



THE JOHNS HOPKINS UNIVERSITY

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Trustees
The Johns Hopkins University:

Opinion

We have audited the consolidated financial statements of The Johns Hopkins University (the University), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Baltimore, Maryland
October 7, 2022

THE JOHNS HOPKINS UNIVERSITY

Consolidated Balance Sheets

June 30, 2022 and 2021

(In thousands)

Assets	2022	2021
Cash and cash equivalents	\$ 770,432	571,173
Operating investments	2,284,916	2,085,455
Cash, cash equivalents and operating investments	3,055,348	2,656,628
Sponsored research accounts receivable, net	617,773	500,393
Accounts receivable, net	234,369	207,806
Contributions receivable, net	269,788	277,899
Prepaid expenses and deferred charges	58,549	52,637
Student loans receivable, net	20,599	20,967
Investments	9,218,068	10,443,599
Property and equipment, net	3,038,744	2,787,391
Operating lease right-of-use assets, net	206,464	233,864
Investment in and loans to affiliates	353,439	338,190
Other assets	366,262	375,460
Postretirement assets	161,644	118,870
Interests in trusts and endowment funds held by others	129,701	142,917
Total assets	\$ <u>17,730,748</u>	<u>18,156,621</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 891,158	792,068
Sponsored research deferred revenues	420,765	373,847
Other deferred revenues	164,347	148,138
Debt	1,499,262	1,516,023
Operating lease liabilities	226,609	254,138
Other long-term liabilities	389,290	450,117
Pension obligations	126,924	192,125
Liabilities under split-interest agreements	66,148	84,460
Endowment and similar funds held for others	691,220	817,469
Total liabilities	<u>4,475,723</u>	<u>4,628,385</u>
Net assets:		
Without donor restrictions	4,071,530	3,897,483
With donor restrictions	9,183,495	9,630,753
Total net assets	<u>13,255,025</u>	<u>13,528,236</u>
Total liabilities and net assets	\$ <u>17,730,748</u>	<u>18,156,621</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions:		
Operating revenues:		
Tuition and fees, net of financial aid of \$491,390 and \$455,972, respectively	\$ 828,497	679,200
Grants, contracts, and similar agreements	1,653,625	1,434,639
Facilities and administrative cost recoveries	425,932	377,250
Applied Physics Laboratory contract revenues	<u>2,046,347</u>	<u>1,892,959</u>
Sponsored research revenues	<u>4,125,904</u>	<u>3,704,848</u>
Contributions	195,699	179,087
Net assets released from restrictions	<u>100,079</u>	<u>99,393</u>
Contributions and donor support	295,778	278,480
Clinical services, net	831,702	776,564
Reimbursements from affiliated institutions	683,013	623,264
Other revenues	172,739	173,414
Net endowment payout used to support operations	339,175	299,041
Auxiliary enterprises	102,952	58,609
Maryland State aid	45,795	29,034
Investment return	<u>20,840</u>	<u>36,572</u>
Total operating revenues	<u>7,446,395</u>	<u>6,659,026</u>
Operating expenses:		
Compensation	3,409,361	3,148,032
Benefits	<u>1,041,274</u>	<u>971,829</u>
Compensation and benefits	4,450,635	4,119,861
Subcontractors and subrecipients	556,753	476,537
Contractual services	1,086,938	931,809
Supplies, materials, and other	660,712	608,627
Depreciation	246,366	223,023
Travel	92,442	40,520
Interest	<u>41,632</u>	<u>46,045</u>
Total operating expenses	<u>7,135,478</u>	<u>6,446,422</u>
Excess of operating revenues over operating expenses	<u>310,917</u>	<u>212,604</u>

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Years ended June 30, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Other changes in net assets without donor restrictions:		
Investment return (less than) in excess of endowment payout	\$ (287,581)	337,185
Change in benefit plans funded status, excluding benefit cost	102,248	227,516
Other net periodic benefit credit (cost)	11,102	(3,712)
Change in fair value of interest rate swap agreements	15,820	9,474
Gain on asset disposal	—	57,644
Other, net	9,046	6,431
Net assets released from restrictions	<u>12,495</u>	<u>16,411</u>
Other changes in net assets without donor restrictions	<u>(136,870)</u>	<u>650,949</u>
Total changes in net assets without donor restrictions	<u>174,047</u>	<u>863,553</u>
Changes in net assets with donor restrictions:		
Contributions	765,695	550,854
Investment return (less than) in excess of endowment payout	(1,100,380)	2,128,414
Net assets released from restrictions	(112,573)	(115,804)
Other, net	<u>—</u>	<u>385</u>
Total changes in net assets with donor restrictions	<u>(447,258)</u>	<u>2,563,849</u>
Total change in net assets	<u>(273,211)</u>	<u>3,427,402</u>
Net assets at beginning of year	<u>13,528,236</u>	<u>10,100,834</u>
Net assets at end of year	<u>\$ <u>13,255,025</u></u>	<u>13,528,236</u>

See accompanying notes to consolidated financial statements.

THE JOHNS HOPKINS UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2022 and 2021
(In thousands)

	2022	2021
Cash flows from operating activities:		
Total change in net assets	\$ (273,211)	3,427,402
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation, amortization, and other adjustments	251,814	223,025
Noncash gift of investments	(542)	(448)
Contributions restricted for long-term investment	(493,697)	(360,895)
Net realized and unrealized losses (gains) from investments	1,100,823	(2,738,858)
Net unrealized gains from swaps	(15,820)	(9,474)
Earnings from joint ventures	(26,319)	(32,964)
Change in benefit plans' funded status	(107,975)	(233,319)
Gain on asset disposal	—	(57,644)
Changes in operating assets and liabilities:		
Sponsored research and accounts receivable, net	(143,943)	(16,834)
Contributions receivable, net	8,111	(8,210)
Prepaid expenses and deferred charges	(5,912)	(15,723)
Operating lease right-of-use assets, net of operating lease liabilities	(129)	(269)
Other assets	28,766	(4,830)
Accounts payable and accrued expenses	78,362	106,393
Sponsored research, other deferred revenues and other long-term liabilities	41,719	74,629
Interests and liabilities related to trusts and split-interest agreements	(3,589)	15,677
Net cash provided by operating activities	438,458	367,658
Cash flows from investing activities:		
Purchases of investments	(9,692,856)	(7,005,006)
Proceeds from sales and maturities of investments	9,518,473	6,869,444
Purchases of property and equipment	(482,718)	(399,634)
Prepaid lease payments	(43,167)	—
Proceeds from asset disposal	—	78,599
Repayments of student loans, net of disbursements	369	2,224
Loans to affiliates	(10,370)	(8,964)
Repayments of loans to affiliates	5,470	7,368
Dividends from joint ventures, net of capital contributions	15,970	19,751
Distributions from endowment and similar funds held for others	(27,585)	(26,115)
Net cash used in investing activities	(716,414)	(462,333)
Cash flows from financing activities:		
Contributions restricted for long-term investment	493,697	360,895
Early retirement and refinancings of debt	—	(211,169)
Scheduled debt and finance lease payments	(16,482)	(15,832)
Net cash provided by financing activities	477,215	133,894
Net increase in cash and cash equivalents	199,259	39,219
Cash and cash equivalents at beginning of year	571,173	531,954
Cash and cash equivalents at end of year	\$ 770,432	571,173

See accompanying notes to consolidated financial statements.

