asset impairments for fiscal years 2022 or 2021.

### **(j) Health Insurance Plan**

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

### **(k) Patient Accounts Receivable and Concentrations**

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

Emory Healthcare analyzes contractually due amounts and provides an allowance for implicit price concessions. Accounts

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

receivable are written off after collection efforts have been undertaken in accordance with Emory's policies.

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

	2022	2021
Managed care and other third-party payors	61%	58%
Medicare	30	31
Medicaid	4	4
Patients	5	7
	<b>100%</b>	<b>100%</b>

### (l) Leases

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

### (m) Income Taxes

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

The Tax Cuts and Job Acts (the Act) imposes an excise tax on net investment income and excess compensation for certain organizations and established rules for calculating unrelated business income. Based on reasonable estimates under the current regulatory guidance on the Act, Emory has recognized current and deferred tax liabilities, net aggregating \$12.7 million as of August 31, 2022 and \$34.6 million as of August 31, 2021. The University also has a net operating loss carryforward related to unrelated business income aggregating \$171.4 million, for which

a valuation allowance of \$144.0 million is recorded as of August 31, 2022. As of August 31, 2021, the University had a net operating loss carryforward of \$133.7 million, with a valuation allowance of \$113.4 million.

The University regularly evaluates its tax positions and as of August 31, 2022 and 2021, there were no material uncertain tax positions.

### (n) Derivative Instruments

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

### (o) Pension and Postretirement Benefit Plans

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

### (p) COVID-19 Pandemic

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

In 2020 and 2021, the Coronavirus Aid, Relief and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP), (collectively, the Acts) were enacted and signed into law to provide emergency grants to help individuals and businesses affected by the pandemic. Under the provisions of the CARES Act, Emory Healthcare received approximately \$249.7 million in provider relief funds (PRF) from the Department of Health and Human Services (HHS) through August 31, 2022 in both general and targeted distributions.

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

Emory Healthcare recognized \$30.6 million and \$219.1 million as other revenue in the accompanying consolidated statements of activities for the years ended August 31, 2022 and 2021, respectively.

During fiscal year 2020, Emory Healthcare also received approximately \$285.2 million in advance payments, that must be repaid, through the Centers for Medicare & Medicaid Services (CMS) COVID-19 Accelerated and Advance Payments (CAAP) Program to provide necessary funds when there is a disruption in claims submissions and processing or in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. Repayment of outstanding CAAP amounts began in April 2021 and will occur monthly over a 29-month period. Approximately \$15.0 and \$221.2 million, respectively, relating to advanced payments received under the CAAP program is reflected in CARES Act accrued liabilities in the accompanying 2022 and 2021 consolidated statements of financial position.

Through August 31, 2021, the Department of Education awarded \$39.5 million in Higher Education Emergency Relief Funds (HEERF) to the University under the Acts, of which \$33.9 million was approved for payment to Emory and received as of August 31, 2022. The University distributed \$12.2 million and \$9.8 million to students and allocated \$0.2 and \$11.7 million to qualifying COVID-related expenses in fiscal years 2022 and 2021, respectively. Emory recognized \$22.3 million and \$11.6 million, respectively, as grants and contracts revenue in the accompanying 2022 and 2021 consolidated statements of activities.

The CARES Act allows employers to defer deposits and payments of the employer's share of Social Security taxes incurred between March 27, 2020 and December 31, 2020. As of August 31, 2022 and 2021, Emory has deferred payments of \$54.9 million and \$114.7 million, respectively, of employer taxes that are included in CARES Act accrued liabilities in the accompanying consolidated statements of financial position. The remaining amount of the deferred payments is due by December 31, 2022.

### **(q) New Accounting Pronouncements**

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance amends ASC 958-05, requiring not-for-profit (NFP) entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and

other financial assets, and disclose contributed nonfinancial assets. ASU No. 2020-07 is effective for all NFPs for fiscal years beginning after June 15, 2021. Emory adopted ASU No. 2020-07 in fiscal year 2022 with no material impact to the accompanying consolidated financial statements.

### **(r) Use of Estimates**

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

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

### **(s) Conflict of Interest Policies (Related Parties)**

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

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

### **(t) Investments in Joint Ventures**

Emory accounts for its investments in joint ventures over which it has significant influence but not a controlling interest, using the equity method. Investments in joint ventures are generally included in investments in the accompanying consolidated statements of financial position and equity income/loss is recorded within nonoperating activities in the accompanying consolidated statements of activities.

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

**(3) Contributions Receivable**

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

	2022	2021
<b>UNCONDITIONAL PROMISES</b>		
<b>EXPECTED TO BE COLLECTED IN:</b>		
Less than one year	\$ 87,640	\$ 76,980
One year to five years	94,581	118,402
Over five years	17,816	1,229
Gross contributions receivable	200,037	196,611
Less:		
Allowance for uncollectible amounts	(5,568)	(5,374)
Discount to present value	(12,658)	(10,243)
<b>Contributions receivable, net</b>	<b>\$ 181,811</b>	<b>\$ 180,994</b>

At August 31, 2022 and 2021, the five largest outstanding donor pledge balances represented 74.0% and 70.6%, respectively, of Emory's total contributions receivable, net. Contribution receivables are discounted at rates ranging from 2.04% to 4.2%.

As of August 31, 2022, the University had received bequest intentions and conditional promises of approximately \$59.8 million. These intentions to give are not recognized as assets or revenue and, if received, will generally be restricted for purposes stipulated by the donor.

**(4) Revenue Recognition**

**(a) Net Tuition and Fees**

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

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

excess of amounts owed by the students to Emory are recorded as scholarship expenses.

**(b) Sales and Services of Auxiliary Enterprises**

An auxiliary enterprise is a nonacademic entity that exists predominantly to furnish goods and services to students, faculty, and staff. Auxiliary enterprises revenue primarily includes residential services, parking, and bookstore. Residential services and parking revenue is recognized over time, as the services are performed. Sales of goods occur as a point-of-sale transaction, and the revenue is recognized as the sale occurs. Any discounts are factored into the selling price at the point of sale.

The following table provides the components of tuition and fees and student-related auxiliary enterprises revenue for the year ended August 31, 2022 (in thousands):

	Tuition and Fees	Auxiliary Enterprises	Total
Undergraduate programs	\$ 458,803	51,536	510,339
Graduate and professional programs	368,358	868	369,226
<b>Total at published rates</b>	<b>827,161</b>	<b>52,404</b>	<b>879,565</b>
Less institutional aid for undergraduate programs	(168,427)	(8,788)	(177,215)
Less institutional aid for graduate and professional programs	(179,234)	(191)	(179,425)
<b>Tuition and fees and auxiliary enterprises, net of institutional aid</b>	<b>479,500</b>	<b>43,425</b>	<b>522,925</b>
Other academic programs	8,867	-	8,867
<b>Total tuition and fees and auxiliary enterprises</b>	<b>\$ 488,367</b>	<b>43,425</b>	<b>531,792</b>

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

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

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

### (c) Gifts and Contributions Revenue

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

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

### (d) Grants and Contracts Revenue

Emory receives funding from federal, state, corporate, and private foundations (sponsors). The agreement with the sponsor may take the form of a contract, grant, or cooperative agreement. If resource providers do not receive commensurate benefit (only indirect benefit because the research findings serve the general public), such grants and contracts are considered contributions.

Most Emory nonexchange, sponsored research agreements are conditional contributions as the agreements include both a right of return or release of assets and a barrier that Emory must overcome to be entitled to the consideration. The University recognizes revenue associated with these sponsored agreements as qualifying allowable expenses are incurred or a measurable performance-related barrier is achieved in accordance with the terms and conditions of the agreements. Conditional agreements with sponsor-imposed restrictions that expire simultaneously with the satisfaction of the specified conditions are reported as net assets without donor restrictions. Deferred revenue is recognized when cash is received from sponsors in advance of revenue being earned. Amounts recorded in other receivable, net are for services rendered or expenditures incurred in advance of the receipt of funds.