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

(a) General

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

Education and related services (e.g., room, board, etc.) are provided to approximately 32,000 students, including 17,000 full-time students and 15,000 part-time students, and on a net basis provided approximately 11% and 10% of the University's operating revenues in fiscal 2022 and fiscal 2021, respectively. Approximately 67% of the full-time students are graduate level (including postdoctoral) and 33% are undergraduate level. Students are drawn from a broad geographic area, including most of the states in the United States and numerous foreign countries. The majority of the part-time students are graduate level students from the Baltimore-Washington, D.C. area.

Research and related services (e.g., research training) are provided through approximately 2,300 government and private sponsors. Sponsored research revenues provided approximately 55% and 56% of the University's operating revenues in fiscal years 2022 and 2021, respectively. Approximately 88% of those revenues were from departments and agencies of the United States government in both fiscal 2022 and 2021. Major government sponsors include the Department of Health and Human Services, the Department of Defense, the National Aeronautics and Space Administration, and the Agency for International Development.

Professional clinical services are provided by members of the University's faculty to patients at The Johns Hopkins Hospital (the Hospital) and other hospitals and outpatient care facilities in the Baltimore area and produced approximately 11% and 12% of the University's operating revenues in fiscal 2022 and fiscal 2021, respectively. Services are predominantly provided to patients in the Baltimore area, other parts of Maryland, or surrounding states.

(b) Basis of Presentation and Use of Estimates

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

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

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

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

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

(c) Cash, Cash Equivalents, and Operating Investments

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

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(d) Contributions

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

(e) Investments and Investment Return

Investments in United States government and agency obligations, debt securities, and directly held United States and certain international equities in common collective trust funds (CCTFs) are stated at fair value, which are determined primarily based on quoted market prices. Fair values of CCTFs, similar to mutual funds that are deemed to have a readily determinable fair value (RDFV) are based on published net asset values (NAV). Investments in private equity and venture capital, certain real estate, natural resources, certain international equities in CCTFs and absolute return funds (collectively, alternative investments) are stated at estimated fair value based on the funds' net asset values, or their equivalents (collectively, NAV) as a practical expedient. If it is probable that alternative investments will be sold for an amount different than NAV, measurement of the alternative investments will be adjusted to fair value. As of June 30, 2022, the University had no plans or intentions to sell investments at amounts different from NAV. As of June 30, 2021, \$179,256 of commingled real estate funds held at amounts different from NAV, were reported in Level 3 of the fair value hierarchy and sold subsequent to that date in secondary markets.

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

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

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illiquid investment at an inopportune time, it might be forced to do so at a substantial discount to fair value.

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

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

(f) Fair Value Measurements

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

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

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

(g) Split-Interest Agreements and Interests in Trusts

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuity agreements for which the University serves as trustee. Assets held under these arrangements are included in investments and are recorded at fair value. Contribution revenues are recognized at the date the trusts or agreements are established after

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recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the terms of the trusts for changes in the values of the assets, accretion of the discounts, and other changes in estimates of future benefits. As of June 30, 2022 and 2021, assets under the University's charitable gift annuity agreements were \$54,865 and \$68,321, respectively, and are classified in investments, and liabilities were \$27,751 and \$34,949, respectively, and are classified in liabilities under split-interest agreements.

(h) Property and Equipment

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

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

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

(i) Tuition and Fees, Net of Financial Aid

Student tuition and fees are recorded as revenue in the year the related academic services are rendered, which generally aligns with the University's fiscal year. Tuition and fees received in advance of services provided are reported in other deferred revenues and amounted to \$113,695 and \$94,896 at June 30, 2022 and 2021, respectively. The University provides institutional financial aid to eligible students, generally in an "aid package" that may also include loans, compensation under work-study programs, and/or grant and scholarship awards. The loans are provided primarily through programs of the United States government (including direct and guaranteed loan programs) under which the University is responsible only for certain administrative duties. The institutional grants and scholarships include awards provided from gifts and grants from private donors, income earned on endowment funds restricted for student aid, and University funds.

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The composition of tuition and fees, net revenue was as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Undergraduate programs	\$ 164,429	157,940
Graduate programs	610,711	473,990
Other programs	<u>53,357</u>	<u>47,270</u>
	<u>\$ 828,497</u>	<u>679,200</u>

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

(j) Grants, Contracts, and Similar Agreements

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

Approximately 78% and 77% of receivables related to reimbursement of costs incurred under grants and contracts as of June 30, 2022 and 2021, respectively, were from agencies or departments of the United States government. There is no assurance that sponsored research activities can and will continue to be made at current levels as awards are subject to the availability of and annual appropriation of funds. The University estimates that conditional awards outstanding as of June 30, 2022 approximate or exceed its recent annual sponsored program activity.

(k) Clinical Services, Net

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

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The composition of clinical services revenue by primary payor for the years ended June 30, 2022 and 2021 was as follows:

	<u>2022</u>		<u>2021</u>	
Commercial third parties	\$ 436,262	52.5 %	415,177	53.5 %
Medicare	165,072	19.9	156,344	20.1
Medicaid	78,311	9.4	72,992	9.4
Patients	75,216	9.0	69,447	8.9
All other clinical	76,841	9.2	62,604	8.1
	<u>\$ 831,702</u>	<u>100.0 %</u>	<u>776,564</u>	<u>100.0 %</u>

(l) Affiliated Institutions

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

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

(m) Auxiliary Enterprises

Auxiliary enterprises, including residence halls, food service, parking, the press, and telecommunications, provide services to students, faculty, and staff. Fees for such services are recognized as revenue as the services are provided. Student related activities included in auxiliary enterprises amounted to \$53,803 and \$12,857 in fiscal 2022 and 2021, respectively.

(n) Other Revenues

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

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(o) Insurance and Self Insurance

The University, together with other institutions, has formed captive insurance companies that arrange and provide professional liability, general liability, and property damage insurance for their shareholders. Defined portions of claims paid by these companies are self-insured. The University's claims liabilities are recognized as claims are incurred using actuarial studies based upon historical claims data, cost trends, and other actuarial estimates. Insurance expenses are recognized as operating expenses as incurred. In addition, the University is self-insured for certain other risks, primarily health, and workers' compensation. Professional insurance liabilities associated with providing clinical services are reported as gross claims on the consolidated balance sheets as other long-term liabilities, aggregated \$109,279 and \$114,713 as of June 30, 2022 and 2021, respectively. In addition, medical malpractice insurance recoveries of \$81,583 and \$92,202 as of June 30, 2022 and 2021, respectively, are reported on the consolidated balance sheets as other assets and the corresponding liabilities are reported as other long-term liabilities.

(p) Refundable Advances from the United States Government

Funds provided by the United States government under the Federal Perkins, Nursing and Health Professions Student Loan programs are loaned to qualified students, administered by the University, and may be reloaned after collections. These funds are ultimately refundable to the government and are included in other long-term liabilities. These advances totaled \$13,165 and \$11,043 as of June 30, 2022 and 2021, respectively.

(q) Income Taxes

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

(r) Leases

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

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

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

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

(s) *Derivative Financial Instruments*

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

(t) *Deferred Compensation Plans*

The University maintains deferred compensation plans for certain employees. As of June 30, 2022 and 2021, other investments, included in other assets on the consolidated balance sheets, represent investments held by the University under these deferred compensation agreements. Such amounts approximate the University's related liability to the employees and are included in other long-term liabilities. The assets and liabilities of the deferred compensation plans are categorized in Level 1 of the fair value hierarchy. The fair value of deferred compensation plan assets as of June 30, 2022 and 2021 is \$159,293 and \$182,869, respectively.

(u) *Statement of Cash Flows Supplemental Information*

Property and equipment additions included in accounts payable and accrued expenses increased \$20,728 and \$501 as of June 30, 2022 and 2021, respectively. Noncash investing activities for the years ended June 30, 2022 and 2021 include (\$100,171) and \$190,040, respectively, attributable primarily to (decreases) increases in the fair value of endowment and similar funds held for others.

(v) *Reclassifications*

Certain 2021 amounts have been reclassified in order to conform to the 2022 presentation.

(w) *Recently Adopted Accounting Standards*

In 2022, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans (Subtopic 715-20)*, which is effective for fiscal years ending after December 15, 2021. This ASU removes the requirement to present the impact of a one-percentage-point increase/decrease in healthcare trend assumptions and the estimated net loss and prior service cost to be amortized in the following year for retirement and defined benefit plans.

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(x) Related Parties

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

(2) Applied Physics Laboratory

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

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

The largest contract is with the U.S. Navy. The obligation period for the previous contract continued until September 30, 2022. On August 22, 2022, a new contract was awarded that provides for a five-year initial term ending in September 2027, with a five-year renewal option. The initial ceiling amount is \$4,396,000 and the five-year option adds \$6,204,000 of ceiling for an aggregate purchase limit to \$10,600,000 over the ten-year contract-ordering period ending September 2032.

Approximately 69% and 73% of APL's revenues in fiscal years 2022 and 2021 were from the Department of Defense and 21% and 19% were from the National Aeronautics and Space Administration, respectively. Contract work includes evaluation and design of various types of missile systems and command, control, and communication systems, assessment of submarine technologies, design of space systems for precision tracking, location and navigation, and conduct of space experiments. The contracts define costs for which reimbursements may be received and provide a management fee to the University. The Navy Contract requires that a portion of the fees earned under the Navy Contract are to be retained and used for various purposes, including, among other things, working capital, capital projects, and reserves.

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

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

Contracts awarded by federal and other sponsors, which are considered exchange transactions, are recognized as revenue as performance obligations are satisfied, which is generally as qualifying expenditures are incurred. Total revenue from contracts was \$2,013,543 and \$1,866,570 for the years ended June 30, 2022 and 2021, respectively.

Total revenue from nonexchange transactions, which are primarily grants, was \$32,804 and \$26,389 for the years ended June 30, 2022 and 2021, respectively.

(3) Accounts Receivable

Accounts receivable, net are summarized as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Affiliated institutions, primarily the Hospital (note 11)	\$ 26,056	26,957
Students	47,845	30,589
Others	<u>69,893</u>	<u>65,693</u>
Total, net of allowances of \$9,576 in 2022 and \$9,767 in 2021	143,794	123,239
Receivables for clinical professional fees, net of explicit and implicit price concessions of \$196,075 in 2022 and \$179,290 in 2021	<u>90,575</u>	<u>84,567</u>
	<u>\$ 234,369</u>	<u>207,806</u>

The mix of gross accounts receivable for clinical professional fees from patients and third-party payors consisted of the following as of June 30, 2022 and 2021: commercial third parties 47% for both 2022 and 2021; Medicare 21% and 22%, respectively; Medicaid 13% and 15%, respectively; and patients 19% and 16%, respectively.

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(4) Contributions Receivable

Contributions receivable, net are summarized as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unconditional promises scheduled to be collected in:		
Less than one year	\$ 84,233	65,350
One year to five years	159,762	166,444
Over five years	<u>47,275</u>	<u>67,525</u>
	291,270	299,319
Less unamortized discount (interest rates ranging from 1.76% to 3.00%) and allowances for uncollectible contributions	<u>21,482</u>	<u>21,420</u>
	<u>\$ 269,788</u>	<u>277,899</u>

As of June 30, 2022 and 2021, 52% and 58%, respectively, of the gross contributions receivable were due from ten donors. Approximately 68% of contribution revenues in both fiscal 2022 and 2021 were from ten donors. As of June 30, 2022, the University had also been informed of bequest intentions and conditional promises to give aggregating in excess of \$1,153,000, which have not been recognized as assets or revenues. Such gifts will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of the University.