Emory considers revenue from most clinical trial agreements to be exchange transactions where revenue is recognized as services are performed, billed, and the University has contractual right to consideration. Revenue related to clinical trial agreements included in grants and contracts revenue in the accompanying

consolidated statements of activities for the years ended August 31, 2022 and 2021 totaled \$70.1 million and \$57.5 million, respectively.

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

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

	2022		2021	
	Grants	Contracts	Grants	Contracts
Federal government	\$ 631,726	5,757	\$ 582,992	2,454
Other government	2,016	54	1,658	151
Corporate	19,118	56,805	14,634	50,226
Private institutions	98,468	7,485	106,109	4,625
<b>Total</b>	<b>\$ 751,328</b>	<b>70,101</b>	<b>\$ 705,393</b>	<b>57,456</b>

As of August 31, 2022 and 2021, Emory had unexpended grant awards of \$952.5 million and \$834.5 million, respectively, for which revenue will be recognized when conditions have been met or performance obligations have been satisfied.

### (e) Royalties Revenue

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

### (f) Medical Services and Other Revenue

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

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

The University also has affiliation and administrative services agreements with Children’s Healthcare of Atlanta and the Emory + Children’s Pediatric Institute, where it provides various administrative services. Revenue is recognized over time and is recorded as other revenue in the accompanying consolidated statements of activities.

Retail pharmaceutical sales are recognized at a point in time when the customer receives the product.

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

	<b>2022</b>	<b>2021</b>
Retail pharmaceutical sales	\$ 267,409	\$ 198,358
CARES Act provider relief fund	30,616	219,139
Royalties	262,645	11,702
Other	233,610	184,714
<b>Other revenue</b>	<b>\$ 794,280</b>	<b>\$ 613,913</b>

### (g) Independent Operations Revenue

Independent operations are activities independent of its mission, including an externally managed conference center, hotel, and a fitness center. Fee charges are based on market rates for the services provided and revenue is recognized at a point in time or over time as the services are rendered.

### (h) Net Patient Services Revenue

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

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Emory Healthcare believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in Emory Healthcare’s hospitals receiving inpatient, outpatient, or emergency services. Emory Healthcare measures the performance obligation from admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is

generally recognized when goods are provided to Emory Healthcare’s patients and customers in a retail setting (e.g., pharmaceuticals), and Emory Healthcare does not believe it is required to provide additional goods or services related to that sale.

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

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

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

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

	<b>2022</b>	<b>2021</b>
Medicare	\$ 1,526,833	\$ 1,474,617
Medicaid	115,418	178,384
Managed care and other third-party payors	3,336,066	3,092,695
Patients	60,902	58,089
<b>Net patient service revenue</b>	<b>\$ 5,039,219</b>	<b>\$ 4,803,785</b>

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

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

	2022	2021
Services lines:		
Hospital – inpatient	\$ 2,218,074	\$ 2,141,460
Hospital – outpatient	1,697,647	1,585,008
Physician services	1,123,498	1,077,317
<b>Net patient service revenue</b>	<b>\$ 5,039,219</b>	<b>\$ 4,803,785</b>

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

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

The cost of charity care provided totaled \$148.2 million and \$124.6 million for the years ended August 31, 2022 and 2021, respectively. Emory Healthcare estimated these costs by applying a ratio of cost to gross charges to the gross uncompensated charges associated with providing care to the charity patients.

### (5) Liquidity and Availability

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

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

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

As of August 31, 2022 and 2021, the following financial assets could readily be made available within one year of the statements of financial position date to meet cash needs for general expenditures (in thousands):

	2022	2021
<b>TOTAL ASSETS</b>	<b>\$ 19,885,028</b>	<b>\$ 20,458,905</b>
Less:		
Property and equipment, net	(4,396,966)	(4,015,749)
Interest in perpetual trusts held by others	(1,682,142)	(1,848,427)
Donor-restricted and board-designated endowment funds	(7,310,837)	(7,974,988)
Other investments	(3,242,498)	(3,589,504)
Prepaid expenses, deferred charges, and other assets	(390,529)	(446,291)
Operating lease right-of-use assets	(245,976)	(182,372)
Contributions receivable, net	(181,811)	(180,994)
Loans receivable, net	(16,415)	(18,441)
Add:		
Endowment payout in following year	223,479	215,002
Contributions receivable due within one year for operations	87,640	76,980
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 2,728,973</b>	<b>\$ 2,494,121</b>

The University has \$2,729.0 million of financial assets as of August 31, 2022 to meet cash needs for general expenditures, consisting of cash and cash equivalents of \$1,421.4 million, accounts receivable of \$944.7 million, contributions receivable, less than one year of \$87.6 million, payout on with and without donor-restricted endowment funds of \$223.5 million, and other operating investments of \$51.7 million.

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

**(6) Investments**

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

	2022	2021
Short-term investments and cash equivalents <sup>(a)</sup>	\$ 498,147	\$ 717,537
Public equity <sup>(b)</sup>	3,741,806	4,689,741
Absolute return/ fixed income <sup>(c)</sup>	1,673,726	1,693,687
Private equity/venture capital <sup>(d)</sup>	3,726,232	3,649,517
Real assets <sup>(e)</sup>	953,170	822,990
Derivative instruments <sup>(f)</sup>	11,694	42,034
<b>Total investments at fair value</b>	<b>10,604,775</b>	<b>11,615,506</b>
Joint ventures (equity method)	309	14,598
<b>Total investments</b>	<b>\$ 10,605,084</b>	<b>\$ 11,630,104</b>

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

b) Includes domestic and international stocks, as well as interests in funds that invest in both long only and long/short equity-based strategies; certain investments in funds may be subject to restrictions that limit the University's ability to withdraw capital until (i) certain "lock-up period" has expired or (ii) until certain underlying investments designated as "illiquid" or "side pockets" are sold. In addition, fund investments in this category may be subject to restrictions limiting the amount the University is able to withdraw as of a given redemption date. Also includes \$0.0 million and \$115.0 million in investment subscriptions paid in advance as well as \$0.0 million and \$220.0 million in investment proceeds receivable as of August 31, 2022 and 2021, respectively.

c) Includes directly-held actively traded global fixed-income securities (such as government bonds and corporate bonds) or commingled funds holding such securities of \$912.9 million and \$851.4 million and investments in multistrategy or credit funds, as well as opportunistic absolute return funds intended to enhance diversification and reduce correlation to public equity of \$760.8 million and \$842.3 million as of August 31, 2022 and 2021, respectively; certain fund investments included in this category may hold marketable securities and be subject to redemption terms governed by the respective fund agreement or may contain illiquid investments and, therefore, offer no liquidity over the fund life. Such funds holding illiquid investments are expected to yield liquidating distributions over the next six years.

d) Includes illiquid investments in private and public companies, both domestically and internationally; the majority of these investments are held through funds and also include buyout, venture capital, private debt, high yield, and subordinated debt strategies. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds, which are expected to occur over the next 16 years.

e) Includes investments in oil and gas, commodities, timber, and real estate, the majority of which are held through commingled funds; the nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds, which are expected to occur over the next 10 years.

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

As of August 31, 2022, the related unfunded commitments of the University's alternative investments valued using the practical expedient and limitations and restrictions on the University's ability to redeem or sell are summarized as follows (in thousands):

	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Absolute return	\$ 481,854	30 - 90 days or not eligible	31 - 92 days
Private equity/ venture capital	867,461	360 days or not eligible	90 days
Public equity	43,333	30-360 days or not eligible	10-180 days
Real assets	377,602	not eligible	not eligible
	<b>\$ 1,770,250</b>		

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

**(7) Endowment Net Assets**

The University's endowed assets (the Endowment) consist of 2,318 individual funds established for a variety of purposes, including with donor restriction endowment funds and without donor restrictions funds designated by the Board of Trustees to function as endowments. The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Net assets associated with these endowment

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**(a) Interpretation of Relevant Law**

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

The remaining portion of the donor-restricted endowment fund that is classified as restricted appreciation until those amounts are

appropriated for expenditures by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the University, and the investment policies of the University. The endowment funds subject to UPMIFA are true endowments and do not include perpetual funds held by others, long-term investments, annuity funds, funds held in trust for others, and miscellaneous investments. As of August 31, 2022, 68.9% of the investments described in note 6 are classified as endowed net assets.