(5) Investments and Investment Return

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

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Investments are summarized as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating investments	\$ 2,284,916	2,085,455
Investments	<u>9,218,068</u>	<u>10,443,599</u>
	<u>\$ 11,502,984</u>	<u>12,529,054</u>
Cash and cash equivalents	\$ 381,017	192,347
United States government and agency obligations	2,080,853	2,208,007
Debt securities	839,162	439,360
United States equities	1,458,990	2,495,743
International equities	939,428	1,311,387
Private equity and venture capital	2,241,229	2,361,273
Real estate	412,530	595,081
Natural resources	626,658	527,955
Absolute return	<u>2,523,117</u>	<u>2,397,901</u>
	<u>\$ 11,502,984</u>	<u>12,529,054</u>

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

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The following table summarizes the University's investments as of June 30, 2022 and 2021 for which NAV was used as a practical expedient to estimate fair value:

	Fair value determined using NAV		Unfunded commitments		Redemption frequency	Redemption notice period
	2022	2021	2022	2021	2022	2022
United States equities	\$ 1,045,180	1,548,279	38,840	19,021	2% Monthly 26% Quarterly 17% Annually	0 to 150 days
International equities	751,295	1,093,086	—	—	55% 2- to 5-Year 31% Monthly 26% Quarterly 16% Annually 27% 3- to 5-Year	6 to 365 days
Private equity and venture capital	2,184,392	2,303,213	1,008,032	837,399	N/A	N/A
Real estate	317,982	316,279	79,404	198,578	N/A	N/A
Natural resources	587,795	493,874	67,145	79,764	N/A	N/A
Absolute return	2,523,117	2,397,901	623,639	187,125	See chart below	25 to 120 days ⁽¹⁾
	<u>\$ 7,409,761</u>	<u>8,152,632</u>	<u>1,817,060</u>	<u>1,321,887</u>		

⁽¹⁾ Investments liquidated through draw downs total \$280,851 and \$342,355 as of June 30, 2022 and 2021, respectively.

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

Absolute return funds, excluding drawdown funds, have the following redemption periods as of June 30, 2022 and 2021:

	2022	2021
Quarterly redemptions	\$ 593,186	496,183
Annual redemptions	255,519	421,581
Quarterly or annually over 1- to 3-year period	1,252,700	1,034,617
Rolling 3- to 5-year redemptions	140,861	103,165
	<u>\$ 2,242,266</u>	<u>2,055,546</u>

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

(a) United States Equities

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

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(b) International Equities

This includes interests in commingled funds that invest primarily in publicly traded common stock of developed and emerging market companies. Funds offer redemptions monthly, quarterly, or annually, or over the course of 3 to 5 years, with various notice requirements typically ranging from 6 to 365 days.

(c) Private Equity and Venture Capital

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

(d) Real Estate

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

(e) Natural Resources

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

(f) Absolute Return

This includes interests in hedge funds, drawdown funds that implement strategies classified as long/short equity, credit and distressed debt, relative value, event-driven, or multi-strategy. Hedge funds structures have various redemption periods as summarized in the table above, with notice requirements ranging from 25 to 120 days. Drawdown funds are primarily organized as limited partnerships where distributions are made to investors through the liquidation of the underlying assets. It is expected to take up to 15 years to fully distribute these assets.

Investment return is classified in the consolidated statements of activities as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Operating, including endowment payout	\$ 360,015	335,613
Nonoperating	(287,581)	337,185
With donor restrictions	<u>(1,100,380)</u>	<u>2,128,414</u>
	<u>\$ (1,027,946)</u>	<u>2,801,212</u>

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(6) Fair Value Measurements

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

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

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

	Fair value as of June 30, 2021	Level 1	Level 2	Level 3	Funds at NAV
Operating investments:					
United States government and agency obligations	\$ 1,670,897	1,670,897	—	—	—
Debt securities	<u>414,558</u>	<u>196,042</u>	<u>218,516</u>	<u>—</u>	<u>—</u>
Total operating investments	<u>2,085,455</u>	<u>1,866,939</u>	<u>218,516</u>	<u>—</u>	<u>—</u>
Investments, at fair value:					
Cash and cash equivalents	192,347	192,347	—	—	—
United States government and agency obligations	537,110	511,619	25,491	—	—
Debt securities	24,802	24,202	—	600	—
United States equities	2,495,743	945,398	1,726	340	1,548,279
International equities	1,311,387	218,301	—	—	1,093,086
Private equity and venture capital	2,361,273	2,647	—	55,413	2,303,213
Real estate	595,081	23,846	—	254,956	316,279
Natural resources	527,955	—	—	34,081	493,874
Absolute return	<u>2,397,901</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,397,901</u>
Total investments, at fair value	<u>10,443,599</u>	<u>1,918,360</u>	<u>27,217</u>	<u>345,390</u>	<u>8,152,632</u>
Total investments	<u>\$ 12,529,054</u>	<u>3,785,299</u>	<u>245,733</u>	<u>345,390</u>	<u>8,152,632</u>

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

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The following table presents the University's activity for Level 3 investments measured at fair value on a recurring basis for the years ended June 30, 2022 and 2021:

	Debt securities	U.S. equities	Private equity and venture capital	Real estate	Natural resources	Total
Balance as of June 30, 2020	\$ 3,240	332	43,732	78,300	25,937	151,541
Transfers between levels	—	—	(9,114)	179,256	—	170,142
Net realized and unrealized gain (loss)	108	—	13,392	(2,600)	8,458	19,358
Sales and distributions	(3,202)	—	(8,319)	—	(993)	(12,514)
Purchases and contributions	454	8	15,722	—	679	16,863
Balance as of June 30, 2021	600	340	55,413	254,956	34,081	345,390
Transfers between levels	—	—	2,468	—	—	2,468
Net realized and unrealized gain (loss)	—	7,967	3,261	(609)	8,859	19,478
Sales and distributions	(600)	(71,848)	(10,930)	(191,972)	(4,668)	(280,018)
Purchases and contributions	—	63,541	5,743	13,325	591	83,200
Balance as of June 30, 2022	\$ —	—	55,955	75,700	38,863	170,518

For the year ended June 30, 2022, private equity assets totaling \$1,357 moved from Level 3 to Level 1 due to public market events, while private equity assets totaling \$3,825 moved from NAV to Level 3. For the year ended June 30, 2021, private equity assets totaling \$9,114 moved from Level 3 to Level 1 due to public market events, and real estate assets totaling \$179,256 moved from NAV to Level 3 due to a pending secondary sale.