Endowment funds are categorized in the following net asset classes as of August 31 (in thousands):

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds						
Appreciation	\$ –	3,878,867	3,878,867	\$ –	4,469,428	4,469,428
Historical value	–	1,226,590	1,226,590	–	1,148,348	1,148,348
<b>Total donor restricted</b>	<b>–</b>	<b>5,105,457</b>	<b>5,105,457</b>	<b>–</b>	<b>5,617,776</b>	<b>5,617,776</b>
Funds functioning as endowments or board-designated	2,205,380	–	2,205,380	2,357,212	–	2,357,212
<b>Total endowment net assets</b>	<b>\$ 2,205,380</b>	<b>5,105,457</b>	<b>7,310,837</b>	<b>\$ 2,357,212</b>	<b>5,617,776</b>	<b>7,974,988</b>

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

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Student financial aid	\$ 214,132	1,030,890	1,245,022	\$ 235,097	1,147,799	1,382,896
Academic, research, and program support	1,216,929	3,903,690	5,120,619	1,258,129	4,148,567	5,406,696
Capital projects, real estate, and infrastructure	774,319	170,877	945,196	863,986	321,410	1,185,396
<b>Total endowment net assets</b>	<b>\$ 2,205,380</b>	<b>5,105,457</b>	<b>7,310,837</b>	<b>\$ 2,357,212</b>	<b>5,617,776</b>	<b>7,974,988</b>

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Balance as of August 31, 2020</b>	<b>\$ 1,733,058</b>	<b>4,156,326</b>	<b>5,889,384</b>
Investment return:			
Investment income	4,214	10,062	14,276
Net realized and unrealized gains on investments	660,156	1,597,142	2,257,298
<b>Total investment return</b>	<b>664,370</b>	<b>1,607,204</b>	<b>2,271,574</b>
Cash contributions	7,425	41,693	49,118
Additions of funds for endowments	–	535	535
Transfers of institutional funds for endowments without donor restrictions	32,608	–	32,608
Withdrawal of board-designated funds for strategic initiatives	(8,534)	–	(8,534)
Appropriations for expenditure	(65,091)	(170,612)	(235,703)
Appropriations for capital purposes	(6,624)	(17,370)	(23,994)
<b>Balance as of August 31, 2021</b>	<b>\$ 2,357,212</b>	<b>5,617,776</b>	<b>7,974,988</b>
Investment return:			
Investment income	10,952	26,274	37,226
Net realized and unrealized losses on investments	(180,094)	(421,502)	(601,596)
<b>Total investment return</b>	<b>(169,142)</b>	<b>(395,228)</b>	<b>(564,370)</b>
Cash contributions	4,607	78,177	82,784
Additions of funds for endowments	–	65	65
Transfers of institutional funds for endowments without donor restrictions	111,120	–	111,120
Withdrawal of board-designated funds for strategic initiatives	(23,195)	–	(23,195)
Appropriations for expenditure	(68,485)	(177,744)	(246,229)
Appropriations for capital purposes	(6,737)	(17,589)	(24,326)
<b>Balance as of August 31, 2022</b>	<b>\$ 2,205,380</b>	<b>5,105,457</b>	<b>7,310,837</b>

**(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the donor's original contribution. Deficiencies of this nature were \$5.8 million as of August 31, 2022. As of August 31, 2021, there were no endowment funds with significant deficiencies.

**(c) Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment and seek to maintain the purchasing power of the endowment assets. Under

this policy, as approved by the Board of Trustees, the endowment assets are invested within risk tolerances of the University to provide an expected total return and inflation over the long term.

**(d) Strategies Employed for Achieving Objectives**

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

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

Committee of the Board of Trustees. The portfolio is periodically rebalanced to the target weightings for each asset class.

**(e) Relationship between Investment Objectives and Spending Policy**

The University's Board of Trustees has established a spending policy that determines how endowment distributions are made. The University employs a total return endowment spending policy that establishes the amount of endowment investment return available to support current operating and capital needs. The distribution of endowment investment return in 2022 was

based on 5% of the average fair value of the endowment over the previous 36 months ended on August 31, and 4.8% of the average fair value of the endowment over the previous 12 months in 2021. The University considers the historical average market value in setting the annual appropriation amount. Accordingly, the University expects the current spending policy to allow its endowment to maintain its purchasing power if projected growth rates are achieved. Additional real growth will be provided through new gifts and any excess investment return. The payout rate is approved annually by the Board of Trustees as part of the budget process.

**(8) Fair Values of Assets and Liabilities**

The following table summarizes the valuation of the University's assets and liabilities according to the fair value hierarchy levels as of August 31, 2022 (in thousands):

	Investments Measured at NAV <sup>(2)</sup>	Fair Value Hierarchy			Total Fair Value
		Level 1	Level 2	Level 3	
<b>FINANCIAL ASSETS:</b>					
Short-term investments and cash equivalents	\$ —	169,462	328,685	—	498,147
Public equity	3,204,693	499,380	37,730	3	3,741,806
Absolute return/fixed income	760,751	550,815	362,160	—	1,673,726
Private equity/venture capital	3,684,239	—	—	41,993	3,726,232
Real assets	950,298	186	1,500	1,186	953,170
Derivative instruments	—	(1)	11,695	—	11,694
<b>Total investments at fair value</b>	<b>8,599,981</b>	<b>1,219,842</b>	<b>741,770</b>	<b>43,182</b>	<b>10,604,775</b>
Interests in perpetual funds held by others <sup>(1)</sup>	—	—	—	1,682,142	1,682,142
<b>Total assets at fair value</b>	<b>8,599,981</b>	<b>1,219,842</b>	<b>741,770</b>	<b>1,725,324</b>	<b>12,286,917</b>
<b>FINANCIAL LIABILITIES:</b>					
Derivative instruments – interest rate swaps	—	—	(87,266)	—	(87,266)
Funds held in trust for others <sup>(3)</sup>	(1,121,578)	—	—	—	(1,121,578)
<b>Total liabilities at fair value</b>	<b>\$ (1,121,578)</b>	<b>—</b>	<b>(87,266)</b>	<b>—</b>	<b>(1,208,844)</b>

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

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

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

<sup>(1)</sup> Primarily invested in The Coca-Cola Company.

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

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

The following tables present a summary of the University's activity for investments categorized in Level 3 for the years ended August 31, 2022 and 2021 (in thousands):

	2022			2021			
	Purchases	Sales	Transfers out <sup>(1)</sup>	Purchases	Sales	Transfers out <sup>(1)</sup>	
Private equity/venture capital	\$ 57,698	(4,290)	–	Private equity/venture capital	\$ 9,411	(749)	(46,148)
Real assets	10	–	–	Real assets	–	(47)	–
<b>Total Investments</b>	<b>57,708</b>	<b>(4,290)</b>	<b>–</b>	<b>Total Investments</b>	<b>9,411</b>	<b>(796)</b>	<b>(46,148)</b>
Interests in perpetual funds held by others	20,000	–	(140,833)	Interests in perpetual funds held by others	105,000	–	(177,699)
<b>Total assets</b>	<b>\$ 77,708</b>	<b>(4,290)</b>	<b>(140,833)</b>	<b>Total assets</b>	<b>\$ 114,411</b>	<b>(796)</b>	<b>(223,847)</b>

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

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

**(9) Derivative Instruments and Hedging Activities**

**(a) Investments**

Investment strategies employed by Emory and investment managers retained by Emory may incorporate futures, options, swaps, and other derivative instruments to adjust elements of investment exposures to various securities, markets, and

currencies without taking a position in the underlying assets. These instruments expose Emory to risk of an unexpected movement in the fair value of the underlying security, a counterparty failing to meet its obligations, and, in certain circumstances, not being able to unwind a position at current fair value due to market illiquidity. Emory has established procedures to monitor and manage these risks.

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

<b>2022</b>	<b>Notional Amount<sup>(1)</sup></b>	<b>Asset Fair Value</b>	<b>Liability Fair Value</b>	<b>Total Earnings<sup>(2)</sup></b>
Foreign exchange contracts	\$ 935	467	(468)	(69,542)
Equity contracts <sup>(3)</sup>	452,835	29,835	(18,140)	17,980
<b>Total<sup>(4)</sup></b>	<b>\$ 453,770</b>	<b>30,302</b>	<b>(18,608)</b>	<b>(51,562)</b>

  

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

<sup>(1)</sup> The notional amount is representative of the absolute value of the open contracts as of August 31, 2022 and 2021, except as otherwise discussed below in (3).

<sup>(2)</sup> Gains on derivative instruments incurred during the fiscal year are included in the accompanying consolidated statements of activities in investment return in nonoperating activities.

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

<sup>(4)</sup> Derivatives are held primarily with four counterparties. Cash collateral of \$18.4 million and \$0.0 million is pledged as of August 31, 2022 and 2021, respectively.

**EMORY UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2022 AND 2021

**(b) Debt**

Historically, as a component of the debt portfolio, the University entered into interest rate swap agreements that effectively convert a portion of variable rate debt to fixed rates and are used to manage interest rate risk. Since the inception of the interest rate swap agreements, the debt portfolio has changed to incorporate fixed rate debt not associated with derivatives. The University's exchange arrangements are exposed to credit loss in the event of nonperformance by the counterparty and to interest rate risk driven by any potential basis risk with variable rate debt. Certain of the University's derivative instruments contain provisions requiring long-term, unsecured debt to be maintained at specified credit ratings from Moody's Investors Service and Standard and Poor's Ratings Service. If the ratings of the University's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivative instruments in net liability positions. As of August 31, 2022, the University's long-term debt ratings exceeded these benchmarks.

At August 31, 2022, Emory had eight interest rate swap agreements expiring on various dates ranging from September 1, 2035 through December 1, 2042. These agreements require Emory to pay fixed interest rates to the counterparties varying from 3.2% to 3.6% in exchange for variable rate payments from the counterparties based on a percentage of the three-month LIBOR.

Net settlement transactions related to the agreements described above resulted in interest expense totaling \$9.7 million and \$10.9 million and, interest expenses related to nonintegrated agreements, reflected as nonoperating loss, of \$8.9 million and \$10.2 million during 2022 and 2021, respectively. During fiscal year 2022 the University entered into and subsequently terminated an interest rate lock agreement which resulted in a favorable termination settlement payment of approximately \$39.0 million. The realized gain on the termination payment received was recorded as a change in the fair value of derivative instruments within non-operating activities, net on the accompanying consolidated statements of activities. The fair value of each exchange agreement is estimated based on pricing models that utilize significant observable inputs, such as relevant current interest rates, that reflect assumptions on the amount the University would receive or pay to terminate the agreement at the reporting date. As such, the University's exchange agreements are categorized as Level 2 in the fair value hierarchy.

The aggregate fair value of all derivative instruments with credit risk-related contingent features that are in a liability position was \$87.3 million and \$211.2 million, collateralized by \$0.0 million and \$31.3 million of cash on August 31, 2022 and 2021, respectively. Collateral postings are reported in prepaid expenses, deferred charges, and other assets in the accompanying consolidated statements of financial position.

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

Interest Rate Swaps			2022		2021	
Inception	Maturity	Notional Amount <sup>(1)</sup>	Liability Fair Value	Unrealized Gain	Liability Fair Value	Unrealized Gain
August 4, 2005	September 1, 2035	\$ 125,000	(13,003)	21,359	\$ (34,362)	10,016
August 25, 2005	September 1, 2035	40,000	(4,467)	7,090	(11,557)	3,473
December 1, 2007	September 1, 2035	75,000	(10,726)	13,906	(24,632)	6,595
May 1, 2008	September 1, 2038	75,000	(13,502)	15,864	(29,366)	7,731
December 1, 2008	December 1, 2042	100,000	(16,724)	23,426	(40,150)	11,957
December 1, 2009	September 1, 2035	75,000	(10,993)	13,964	(24,957)	6,628
June 23, 2015	September 1, 2035	125,000	(13,378)	21,205	(34,583)	9,939
June 23, 2015	September 1, 2035	40,000	(4,473)	7,084	(11,557)	3,473
<b>Total</b>		<b>\$ 655,000</b>	<b>(87,266)</b>	<b>123,898</b>	<b>\$ (211,164)</b>	<b>59,812</b>

<sup>(1)</sup> The notional amount is the predetermined dollar amount on which the exchanged interest payments are based.

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

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

**(10) Property and Equipment, Net**

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

	2022	2021
Land and improvements	\$ 247,868	\$ 242,799
Buildings and improvements	4,203,949	4,097,752
Equipment	3,112,204	2,968,148
Finance lease ROU assets (note 11)	22,190	22,190
Library and museum assets	529,413	507,039
Construction in progress	1,083,361	684,704
	9,198,985	8,522,632
Less: accumulated depreciation	(4,792,917)	(4,499,275)
Less: accumulated amortization of finance leases	(9,102)	(7,608)
<b>Total property, plant, and equipment, net</b>	<b>\$ 4,396,966</b>	<b>\$ 4,015,749</b>

The University has identified asset retirement obligations predominantly from commitments to remove asbestos and lead paint in the University's facilities at the time of major renovation or demolition. The liability was estimated using an inflation rate of 5.0% and discount rate of 4.7%.

The following table summarizes the ARO activity for the year ended August 31 (in thousands):

	2022	2021
ARO liability at beginning of year	\$ 85,833	\$ 82,616
Accretion expense	3,769	3,217
<b>ARO liability at end of year</b>	<b>\$ 89,602</b>	<b>\$ 85,833</b>

**(11) Leases**

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

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

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

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

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

	2022	2021
Finance lease cost	\$ 2,131	\$ 4,569
Amortization of ROU assets	1,493	3,250
Interest on lease liabilities	638	1,319
Operating lease cost	39,835	38,689
Short-term lease cost	22,282	15,194
<b>Total lease expense</b>	<b>\$ 64,248</b>	<b>\$ 58,452</b>

**EMORY UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2022 AND 2021

Aggregate future payments under noncancelable operating and finance leases as of August 31, 2022 are as follows (in thousands):

	<b>Operating Leases</b>	<b>Finance Leases</b>
2023	\$ 43,975	1,721
2024	40,816	1,313
2025	34,525	1,070
2026	28,338	1,044
2027	24,180	1,042
Thereafter	133,724	18,536
Total lease payments	305,558	24,726
Less: amounts representing interest	(32,351)	(8,143)
<b>Total obligation</b>	<b>\$ 273,207</b>	<b>16,583</b>

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

	<b>2022</b>	<b>2021</b>
<b>Other information</b>		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 40,497	\$ 38,499
Operating cash flows from finance leases	1,494	3,250
Financing cash flows from finance leases	1,041	1,591
Right-of-use assets obtained in exchange for new lease obligations		
Operating leases	109,242	16,054
Finance leases	—	1,369
Weighted-average remaining lease term -- finance lease	22 years	22 years
Weighted-average remaining lease term -- operating lease	8 years	8 years
Weighted-average discount rate -- finance lease	3.79%	3.72%
Weighted-average discount rate -- operating lease	2.10%	2.06%

Emory is the lessor in a long-term noncancelable operating sublease for space to serve as an expanded point of entry for imaging and surgical cases for Emory Healthcare at its Executive Park property. The lease agreement's underlying asset will continue to be classified as the original lessor's fixed asset.