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(7) Property and Equipment

Property and equipment, net, are summarized as follows as of June 30, 2022 and 2021:

	2022	2021	Range of useful lives
Land	\$ 130,717	110,395	N/A
Land improvements	118,857	116,916	15 years
Buildings and leasehold improvements	4,072,432	3,931,332	10–40 years
Equipment	1,209,787	1,176,977	7–15 years
Capitalized software costs	137,548	135,570	3–10 years
Library collections	398,941	381,555	25 years
Construction in progress	756,366	544,914	N/A
	6,824,648	6,397,659	
Less accumulated depreciation and amortization	3,785,904	3,610,268	
	\$ 3,038,744	2,787,391	

(8) Debt

Debt is summarized as follows as of June 30, 2022 and 2021:

	2022	2021
Bonds payable, net	\$ 1,114,246	1,123,121
Notes payable – taxable	265,684	268,511
Commercial paper revenue notes – taxable	70,000	70,000
Finance lease obligations (note 15)	49,332	54,391
	\$ 1,499,262	1,516,023

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(a) Bonds Payable

Bonds payable were 1) issued by the Maryland Health and Higher Educational Facilities Authority (MHHEFA) or 2) taxable bonds issued directly, and consist of the following as of June 30, 2022 and 2021:

	2022	2021
Revenue Bonds Series 2005A, variable effective rate (0.89%), due July 2036	\$ 69,265	69,265
Taxable Bonds 2013 Series A, 4.08%, due through July 2053	355,000	355,000
Revenue Bonds Series 2013B, 4.25% to 5.00%, due through July 2041	73,845	82,440
Taxable Bonds 2015 Series A, 3.75%, due through July 2045	150,000	150,000
Taxable Bonds 2020 Series A, 1.97% to 2.81%, due through January 2060	470,000	470,000
Subtotal	1,118,110	1,126,705
Premium and discount, net	1,272	1,735
Debt issuance cost, net	(5,136)	(5,319)
	\$ 1,114,246	1,123,121

The bonds payable outstanding as of June 30, 2022 and 2021 are unsecured general obligations of the University. The loan agreements generally provide for semiannual payments of interest.

(b) Notes Payable – Taxable

Notes payable – taxable consist of the following as of June 30, 2022 and 2021:

	2022	2021
Note, 2.74%, due November 2023	\$ 25,000	25,000
Note, 2.89%, due November 2024	20,945	22,000
Note, 2.90%, due November 2024	21,689	22,456
Note, 2.94%, due November 2027	25,000	25,000
Note, 3.83%, due October 2028	25,000	25,000
Note, 3.92%, due November 2028	48,050	49,055
Notes, 4.16%, due May 2048	50,000	50,000
Note, 4.50%, due November 2049	50,000	50,000
	\$ 265,684	268,511

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

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(c) Commercial Paper

Under the commercial paper program, the University may have commercial paper outstanding of up to \$400,000. The notes are unsecured, bear interest at rates that are fixed at the date of issue and may have maturities up to 270 days from the date of issue. The taxable notes outstanding as of June 30, 2022 bear interest at a weighted average rate of 1.75%.

(d) Other Credit Agreements

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

<u>Amount</u>	<u>Maturity</u>	<u>Purpose</u>
\$ 100,000	March 2023	Revolving line of credit
100,000	September 2023	Standby liquidity agreement
50,000	December 2025	Standby liquidity agreement
100,000	March 2023	Line of credit
50,000	September 2023	Line of credit
50,000	July 2025	Line of credit

The University may borrow up to \$100,000 under a revolving line of credit designated for working capital purposes at APL. Advances under the revolving line of credit are unsecured, due on demand, and bear interest at a rate that varies based on certain market indices. There were no borrowings on the revolving line of credit as of June 30, 2022 and 2021.

To support liquidity under the bond and commercial paper revenue notes programs, the University has two standby liquidity agreements with commercial banks. These agreements are intended to enable the University to fund the purchase of variable rate demand bonds, in the event they are unable to be tendered and not remarketed, and to pay the maturing principal of and interest on commercial paper notes in the event they cannot be remarketed. Advances under these agreements are unsecured, bear interest at a rate that varies based on certain market indices, and are due by the stated expiration date unless extended by a term loan. There were no borrowings under any of the University's standby credit facilities during fiscal 2022 and 2021. The University also has three lines of credit available for liquidity purposes.

(e) Interest Rate Swap Agreements

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

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The following table summarizes the general terms of the University's fixed payor swap agreements as of June 30, 2022:

<u>Effective date</u>	<u>Notional amount</u>	<u>Termination date</u>	<u>Interest rate paid</u>	<u>Interest rate received</u>
June 2005	\$ 69,265	July 2036	3.87 %	SIFMA, 0.98% as of June 30, 2022
July 2007	5,245	July 2027	3.45	67% of 1-month LIBOR, 1.12% as of June 30, 2022
Total	<u>\$ 74,510</u>			

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

The fair value of each swap is the estimated amount the University would receive or pay to terminate the swap agreement at the reporting date considering current interest rates and creditworthiness of the swap counterparties. The aggregate fair value of the University's interest rate swap agreements as of June 30, 2022 and 2021 was a liability of \$9,595 and \$25,415, respectively, excluding accrued interest, and is reported as other long-term liabilities. Changes in the fair value of the interest rate swap agreements are reported as nonoperating activities. The change in fair value was a gain of \$15,820 and \$9,474 in fiscal 2022 and 2021, respectively.

The University is required to post collateral under these agreements when certain thresholds are exceeded. As of June 30, 2022 and 2021, the required collateral was \$0 and \$800, respectively, which is included in cash and cash equivalents.

(f) Annual Principal Payments

The following table summarizes the aggregate annual maturities of bonds payable, notes payable, as well as taxable commercial paper, for the five fiscal years subsequent to June 30, 2022:

	<u>Bonds payable</u>	<u>Notes payable</u>	<u>Commercial paper notes</u>	<u>Total</u>
2023	\$ 8,595	3,759	—	12,354
2024	—	30,567	—	30,567
2025	—	43,093	—	43,093
2026	—	4,280	—	4,280
2027	—	4,380	—	4,380
Thereafter	<u>1,109,515</u>	<u>179,605</u>	<u>70,000</u>	<u>1,359,120</u>
	<u>\$ 1,118,110</u>	<u>265,684</u>	<u>70,000</u>	<u>1,453,794</u>

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

(g) Interest Costs

Total interest costs incurred and paid were \$52,361 in 2022 and \$54,431 in 2021, of which \$10,810 in 2022 and \$7,775 in 2021 were capitalized.