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

**(12) Bonds and Notes Payable**

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

	Average Interest Rate	Final Maturity	Outstanding Principal	
			2022	2021
Tax-exempt, fixed-rate revenue bonds:				
2022 Series A	5.00%	September 1, 2032	\$ 212,055	\$ –
2020 Series B	4.63	September 1, 2041	486,470	486,470
2019 Series A	4.96	September 1, 2039	201,790	209,665
2019 Series B	5.00	September 1, 2048	39,725	39,725
2016 Series A	4.62	October 1, 2046	130,030	130,030
2016 Series B	4.19	October 1, 2043	192,905	195,750
2013 Series A	5.00	October 1, 2043	178,335	178,460
<b>Total tax-exempt, fixed-rate revenue bonds</b>			<b>1,441,310</b>	<b>1,240,100</b>
Tax-exempt, variable-rate revenue bonds:				
2022 Series B	1.81	September 1, 2052	110,380	–
2013 Series B <sup>(1)</sup>	0.79	October 1, 2039	–	135,100
<b>Total tax-exempt, variable-rate revenue bonds</b>			<b>110,380</b>	<b>135,100</b>
Taxable, fixed-rate revenue bonds:				
2020 Series A	2.41	September 1, 2050	943,750	943,750
1994 Series C	8.00	October 1, 2024	2,295	2,945
1991 Series	8.85	April 1, 2022	–	41
<b>Total taxable, fixed-rate revenue bonds</b>			<b>946,045</b>	<b>946,736</b>
Taxable, variable-rate revenue bonds:				
2022 Series C-1 <sup>(2)</sup>	2.68	September 1, 2052	110,450	–
2022 Series C-2 <sup>(2)</sup>	2.69	September 1, 2052	110,445	–
<b>Total taxable, variable-rate revenue bonds</b>			<b>220,895</b>	<b>–</b>
Unamortized bond premiums			238,788	212,772
Bond issuance costs			(9,972)	(8,571)
<b>Total bonds and notes payable</b>			<b>\$ 2,947,446</b>	<b>\$ 2,526,137</b>

<sup>(1)</sup> Average Securities Industry and Financial Markets Association Index (SIFMA) from September 1, 2021 through August 11, 2022 plus a Floating Rate Notes (FRN) spread of 42 basis points

<sup>(2)</sup> Average reset rates taken from Electronic Municipal Market Access (EMMA), plus credit facility and remarketing fees

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

The University incurred interest expense of \$76.2 million and \$75.0 million in 2022 and 2021, respectively, net of capitalized interest of \$7.6 million and \$2.8 million in 2022 and 2021, respectively. During 2022, the average interest rate on the University's tax-exempt variable demand bonds was 0.85% and taxable variable bonds was 2.68%. Related indices for this period were 0.44% for tax-exempt debt (SIFMA), and 0.66% for taxable debt.

As of August 31, 2022 the aggregate annual maturities of bonds and notes payable for the next five years and thereafter are as follows (in thousands):

	<b>2022</b>
<b>PAYABLE IN FISCAL YEAR:</b>	
2023	\$ 11,345
2024	11,450
2025	9,990
2026	290,610
2027	11,825
Thereafter	2,383,410
	<b>2,718,630</b>
Unamortized net premium	238,788
Unamortized net bond issuance costs	(9,972)
	<b>\$ 2,947,446</b>

During fiscal year 2022, the University funded \$450.0 million for general corporate purposes with proceeds from the University's issuance of the 2022 Series A, 2022 Series B, 2022 Series C-1 and 2022 C-2 bonds. Additionally, the University refunded its 2013 Series B bonds totaling \$135.1 million with proceeds from the University's issuance of 2022 Series A bonds.

The 2008 taxable Commercial Paper program of \$350.0 million had an outstanding balance of \$0.0 million and \$0.0 million, as of August 31, 2022 and 2021, respectively, under this program. On December 5, 2022, December 6, 2022, and December 12, 2022, the University issued \$75.0 million of 60-day commercial paper, \$75.0 million of 60-day commercial paper, and \$75 million of 30-day commercial paper, respectively, under this program.

The University has three credit facilities to enable the University to purchase tendered variable rate debt in the event of a failed remarketing. It has a direct-pay letter of credit supporting the 2022 C-1 bonds totaling \$110.45 million, a standby bond purchase agreement supporting 2022C-2 bonds totaling \$110.45 million, and a revolving credit agreement supporting any self-liquidity debt totaling \$175.0 million. These credit facilities are committed for the sole purposes of supporting these debt instruments and cannot be used for operating needs of the University. There were no draws against any of these facilities in 2022 or 2021.

The University has a syndicated line of credit of \$750.0 million that expires April 2026. There is no outstanding balance as of August 31, 2022, and 2021.

The University has a letter of credit with a commercial bank totaling \$1.1 million. There were no outstanding balances as of August 31, 2022 or 2021. The letter of credit agreement expires March 2023.

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

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

**(13) Net Assets**

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

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Emory undesignated funds	\$ 1,924,345	–	1,924,345	\$ 1,742,921	–	1,742,921
Endowment funds	2,205,380	5,105,457	7,310,837	2,357,212	5,617,776	7,974,988
Investment in plant	1,431,506	–	1,431,506	1,535,380	–	1,535,380
Interest in perpetual funds held by others	–	1,682,142	1,682,142	–	1,848,427	1,848,427
Contributions receivable, net	–	181,811	181,811	–	180,994	180,994
Annuity and other split-interest agreements	–	9,598	9,598	–	12,081	12,081
Capital projects and other donor purposes	–	541,288	541,288	–	390,992	390,992
	<b>\$ 5,561,231</b>	<b>7,520,296</b>	<b>13,081,527</b>	<b>\$ 5,635,513</b>	<b>8,050,270</b>	<b>13,685,783</b>

**(14) Retirement and Deferred Compensation Plans**

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

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

TEC sponsors a defined-contribution plan under the Code, Section 403(b), The Emory Clinic, Inc. Retirement Savings Plan covering eligible employees. TEC contributes an amount equal to 6% of each eligible employee's compensation to the plan as well

as a supplemental contribution of 3% based on a 1.5 to 1 match of employee contributions of up to 2% of compensation. Employer contributions cliff vest after three years of service.

Retirement expense totaled \$187.0 million and \$150.5 million during 2022 and 2021, respectively, and is included in fringe benefits expense in the accompanying consolidated statements of activities.

The University sponsors the Code Section 457(b) Deferred Compensation Plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees who are eligible for participation and elect to make salary deferrals under the Deferred Compensation Plan. These assets are fully vested and available to the participating employees at the time of termination of employment from the University. As of August 31, 2022 and 2021, respectively, the University held assets of \$192.7 million and \$215.7 million under the Retirement Plan. These assets are included in other assets, which are designated by the University to pay future salary deferral plan payments. The assets are held in separate investment funds for which the majority are classified as Level 1 in the fair value hierarchy. Associated liabilities for the obligations of \$192.7 million and \$215.7 million as of August 31, 2022 and 2021, respectively, are included in accrued liabilities for benefit obligations and professional liabilities and considered Level 2 in the fair value hierarchy.

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

**(15) Pension Plans – Emory Healthcare**

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

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

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

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

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

The accumulated benefit obligations at August 31, 2022 and 2021 are the same as the projected benefit obligations. The changes in the projected benefit obligations as of and for the years ended August 31 are as follows (in thousands):

	2022		2021	
	Emory Healthcare	SJHS	Emory Healthcare	SJHS
Projected benefit obligation, beginning of year	\$ 432,841	176,584	\$ 430,110	180,725
Interest cost	9,884	4,634	9,724	4,803
Actuarial (gain) loss	(102,676)	(39,597)	2,454	(2,175)
Benefits paid	(10,773)	(7,047)	(9,447)	(6,769)
<b>Projected benefit obligation, end of year</b>	<b>\$ 329,276</b>	<b>134,574</b>	<b>\$ 432,841</b>	<b>176,584</b>

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

	2022		2021	
	Emory Healthcare	SJHS	Emory Healthcare	SJHS
Fair Value of plan assets, beginning of year	\$ 369,401	163,431	\$ 319,729	144,088
Actual return on plan assets	(74,676)	(32,086)	51,255	18,727
Employer contributions	–	3,896	7,864	7,385
Benefits paid	(10,773)	(7,047)	(9,447)	(6,769)
<b>Fair value of plan assets, end of year</b>	<b>\$ 283,952</b>	<b>128,194</b>	<b>\$ 369,401</b>	<b>163,431</b>
<b>Funded status - accrued pension cost recognized in the consolidated statements of financial position</b>	<b>\$ (45,324)</b>	<b>(6,381)</b>	<b>\$ (63,440)</b>	<b>(13,153)</b>

**EMORY UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2022 AND 2021

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

	2022		2021	
	Emory Healthcare	SJHS	Emory Healthcare	SJHS
Interest cost	\$ 9,884	4,634	\$ 9,724	4,803
Expected return on assets	(13,928)	(6,469)	(15,451)	(9,379)
Amortization of prior service cost	–	(438)	–	(438)
Amortization of net loss	3,342	2,035	3,731	2,487
<b>Net periodic pension cost</b>	<b>\$ (702)</b>	<b>(238)</b>	<b>\$ (1,996)</b>	<b>(2,527)</b>

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

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

	2022		2021	
	Emory Healthcare	SJHS	Emory Healthcare	SJHS
Discount rate	4.84%	4.84%	2.73%	2.68%
Expected long-term rate of return on plan assets	4.40	4.00	5.20	6.50

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

	2022		2021	
	Emory Healthcare	SJHS	Emory Healthcare	SJHS
Discount rate	2.73%	2.68%	2.78%	2.71%
Expected long-term rate of return on plan assets	4.40	4.00	5.20	6.50

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

	2022							
	Emory		Total	Fair Value Hierarchy			Total Fair Value	Target <sup>(1)</sup> Allocation
	Healthcare	SJHS		Level 1	Level 2	NAV		
INVESTMENTS:								
Short-term investments and cash equivalents	\$ 3,942	6,141	10,083	8,343	–	1,740	10,083	—%
Public equity	89,406	34,298	123,704	10,602	75,510	37,592	123,704	64
Absolute return	15,850	–	15,850	–	–	15,850	15,850	4
Private equity/venture capital	9,829	–	9,829	–	–	9,829	9,829	2
Fixed income	164,925	87,755	252,680	6,180	239,194	7,306	252,680	30
<b>Total investments</b>	<b>\$ 283,952</b>	<b>128,194</b>	<b>412,146</b>	<b>25,125</b>	<b>314,704</b>	<b>72,317</b>	<b>412,146</b>	<b>100%</b>

**EMORY UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2022 AND 2021

	2021								
	Emory			Fair Value Hierarchy			Total	Target <sup>(1)</sup>	
	Healthcare	SJHS	Total	Level 1	Level 2	NAV	Fair Value	Allocation	
INVESTMENTS:									
Short-term investments and cash equivalents	\$	1,075	5,780	6,855	4,422	–	2,433	6,855	—%
Public equity		150,441	57,117	207,558	17,928	133,118	56,512	207,558	64
Absolute return		31,539	–	31,539	12,825	–	18,714	31,539	4
Private equity/venture capital		5,106	–	5,106	–	–	5,106	5,106	2
Fixed income		181,240	100,534	281,774	9,199	269,675	2,900	281,774	30
<b>Total investments</b>	<b>\$</b>	<b>369,401</b>	<b>163,431</b>	<b>532,832</b>	<b>44,374</b>	<b>402,793</b>	<b>85,665</b>	<b>532,832</b>	<b>100%</b>

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

**Cash Flows**

Emory Healthcare expects to contribute \$0.0 million to the Emory Healthcare Pension Plan, and \$1.8 million to the SJHS Pension Plan during fiscal year 2023.

**Other Items**

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

**Expected Future Benefit Payments**

Emory Healthcare annual future benefit payments, excluding lump-sum settlements, are expected to range from \$13.1 million to \$18.3 million for the next five years. SJHS Pension Plan annual future benefit payments, excluding lump-sum settlements, are expected to range from \$7.6 million to \$8.7 million for the next five years.

**EMORY UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2022 AND 2021

**(16) Postretirement Healthcare and Life Insurance Benefits**

The University sponsors a postretirement life insurance and healthcare benefits plan. Participants hired after 2002 pay the full retiree-specific premium equivalent and are therefore assumed to pay the full cost of their coverage. The University and Emory

Healthcare each fund a separate trust (VEBA Trust) for retiree health and life benefits. The assets of the VEBA Trust are invested primarily in equity and fixed-income securities. The University funds these benefits only to the extent of current retiree claims. The University measures its participation in the VEBA Trust at August 31 each fiscal year.

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

	2022			2021	
	Emory University	Emory Healthcare	Total	Total	
APBO, beginning of year	\$ 141,553	73,540	215,093	\$ 209,579	
Service cost	2,050	490	2,540	2,437	
Interest cost	3,229	1,621	4,850	4,651	
Actuarial losses (gains)	(44,927)	(19,063)	(63,990)	5,249	
Benefits paid	(4,590)	(2,742)	(7,332)	(6,823)	
<b>APBO, end of year</b>	<b>\$ 97,315</b>	<b>53,846</b>	<b>151,161</b>	<b>\$ 215,093</b>	

Discount rate to determine APBO as of August 31, 2022 and 2021 was 4.8% and 2.7%, respectively.

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

	2022			2021	
	Emory University	Emory Healthcare	Total	Total	
Fair value of plan assets, beginning of year	\$ 97,662	19,513	117,175	\$ 97,783	
Actual return on plan assets	(13,225)	(2,816)	(16,041)	19,392	
<b>Fair value of plan assets, end of year</b>	<b>\$ 84,437</b>	<b>16,697</b>	<b>101,134</b>	<b>\$ 117,175</b>	
<b>Funded status – accrued postretirement benefit cost recognized in the consolidated statements of financial position</b>	<b>\$ (12,878)</b>	<b>(37,149)</b>	<b>(50,027)</b>	<b>\$ (97,918)</b>	

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

	2022			2021	
	Emory University	Emory Healthcare	Total	Total	
Service cost of benefits earned	\$ 2,050	490	2,540	\$ 2,437	
Interest cost on APBO	3,229	1,621	4,850	4,651	
Expected return on plan assets	(5,713)	(1,142)	(6,855)	(6,405)	
Recognized net actuarial loss	2,670	2,876	5,546	6,946	
<b>Net periodic postretirement benefit cost</b>	<b>\$ 2,236</b>	<b>3,845</b>	<b>6,081</b>	<b>\$ 7,629</b>	

Discount rate and expected return on plan assets used to determine net periodic postretirement benefit cost for the years ended August 31, 2022 and 2021 was 2.7% and 2.8%, respectively, and 5.9% and 6.6%, respectively.

**EMORY UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2022 AND 2021

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

	2022			2021	
	Emory University	Emory Healthcare	Total	Total	
Net unrecognized actuarial loss	\$ 27,861	8,064	35,925	\$ 82,595	
Prior service cost	(26)	–	(26)	(56)	
<b>Total</b>	<b>\$ 27,835</b>	<b>8,064</b>	<b>35,899</b>	<b>\$ 82,539</b>	

In fiscal year 2023, net unrecognized actuarial losses of \$1.3 million for Emory University and \$0.4 million for Emory Healthcare are expected to be amortized from net assets without donor restrictions into net periodic postretirement benefit cost.

**Plan Assets**

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

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

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

	2022						
	Total Fair Value	Fair Value Hierarchy			NAV	Target Allocation	Total Asset Allocation
		Level 1	Level 2				
Fixed income	\$ 22,602	13,997	7,680	925	15%	22%	
Public equity	63,126	6,650	36,597	19,879	70	62	
Absolute return	11,658	5,985	–	5,673	10	12	
Private equity/venture capital	3,621	–	–	3,621	5	4	
Short-term investment and cash equivalent	127	127	–	–	–	–	
<b>Total investments</b>	<b>\$ 101,134</b>	<b>26,759</b>	<b>44,277</b>	<b>30,098</b>	<b>100%</b>	<b>100%</b>	

	2021						
	Total Fair Value	Fair Value Hierarchy			NAV	Target Allocation	Total Asset Allocation
		Level 1	Level 2				
Fixed income	\$ 19,215	9,784	9,431	–	15%	16%	
Public equity	83,615	8,931	49,291	25,393	70	71	
Absolute return	12,308	6,694	–	5,614	10	11	
Private equity/venture capital	1,824	–	–	1,824	5	2	
Short-term investment and cash equivalent	213	213	–	–	–	–	
<b>Total investments</b>	<b>\$ 117,175</b>	<b>25,622</b>	<b>58,722</b>	<b>32,831</b>	<b>100%</b>	<b>100%</b>	

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

### Cash Flows

Emory University and Emory Healthcare expect to contribute \$4.8 million and \$0.0 million, respectively, to the postretirement benefit plan during fiscal year 2023.