(9) Net Assets

Net assets without donor restrictions consists of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net investment in plant	\$ 1,539,481	1,271,368
Board-designated endowments	1,170,661	1,326,013
Undesignated	<u>1,361,388</u>	<u>1,300,102</u>
	<u>\$ 4,071,530</u>	<u>3,897,483</u>

Net assets with donor restrictions consists of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donor-restricted endowment funds	\$ 7,073,811	7,989,266
Contributions receivable for endowment	69,612	66,095
Contributions receivable for operating	180,661	186,147
Contributions restricted for facilities	942,260	667,087
Land subject to time and purpose restrictions	27,700	27,700
Perpetual trusts for scholarship and program support	73,889	81,652
Other contributions, including annuities and other trusts	<u>815,562</u>	<u>612,806</u>
	<u>\$ 9,183,495</u>	<u>9,630,753</u>

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

(10) University Endowment

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

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

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

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

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

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

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

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

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

As of June 30, 2022, donor-restricted endowments with an original gift value of \$372,203 were underwater by \$25,891. As of June 30, 2021, there were no underwater donor-restricted endowments. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments and authorized appropriation that was deemed prudent.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 969,640	5,780,452	6,750,092
Investment return	365,314	2,328,256	2,693,570
Contributions and designations	40,121	176,151	216,272
Appropriation for expenditure	<u>(49,062)</u>	<u>(295,593)</u>	<u>(344,655)</u>
Endowment net assets, June 30, 2021	1,326,013	7,989,266	9,315,279
Investment return	(169,288)	(793,896)	(963,184)
Contributions and designations	66,612	189,425	256,037
Appropriation for expenditure	<u>(52,676)</u>	<u>(310,984)</u>	<u>(363,660)</u>
Endowment net assets, June 30, 2022	<u>\$ 1,170,661</u>	<u>7,073,811</u>	<u>8,244,472</u>

Appropriation for expenditure with donor restrictions for the years ended June 30, 2022 and 2021 includes \$24,485 and \$45,614, respectively, not used in current year operations but which is intended for future use.

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

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

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

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

(11) Affiliated Institutions

Reimbursements from affiliated institutions consist of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Johns Hopkins Health System	\$ 58,852	42,757
Johns Hopkins Hospital	335,935	328,014
Johns Hopkins Bayview Medical Center	91,499	89,995
Other Johns Hopkins entities	147,625	135,474
Other affiliated medical institutions	<u>49,102</u>	<u>27,024</u>
	<u>\$ 683,013</u>	<u>623,264</u>

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(a) *The Johns Hopkins Health System (JHHS)*

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

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

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

(b) *The Hospital*

The Hospital is a member of JHHS and serves as the primary teaching facility of the University's School of Medicine. Because of the closely related nature of their operations, the University and the Hospital share facilities and provide services to each other to fulfill their purposes more effectively. The sharing of facilities and services is negotiated annually and set forth in a Joint Administrative Agreement (JAA). Charges to the Hospital under the JAA, related primarily to the provision of professional medical services from the University, aggregated \$269,373 in fiscal 2022 and \$249,894 in fiscal 2021. Charges to the University under the JAA, related primarily to contractual services, aggregated \$51,810 in fiscal 2022 and \$49,523 in fiscal 2021, and are included in operating expenses in the consolidated statements of activities.

(c) *Johns Hopkins Bayview Medical Center (JHBMC)*

JHBMC is a community-based teaching hospital and long-term care facility. The University and JHBMC also share facilities and provide services to each other and negotiate the costs annually under a JAA. Charges to JHBMC under the JAA, related primarily to the provision of professional medical services from the University, aggregated \$83,901 in fiscal 2022 and \$81,321 in fiscal 2021.

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

In July 2007, the University and JHHEFI entered into an agreement whereby JHHEFI transferred approximately \$381,000 to the University to invest in the University's Endowment Investment Pool (EIP) and have the University manage these assets on JHHEFI's behalf. The funds were invested with other University assets in the University's name and title, and in accordance with the University's EIP investment policies and objectives. JHHEFI receives payouts as determined by their Board of Trustees and may terminate the agreement upon 180 days' written notice with liquidations to be made over a three-year period as specified in the agreement. The assets are included in investments in the consolidated balance sheets, and a corresponding liability of \$557,033 and \$661,513 is included in endowment and similar funds held for others as of June 30, 2022 and 2021, respectively. The

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corresponding liability has a fair value measurement of Level 3. JHHEFI's assets represent approximately 9.1% of the combined investment pool of \$6,133,792 as of June 30, 2022.

(e) Jointly Owned Entities

As of June 30, 2022 and 2021, the University and JHHS and its affiliates jointly own several entities that are accounted for on the equity method. The University's aggregate investments in and advances to these joint ventures was \$347,138 and \$331,372 as of June 30, 2022 and 2021, respectively. Equity in operating earnings of affiliates aggregated approximately \$30,866 in fiscal 2022 and \$34,905 in fiscal 2021.

In 2005, one of these entities, JHMI Utilities LLC, was formed to provide utility services for the East Baltimore campus. The University and Hospital, each owning 50% of JHMI Utilities LLC, provide all of its funding, including debt service, through payments for services received. Utility and telecommunications services provided to the University in fiscal 2022 and 2021 were \$31,571 and \$30,331, respectively. JHMI Utilities LLC has an agreement with the University to finance a portion of the costs of installation of, and subsequent upgrades to, an enterprise information technology system that provides integrated patient care information and service across JHM. The project has been successfully implemented with the total project cost at approximately \$321,400 as of June 30, 2022. The cost of implementing the enterprise information technology strategy was financed through a combination of loans from, or guarantees by, the University and JHHS. The University committed to funding up to \$36,800 of the project. As of June 30, 2022 and 2021, \$10,300 and \$13,900, respectively, was outstanding on the loan. In addition, the University has agreed to guarantee a pooled loan of up to \$8,500.

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

The following table summarizes the aggregate condensed financial information of the jointly owned entities and the University's proportionate share of the entities as of and for the years ended June 30, 2022 and 2021, respectively:

	2022		2021	
	Total	University interest	Total	University interest
Assets	\$ 1,390,647	589,464	1,462,386	633,501
Liabilities	783,412	332,329	896,022	387,233
Operating revenues	3,340,454	1,339,182	3,204,539	1,252,074
Operating expenses	3,256,458	1,308,316	3,110,871	1,217,169

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(12) Pension and Postretirement Benefit Plans

The University has several benefit plans that are available to substantially all full-time employees. Most of these plans are qualified defined contribution plans for which the University's policy is to fund benefit costs as earned. The University also has a defined benefit pension plan covering bargaining unit employees and those classified as support staff. Benefit plan expenses were \$283,992 in fiscal 2022 and \$280,725 in fiscal 2021, including \$265,859 and \$246,002, respectively, related to defined contribution plans. Of the total benefit expense, APL's defined contribution plan accounted for \$102,214 in fiscal 2022 and \$96,343 in fiscal 2021.