### Expected Future Benefit Payments

Annual future benefit payments are expected to range from \$4.8 million to \$5.4 million for Emory University and from \$2.8 million to \$3.2 million for Emory Healthcare for the next five years.

### (17) Functional Expenses

The accompanying consolidated statements of activities present expenses by natural classification. The University also

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

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

2022

		Instruction	Research	Academic Support and Scholarship and Fellowship	Institutional Support	Public Service	*Healthcare and Medical Services	Independent Operations and Auxiliary	Total
Salaries	\$	322,298	298,911	101,095	164,625	63,588	3,079,183	108,497	4,138,197
Fringe benefits		81,560	79,711	27,199	50,305	17,212	589,987	32,908	878,882
Student financial aid		–	–	28,166	–	–	–	–	28,166
Other operating expenses		72,688	248,567	66,232	34,326	48,432	2,048,011	22,979	2,541,235
Interest on indebtedness		6,144	9,780	3,907	1,972	1,544	36,146	16,685	76,178
Depreciation and amortization		30,780	51,527	18,582	26,637	8,472	165,349	18,367	319,714
<b>Total expenses</b>	<b>\$</b>	<b>513,470</b>	<b>688,496</b>	<b>245,181</b>	<b>277,865</b>	<b>139,248</b>	<b>5,918,676</b>	<b>199,436</b>	<b>7,982,372</b>

\* Healthcare and Medical Services – The portion of patient care services related to Emory Healthcare expense is \$5.7 billion. Healthcare administrative costs are \$549.0 million, included therein.

EMORY UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

2021

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

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

Costs related to the University's operation and maintenance of property, including depreciation of property and equipment and interest on related debt, are allocated to program and supporting activities based upon information reported in the space study and debt financing records. Total amounts allocated in 2022 and 2021 were \$205.0 million and \$190.6 million, respectively. Fundraising costs were approximately \$46.7 million and \$41.3 million in 2022 and 2021, respectively.

#### (18) Medical Professional and General Liability Insurance Coverage

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

As of August 31, 2022 and 2021, the University has recorded an accrual for estimated losses associated with all retained CCIC risks of approximately \$274.4 million (discounted at 2.5%) and \$255.5 million (discounted at 2.5%), respectively.

Emory has purchased layered excess and umbrella insurance and reinsurance coverage beyond the amounts retained by CCIC, through various carriers, for a total of \$110.0 million per claim and in the aggregate.

The estimated liability for professional and general liability claims will be significantly affected if current and future claims differ from historical trends. While the University monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and

general liability accruals, the complexity of the claims, the extended period of time to settle the claims, and the wide range of potential outcomes complicate the estimation. The University's management believes adequate provision has been made for the related risk.

#### (19) Related-Party Transactions

The Carter Center, Inc. (CCI) is a nonprofit organization founded by former U.S. President Jimmy Carter and Rosalynn Carter, which sponsors various domestic and international programs. The Board of Trustees of CCI comprises 16 to 28 members, including its founders, and others as elected half by the University, including the University's president, and half by the Carter Center class trustees. The University's Board of Trustees has the authority to approve amendments to CCI's articles of incorporation and bylaws. Funds held in trust for others include \$1.048 billion and \$1.165 billion, representing CCI's investment in the University's long-term investment portfolio as of August 31, 2022 and 2021, respectively. CCI is permitted partial withdrawals of up to 10% per year (inclusive of regular spending payouts), with 30 days' written notice prior to a calendar quarter or fiscal year end. A full withdrawal request by CCI requires at least one year's written notice and is subject to a multi-year distribution schedule in line with the duration of the long-term investment portfolio, as agreed upon by both CCI and the University.

Emory University and Children's Healthcare of Atlanta, Inc. (Children's), a Georgia nonprofit corporation, established the Emory + Children's Pediatric Institute (the Institute) effective September 1, 2018 under a Master Affiliation Agreement (the

# EMORY UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

affiliation agreement). Under the terms of the affiliation agreement, approximately 350 Emory University School of Medicine Department of Pediatrics faculty physicians and PhD researchers transferred to the Institute and became employees thereof. The affiliation agreement restructured previous arrangements between the parties for pediatric teaching, research, and related clinical services. The ownership of the Institute is 50% Emory University and 50% Children's, with equal representation on the governing board. The funding obligations of each party are specified by the affiliation agreement, and each party funds its mission-related expenses. The University reports research and teaching expenses provided by the faculty members in salaries, fringe benefits, professional fees and purchased services, and other operating expenses in the accompanying consolidated statements of activities.

### **(20) Commitments and Contingencies**

#### **Purchase Commitments**

Emory University and Emory Healthcare are in the process of constructing, renovating, and equipping certain facilities for which the outstanding commitments at August 31, 2022 and 2021 totaled \$203.9 million and \$217.7 million, respectively.

As part of the terms of the Definitive Agreement to acquire DRHS, Emory Healthcare committed \$239.0 million on capital projects to benefit DRHS and its affiliates over a 7-year period, beginning September 1, 2018. Such period may be extended under certain circumstances to a period of no more than 10 years. The outstanding commitment amount based on the terms of the Definitive Agreement totaled approximately \$69.0 million as of August 31, 2022.

#### **Federal and State Regulatory Matters**

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

The University is subject to many federal and state regulations, and as a result, there may be one or more pending government investigations ongoing at any time. While the outcome of these actions is not presently determinable, it is the opinion of management that any resulting liability from these actions will not have a material adverse effect on the accompanying consolidated statements of financial position.

#### **Other Legal Matters**

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

Emory Healthcare and SJHS have a JOC under the name of Emory/Saint Joseph's, Inc. to further the respective missions of Emory Healthcare and CHE Trinity Health. Under the JOC Contribution Agreement, Emory Healthcare maintains a 51% controlling ownership interest in the JOC. SJHS has a noncontrolling membership interest in the JOC of 49%. Effective August 31, 2014, CHE Trinity Health has a put right, as defined in the JOC Contribution Agreement, that may be exercised at any time with written notice to Emory Healthcare. Upon the occurrence of such event, Emory Healthcare may be required to purchase from SJHS its noncontrolling interest in the JOC. On March 25, 2022, CHE Trinity Health filed a complaint against Emory Healthcare in the Superior Court of Fulton County, Georgia, alleging breach of contract relating to a potential sale of CHE Trinity Health's 49% membership interest in the JOC. CHE Trinity Health seeks, among other things, a judgment ordering specific performance requiring Emory Healthcare to close the purchase of CHE Trinity Health's membership interest in the JOC and pay a purchase price of \$392.0 million. In the event Emory Healthcare closes the purchase of CHE Trinity's membership interest in the JOC, Emory Healthcare has sufficient sources of available liquidity to consummate the transaction.

The University is a defendant along with sixteen other universities in a putative class action lawsuit, *Carbone, et al. v. Brown University, et al.*, where the plaintiffs allege antitrust violations related to the award of need-based financial aid. The case is in the United States District Court for the Northern District of Illinois. The Court denied defendants' motions to dismiss the case and ordered the case to move forward to discovery.

**EMORY UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2022 AND 2021

**(21) Subsequent Events**

Emory has evaluated subsequent events after the accompanying consolidated statements of financial position date of August 31, 2022 through December 19, 2022, the date the consolidated financial statements were issued and noted that there are no other items to disclose that would have a material impact on the University's accompanying consolidated statements of financial position.