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

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

The University uses a June 30 measurement date for its defined benefit pension plan and retiree benefit plans. Information relating to the benefit obligation, assets, and funded status of the defined benefit pension

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plan and the postretirement benefit plans as of and for the years ended June 30, 2022 and 2021 is summarized as follows:

	<u>Pension plan</u>		<u>Postretirement plans</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 923,248	911,200	282,555	296,750
Service cost	15,344	17,125	8,613	8,949
Interest cost	24,771	24,035	7,087	7,122
Participant contributions	—	—	11,983	11,634
Plan amendment	—	5,949	—	—
Actuarial gain	(208,022)	(9,821)	(128,909)	(23,177)
Benefits paid	(27,931)	(25,240)	(24,130)	(19,437)
Medicare subsidies received	—	—	654	714
Benefit obligation at end of year	<u>727,410</u>	<u>923,248</u>	<u>157,853</u>	<u>282,555</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	731,123	580,628	401,425	320,748
Actual return on plan assets	(119,849)	140,675	(71,873)	90,454
University contributions	17,143	35,060	—	—
Participant contributions	—	—	13,421	12,163
Benefits paid	(27,931)	(25,240)	(24,130)	(22,654)
Medicare subsidies received	—	—	654	714
Fair value of plan assets at end of year	<u>600,486</u>	<u>731,123</u>	<u>319,497</u>	<u>401,425</u>
Funded status recognized as (pension obligation) and postretirement asset, net	<u>\$ (126,924)</u>	<u>(192,125)</u>	<u>161,644</u>	<u>118,870</u>

The accumulated benefit obligation for the pension plan was \$707,909 and \$895,143 as of June 30, 2022 and 2021, respectively.

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The table below reflects the net pension and postretirement benefit cost reported in operating as benefits expense and nonoperating as other net periodic benefit cost for the years ended June 30, 2022 and 2021:

	<u>Pension plan</u>		<u>Postretirement plans</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating:				
Service cost	\$ 15,344	17,125	8,613	8,949
Total operating, included in benefits expense	<u>15,344</u>	<u>17,125</u>	<u>8,613</u>	<u>8,949</u>
Nonoperating:				
Interest cost on accumulated benefit obligation	24,771	24,035	7,087	7,122
Amortization of prior service cost (credit)	531	(167)	505	505
Expected return on plan assets	(33,601)	(33,151)	(15,914)	(21,975)
Amortization of actuarial loss (gain)	<u>10,098</u>	<u>27,219</u>	<u>(4,579)</u>	<u>124</u>
Total nonoperating	<u>1,799</u>	<u>17,936</u>	<u>(12,901)</u>	<u>(14,224)</u>
Total net pension and postretirement benefit cost (credit)	<u>\$ 17,143</u>	<u>35,061</u>	<u>(4,288)</u>	<u>(5,275)</u>

The table below reflects the changes in plan assets, pension obligations, and postretirement assets recognized as nonoperating items for the years ended June 30, 2022 and 2021:

	<u>Pension plan</u>		<u>Postretirement plans</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
New prior service cost	\$ —	5,949	—	—
Net (gain) for the year	(54,572)	(117,346)	(41,121)	(88,438)
Amortization of prior service (cost) credit	(531)	167	(505)	(505)
Amortization of net (gain) loss	<u>(10,098)</u>	<u>(27,219)</u>	<u>4,579</u>	<u>(124)</u>
Net (gain) recognized in nonoperating activities	<u>\$ (65,201)</u>	<u>(138,449)</u>	<u>(37,047)</u>	<u>(89,067)</u>

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

	Pension plan		Postretirement plans	
	2022	2021	2022	2021
Weighted average assumptions used to determine benefit obligations at June 30:				
Discount rate	4.61 %	2.72 %	4.57%–4.60%	2.60%–2.79%
Average rate of compensation increase	2.90	2.90	N/A	N/A
Rate of increase in healthcare costs for next year	N/A	N/A	5.80	5.90
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	2.72 %	2.66 %	2.60%–2.79%	2.54%–2.73%
Expected rate of return on plan assets	5.50	6.75	4.00	7.00
Rate of compensation increase	2.90	2.90	N/A	N/A
Rate of increase in healthcare costs	N/A	N/A	6.00	6.10

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

The rate of increase in healthcare costs was assumed to begin with an initial rate of 6.0% in 2022 and decrease to 4.0% in 2044 and to remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the reported postretirement benefit cost and obligation.

(a) Plans' Assets

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

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

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(b) Pension Plan

The following table presents the fair value and categorization within the fair value hierarchy of the assets of the defined benefit pension plan as of June 30, 2022 and 2021:

	2022			2021		
	Total	Level 1	Funds at NAV	Total	Level 1	Funds at NAV
Cash and cash equivalents \$	928	928	—	1,987	1,987	—
Fixed income securities	209,667	203,869	5,798	234,582	227,485	7,097
United States equities and international equities	283,296	251,051	32,245	462,958	413,376	49,582
Absolute return	106,595	—	106,595	31,596	—	31,596
Total	\$ 600,486	455,848	144,638	731,123	642,848	88,275

(c) Postretirement Plans

The following table presents the fair value and categorization within the fair value hierarchy of the assets of the postretirement plans as of June 30, 2022 and 2021:

	2022			2021		
	Total	Level 1	Funds at NAV	Total	Level 1	Funds at NAV
Cash and cash equivalents \$	5,062	5,062	—	5,435	5,435	—
Fixed income securities	227,265	227,265	—	303,993	303,993	—
United States equities and international equities	36,630	19,355	17,275	73,114	46,555	26,559
Absolute return	50,540	—	50,540	18,883	—	18,883
Total	\$ 319,497	251,682	67,815	401,425	355,983	45,442

The Plans have no unfunded commitments to fund managers as of June 30, 2022 and 2021.

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The University's target asset allocations for the pension plan and the postretirement plans as of June 30, 2022 and 2021:

	Pension plan		Postretirement plans	
	2022	2021	2022	2021
Fixed income securities	30 %	30 %	75 %	75 %
United States equities and international equities	60	60	15	15
Absolute return	10	10	10	10
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(d) Cash Flows

The University expects to contribute \$20,300 to the pension plan in fiscal 2023.