## **SUPPLEMENTARY INFORMATION**

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

AUGUST 31, 2022 AND 2021 (Dollars in thousands)

	August 31, 2022	August 31, 2021
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,203,241	\$ 529,586
Student accounts receivable, net	14,383	18,616
Loans receivable, net	16,415	18,441
Contributions receivable, net	181,811	180,994
Other receivables, net	236,274	185,308
Prepaid expenses, deferred charges, and other assets	134,885	198,088
Investments	10,124,531	11,117,694
Interests in perpetual funds held by others	1,682,142	1,848,427
Operating lease right-of-use assets	84,205	18,055
Property and equipment, net	2,344,142	2,202,256
Due from affiliates	929,681	810,745
<b>Total assets</b>	<b>\$ 16,951,710</b>	<b>\$ 17,128,210</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable and accrued liabilities	\$ 289,720	\$ 297,789
CARES Act accrued liabilities	20,755	56,403
Deferred revenue	340,557	311,548
Interest payable	39,207	38,803
Liability for derivative instruments	87,266	211,164
Bonds and notes payable	2,947,446	2,526,137
Accrued liabilities for benefit obligations and professional liabilities	160,981	199,995
Operating lease liabilities	89,878	19,709
Finance lease liabilities	16,583	17,624
Funds held in trust for others	1,121,578	1,239,045
Annuities payable	13,951	15,843
Government advances for federal loan programs	11,887	16,719
Asset retirement obligations	63,085	60,004
<b>Total liabilities</b>	<b>5,202,894</b>	<b>5,010,783</b>
Net assets without donor restrictions	4,260,278	4,116,822
Net assets with donor restrictions	7,488,538	8,000,605
<b>Total net assets</b>	<b>11,748,816</b>	<b>12,117,427</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,951,710</b>	<b>\$ 17,128,210</b>

See accompanying independent auditors' report.

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

YEAR ENDED AUGUST 31, 2022 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021) (Dollars in thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total August 31, 2022	Total August 31, 2021
<b>OPERATING REVENUE</b>				
Tuition and fees, net of scholarship allowance	\$ 488,367	-	\$ 488,367	\$ 416,618
Sales and services of auxiliary enterprises, net of scholarship allowance	75,724	-	75,724	37,715
Endowment spending distribution	215,461	-	215,461	206,255
Distribution from perpetual funds	42,407	-	42,407	40,418
Other investment income designated for current operations	59,878	-	59,878	56,134
Gifts and contributions for current use	64,811	13,076	77,887	98,306
Grants and contracts	632,221	-	632,221	590,964
Indirect cost recoveries	189,208	-	189,208	171,885
Medical services	310,203	-	310,203	325,028
Independent operations	14,276	-	14,276	12,519
Other revenue	379,303	-	379,303	103,922
Net assets released from restrictions	29,441	(20,609)	8,832	16,701
<b>Total operating revenue</b>	<b>2,501,300</b>	<b>(7,533)</b>	<b>2,493,767</b>	<b>2,076,465</b>
Operating support from Emory Healthare	109,366	-	109,366	103,518
<b>Total operating revenue and other support</b>	<b>2,610,666</b>	<b>(7,533)</b>	<b>2,603,133</b>	<b>2,179,983</b>
<b>OPERATING EXPENSES</b>				
Salaries	1,308,846	-	1,308,846	1,210,400
Fringe benefits	342,705	-	342,705	315,050
Student financial aid	28,166	-	28,166	28,678
Other operating expenses	490,631	-	490,631	459,173
Interest on indebtedness	40,352	-	40,352	43,145
Depreciation and amortization	159,993	-	159,993	159,387
<b>Total operating expenses</b>	<b>2,370,693</b>	<b>-</b>	<b>2,370,693</b>	<b>2,215,833</b>
<b>NET OPERATING ACTIVITIES</b>	<b>239,973</b>	<b>(7,533)</b>	<b>232,440</b>	<b>(35,850)</b>
<b>NONOPERATING ACTIVITIES, NET</b>				
Investment return	(238,080)	(593,567)	(831,647)	2,249,716
Change in undistributed income from perpetual funds held by others	-	(45,452)	(45,452)	250,749
Gifts and contributions for capital and long-term investment	5,663	151,439	157,102	213,760
Other losses	(2,283)	-	(2,283)	(4,474)
Loss on retirement of debt	(441)	-	(441)	-
Change in fair value of derivative instruments	163,122	-	163,122	59,812
Net periodic benefit cost other than service cost	(186)	-	(186)	(1,370)
Changes in pension and other postretirement obligations	28,659	-	28,659	15,465
Other nonoperating items, net	(58,471)	(2,622)	(61,093)	(129,150)
Net assets released from restrictions	5,500	(14,332)	(8,832)	(16,701)
<b>Total nonoperating activities, net</b>	<b>(96,517)</b>	<b>(504,534)</b>	<b>(601,051)</b>	<b>2,637,807</b>
<b>CHANGE IN NET ASSETS</b>	<b>143,456</b>	<b>(512,067)</b>	<b>(368,611)</b>	<b>2,601,957</b>
<b>BEGINNING NET ASSETS</b>	<b>4,116,822</b>	<b>8,000,605</b>	<b>12,117,427</b>	<b>9,515,470</b>
<b>ENDING NET ASSETS</b>	<b>\$ 4,260,278</b>	<b>7,488,538</b>	<b>\$ 11,748,816</b>	<b>\$ 12,117,427</b>

See accompanying independent auditors' report.

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

YEAR ENDED AUGUST 31, 2022 (Dollars in thousands)

**August 31, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (368,611)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Contributions and pledge payments restricted for long-term investment and capital projects	(98,207)
Contributions of donated securities	(72,792)
Proceeds from sale of donated securities	13,897
Net realized and unrealized losses on investments	628,630
Loss on disposal of property and equipment	2,282
Change in undistributed income from perpetual funds held by others	45,452
Loss on debt retirement	441
Depreciation and amortization	157,888
Amortization of bond premiums and issuance costs	(17,582)
Amortization of right-of-use assets	11,812
Change in pension and other postretirement	(28,659)
Change in fair value of derivative instruments	(123,898)
Change in operating assets:	
Accounts and other receivables, net	(46,733)
Contributions receivable for operations	(14,987)
Prepaid expenses, deferred charges, and other assets	31,893
Due to/from affiliates	(118,936)
Change in operating liabilities:	
Accounts payable, accrued liabilities, and interest payable	(17,747)
CARES Act accrued liabilities	(35,648)
Asset retirement obligations	3,081
Accrued liabilities for benefit obligations and professional liabilities	(10,355)
Lease liabilities, net	(6,299)
Deferred revenue	29,009
<b>Net cash used in operating activities</b>	<b>(36,069)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Disbursements of loans to students	(2,041)
Repayment of loans from students	4,067
Proceeds from sales and maturities of investments	4,031,428
Purchases of investments	(3,750,428)
Purchases of property, plant, and equipment	(293,468)
Decrease in funds held in trust for others	(33,934)
<b>Net cash used in investing activities</b>	<b>\$ (44,376)</b>

(Continued)

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

YEAR ENDED AUGUST 31, 2022 (Dollars in thousands)

**August 31, 2022**

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Contributions and pledge payments restricted for long-term investment and capital projects	\$ 92,377
Payments received restricted for capital projects from trust held by others	140,833
Proceeds from sale of donated securities restricted for long-term investment and capital projects	58,895
Proceeds from bonds payable, including commercial paper	662,981
Principal repayments of bonds payable, including commercial paper	(222,077)
Payments on finance lease obligations	(1,041)
Debt issuance costs	(2,454)
Change in annuities payable	(1,892)
Change in government advances for federal loan programs	(4,832)
<b>Net cash provided by financing activities</b>	<b>722,790</b>
Net change in cash, cash equivalents, and restricted cash	642,345
Cash, cash equivalents, and restricted cash at beginning of year	560,896
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 1,203,241</b>

See accompanying independent auditor's report.