Employer benefits expected to be paid, net of expected retiree contributions, to be received in the five years subsequent to June 30, 2022 and in aggregate for the five fiscal years thereafter are as follows:

	Pension plan	Postretirement plans
2023	\$ 32,183	10,935
2024	34,060	10,794
2025	35,842	10,894
2026	37,752	10,960
2027	39,602	11,037
2028–2032	221,282	55,589

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

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(13) Functional Expense Information

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

	2022 Programs							
	Instruction, research and clinical practice	APL	Student services	Auxiliaries	Libraries	Total Programs	Institutional support	Total expenses
Compensation	\$ 2,085,964	957,709	70,907	21,001	14,449	3,150,030	259,331	3,409,361
Benefits	514,731	421,713	19,837	5,838	4,113	966,232	75,042	1,041,274
Subcontractors and subrecipients	349,070	207,683	—	—	—	556,753	—	556,753
Contractual services	677,248	92,523	69,762	52,257	9,831	901,621	185,317	1,086,938
Supplies, materials and other	402,914	169,960	2,974	29,251	7,908	613,007	47,705	660,712
Depreciation	95,027	86,252	4,402	8,288	17,931	211,900	34,466	246,366
Travel	68,759	17,316	2,531	226	215	89,047	3,395	92,442
Interest	27,923	—	1,063	2,805	657	32,448	9,184	41,632
Total	<u>\$ 4,221,636</u>	<u>1,953,156</u>	<u>171,476</u>	<u>119,666</u>	<u>55,104</u>	<u>6,521,038</u>	<u>614,440</u>	<u>7,135,478</u>

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

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

Costs related to the operation and maintenance of property, including depreciation of property and equipment and interest on related debt, are allocated to program and supporting activities based upon periodic inventories of facilities. Other net periodic benefit cost (credit) recorded in nonoperating expense was (\$11,102) and \$3,712 for the years ended June 30, 2022 and 2021, respectively.

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(14) Liquidity and Availability

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

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 747,526	545,452
Operating investments, net of expected board designated transfers to endowment	421,522	1,134,652
Sponsored research accounts receivable, net	617,773	500,393
Accounts receivable, net	234,369	207,806
Contributions receivable, net	35,056	34,336
Expected endowment payout for upcoming fiscal year	434,300	365,430
Investments in and loans to affiliates	7,209	5,511
Payout from interests in trusts and endowment funds held for others	<u>4,406</u>	<u>4,469</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 2,502,161</u>	<u>2,798,049</u>

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

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

(15) Leases

The University leases facilities used in its academic and research operations under long-term operating and finance leases, including certain facilities from the Hospital under a renewable one year lease. This lease provides for a rent equal to the cost to the Hospital for maintaining the facilities and has been renewed for the year ending June 30, 2023.

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For the years ended June 30, 2022 and 2021, the components of lease expense are as follows:

	<u>2022</u>	<u>2021</u>
Lease cost:		
Finance lease expense:		
Amortization of right-of-use assets	\$ 4,452	4,452
Interest on lease obligations	3,225	3,528
Operating lease expense	53,999	53,493
Variable lease expense	47,748	46,135
Short-term lease expense	4,554	4,797
Total lease expense	<u>\$ 113,978</u>	<u>112,405</u>
Other information:		
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	\$ 20,873	53,826
Weighted-average remaining lease term:		
Finance leases	6.77 yrs.	7.75 yrs.
Operating leases	6.60 yrs.	7.03 yrs.
Weighted-average discount rate:		
Finance leases	6.38 %	6.45 %
Operating leases	2.38	2.38

Payments due include options, where reasonably certain, to extend operating leases through fiscal year 2107 and are summarized below as of June 30, 2022:

	<u>Affiliates</u>	<u>Others</u>	<u>Total</u>
2023	\$ 11,270	38,263	49,533
2024	9,060	37,758	46,818
2025	7,590	28,308	35,898
2026	5,838	21,741	27,579
2027	3,419	18,047	21,466
After 2027	5,380	60,098	65,478
	<u>42,557</u>	<u>204,215</u>	<u>246,772</u>
Less amounts representing interest	<u>3,087</u>	<u>17,076</u>	<u>20,163</u>
Total operating lease liabilities	<u>\$ 39,470</u>	<u>187,139</u>	<u>226,609</u>

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Payments due for finance leases through fiscal year 2031 are summarized below as of June 30, 2022:

2023	\$	8,524
2024		8,772
2025		9,027
2026		9,289
2027		9,559
After 2027		<u>14,941</u>
		60,112
Less amounts representing interest		<u>10,780</u>
Total finance lease liabilities	\$	<u><u>49,332</u></u>

As of June 30, 2022, the gross amount of finance right of use assets and accumulated depreciation thereon are reflected in property and equipment and amounted to \$77,559 and \$46,906, respectively.

The following presents supplemental cash flow information for the year ended June 30, 2022 and 2021 as it relates to cash paid for amounts included in the measurement of lease liabilities:

	<u>2022</u>	<u>2021</u>
Operating cash flows for operating leases	\$ 53,851	52,171
Operating cash flows for finance leases	5,059	4,521
Financing cash flows for finance leases	3,225	3,528

In June 2021, the University signed a 40-year lease agreement with the Hospital for approximately 65% of the space in a research facility scheduled to be completed by the end of 2025. The first of three wings in the facility is expected to be available for use before the end of fiscal 2024. The University will be responsible for approximately 65% of the total core and shell costs, which are estimated to range from \$300,000 to \$320,000, and will fund its share of these costs as prepayments under the lease on a monthly basis during the construction and renovation period. In addition, the University will fund its own tenant improvements during this period. In 2022, the University made prepayments on the lease of \$43,167, which are included in other assets as of June 30, 2022.

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(16) Other Commitments and Contingencies

(a) Guarantees

The University and the Hospital have also provided guarantees of principal and interest payments related to loans granted to JHMI Utilities LLC under the MHHEFA Pooled Loan Program. As of June 30, 2022, the University's guarantee amounted to \$8,500 and continues until maturity of the loans occurring through 2029.

(b) Regulatory and Legal Matters

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

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

(i) Specific Matters

On April 1, 2015, a complaint was filed against the University, its Bloomberg School of Public Health and its School of Medicine, JHHSC and JHH (collectively the "Johns Hopkins Defendants"), as well as another academic institution and a pharmaceutical company (collectively the "defendants"). The claims in the litigation arise from human experiments conducted in Guatemala between 1946 and 1948 (the "Study") under the auspices of the United States Public Health Service, the Guatemalan government, and the Pan American Sanitary Bureau. After a seven-year period of protracted litigation, on April 18, 2022, the U.S. District Court in the District of Maryland granted the Defendants' Motion for Summary Judgment in full. The plaintiffs in the case did not appeal that ruling with respect to the Johns Hopkins Defendants, and the Johns Hopkins Defendants were dismissed from the case on August 3, 2022.

(17) Subsequent Events

The University evaluated subsequent events through October 7, 2022, which is the date the consolidated financial statements were issued. There were no additional matters that required adjustment to or disclosure in the consolidated financial statements.